

## THE RELATIONSHIP BETWEEN FRANCHISEE AND FRANCHISOR: A QUALITATIVE APPROACH STUDY OF THE FAST FOOD FRANCHISING IN YANGON

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### Abstract

This study aims to find out how do entrepreneurs perceive on relationship between franchisor and franchisee effectiveness of franchisor's supports, building up trust to have a better performance of their business. Furthermore it is to clarify the relationship between franchisors and franchisees in fast food business in Yangon, Myanmar. Franchising is fast-growth and already been a success in global market in decades but still in an early stage for Myanmar. In this regard, many entrepreneurs in fast food franchising business are handicapped in dealing with the globally well-known brands.

The contribution of previous researches about franchising has been explored in important of relationships between franchisor and franchisee. Using Leader-Member Exchange theory to develop a conceptual model to propose and explain how relationship quality can affect the important of franchisee's trust and franchisee's performance. An Exploratory research was conducted and involved gathering qualitative data using interviews. The sample considered in the study consisting 14 managers and owners in the fast food restaurant sector. This study can be deemed a new research topic in Myanmar because there are not many researches on franchisor and franchisee relationship, particularly in fast food sector.

A thematic based analysis is used for this study. The properties of textual information, which detect the important structures of its communication content, are systematically identified. According to the finding of this study in franchise business, franchisor allows to use its brand name to the franchisor with the supports in kinds and cash. All 14 franchisees made the similar statement that they had supports from the franchisors. Most of the respondents agreed that the relationship between them will make their performance better because nature of franchise business is based on cooperation between franchisor and franchisee.

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**Keywords:** Franchising, Franchisor-Franchisee Relationship, Franchisor Supports, Quality of Relationship, Franchisee Trust, Franchisee Performance

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### Introduction

Myanmar adopted centrally planned economy for more than four decades. Since 2011, the Myanmar economy has undergone several of economic and political reforms, resulting in tremendous transformation and unprecedented growth after decades of isolation. On the back of rapid economic development, the country

still faces many challenges. Every sector in the country now has to play catch-up. Myanmar has massive potential for growth because of its sizable amount of labor forces and 53 million of population as customer base. Moreover, it is blessed with vast arable land and abundant natural resources. In this regard, it provides emerging market opportunities and foreign investment trends. Since then, it has opened its



door to the outside world and has welcome foreign investments including fast food franchising business.

Since fast food from outside world is very new for Myanmar people, who started enjoying eating out at the restaurants of foreign brands food, franchising has become popular among Myanmar and many more fast food franchising are targeting to enter into this kind of business venture. The introductory stage of Myanmar franchising main focuses on providing information about the factors that affect the franchisees and franchisors to understanding impact of those factors on successful relationship. This study will be a new research topic in Myanmar because there are not many researches on franchisor- franchisee relationship, particularly in fast food sector.

Considering the opening of franchise fast food restaurants in Myanmar, there will be some problems to think. The first problem will deal with franchisor's supports, which should be done accordingly with the term-of-reference (TOR). However, in some cases, the franchisor's supports may not meet the agreements. It will certainly affect to franchisor- franchisee relationship. Consequence of the first effect will directly relate to the second problem- relationship between the franchisor and franchisee. Hence there is an effect on relationship of the franchisor and franchisee; it will be difficult to build a trust on the franchisor by franchisee. It will be consider as the third problem in this study. Without trust, vise-versa, there will be no good relationship between the two parties. Finally, it will affect to the performance of the whole business and hence leads to the closure of the business. It will be considered as the last problem of this study. This study focus on the franchise market in Yangon, former capital of Myanmar and it is still the largest city in Myanmar and 4.4 million populations. Most of the franchise market is centered in this city and its further development can be anticipated.

## Objectives of the Study

- (1) To find the franchisee's perception on the franchisor's supports in term of cash reduction in franchisee fee, term of payment, discount etc. and kinds- innovation, advertisement and trainings.
- (2) To find out the relationship between two parties, franchisor Vs franchisee.
- (3) To find the franchisee trust on the franchisor- sincerity and honesty in dealing

with the franchisee in providing the supports as mentioned in terms of references of the contract.

- (4) To find out the franchisee performance as per supports of the franchisor.

## Research Questions

1. What are the keys factors in improving franchisor supports, relationship and trust with franchisee?
2. How can franchisor use key factors to improve franchisee performance?

The answers given by the respondents, who are entrepreneurs, will be the solutions of the objectives of this research.

## Literature review

### Definition of franchising

In accordance with the broad sense definition of franchising as stated by the US Department of Commerce, Justis & Judd (1989) et. al., explained that it is a kind of business in which a franchisor granted the right to engage its offering, selling or distribution of goods or services under a marketing format which is designed by the franchisor. The franchisor permits the franchisee to use franchisor's trademark, name and advertising. According to Winsor (2004) franchising terminology encompasses an extraordinarily broad range of business concept and practice. As a result, it is suggested that the marketing discipline might benefit from a tighter conceptualization of this term for both pedagogical and theoretical purposes.

### Franchising business in Myanmar

As this kind of business, there is no related literature available. However some newspaper cuttings and articles appeared in some website give a glance on franchising, fast food in particular. For an example, a famous traditional food shop has started franchising a few years ago. According to a website, mmbizchannel (30 Dec. 2012), the franchisee had access to accumulated business experience and technical know-how in managing the business from the franchisor. According to the website: [www.myanmore.com](http://www.myanmore.com), there were fast food franchising in Yangon city total around 180 franchisees and 272 outlets total from local's food chains and international chains from Japan, Korea, Malaysia, Singapore, Taiwan



and Thai restaurants were already opened in economic capital Yangon.

### **Franchisor's supports**

Spinelli (1997) mentioned that preopening support is a concentrated, multifunctional program to launch the new franchisee. The franchisor has the expertise in place to provide sophisticated start-up assistance, and is leveraged in a partnership association, to the benefit of franchisee and franchisor alike. Not only must the franchisor create a market for the brand/service, but also all participants in the system must be sustained and nurtured. As such, the actions of each franchisee have bearing on overall franchisee performance. Unfortunately, the degree of franchisor supports is usually inversely proportionate; in that struggling franchisees receive more attention and supports. A key ingredient for success is a balance of franchisor resources. Apart from the proper level of supports in the business operation Doherty (2007), the franchisor should be creating good franchisor-franchisee relations on an ongoing basis. He referred to Mendelson who suggested a range of ongoing services to include; Monitoring and supports, Training, Head office' organization, Market research, advertising and promotion and communications.

### **Franchisor and franchisee relationship**

Harif (2014) explained that franchisee relationships are unique and differ from the conventional business operations, which required mutual co-existence and symbiotic relationship. Nevertheless, without a good understanding between franchisor and franchisee, this relationship may have disputes that may require legal action for resolution. According to Ekelund (2014) the franchisee relationship is a long-term cooperation between the parties who have entered into a binding contractual agreement with specified obligations. Both parties are dependent of each other; the franchisor is dependent on franchisee's effectiveness, the franchisee on the other hand is dependent on the help and experience from the franchisor (Harmon and Griffiths, 2008). According to Kwong (2001) franchisor and franchisee strive to maximize their own profit, therefore, the relationship between these two parties is different from an employer-employee perspective because there is less necessity for a franchisor to monitor the

performance of the franchisee since the franchisee makes considerable investments in his or her own outlet. The franchisor-franchisee relationship is defined as official relationship by based on the contract and it can be limit. Lee (1999).

### **Franchise's trust**

Modell (2010) explained in his study on Trust: Key to Successful Franchisee Relationships/ International Franchise Association that retailers say that if you have a product people want to buy, the three most important elements to success are "location, location and location." Experienced franchisors and franchisee attorneys will say that if you have a good franchisee concept, the most important elements for a successful franchisee system are building trust, being trustworthy and maintaining trust.

Cumberland & Githens (2010) said that in a business environment, much like other social contexts, participants decide whether to share information based on their perceptions of the recipients as a friend or foe. They referred to Husted and Michailova (2002), who mentioned that the process of sharing knowledge is messy, complex, and hands-on.

Akbar, and Parvez (2009) referred Anderson and Narus (1990) and said trust was developed by creating the belief by one party to another party and it can be safely deduced that if one party believes that the actions of the other party. And also referred to Doney and Cannon (1997) added that the concerned party also must have the ability to continue to meet its obligations towards its customers within the cost-benefits relationship. So, the customer should not only foresee the positive out- comes but also believe that these positive outcomes will continue in the future.

Eser (2012) explained that trust is the focal point in the franchisor/franchisee relationship. If there is high-trust, both parties work successfully.

### **Franchise performance**

Jankingthong, and Rurkkhum (2012) viewed job performance, dependent variable of this study and will be found out by 1) directly from the franchisor' supports and 2) indirectly through the quality of relationship and trust. It is the main factor, which can lead to the success or failure of the business. Borman and Motowidlo (1993) identified two types of employee behavior that are necessary for



organizational effectiveness: task performance and contextual performance. On the other hand, contextual performance is defined as individual efforts that are not directly related to their main task functions. However, these behaviors are important because they shape the organizational, social, and psychological contexts serving as the critical catalyst for task activities and processes, Brown & Dev (1997). Colquitt, Scott, & LePine (2007) noted that trust as the most proximal predictor of risk taking and related outcomes.

## Leader member exchange theory (LMX Theory)

Lunenburg (2010), viewed the basic idea behind the leader-member exchange (LMX) theory is that leaders form two groups, an in-group and an out-group of the followers. In-group members are given greater responsibilities, more rewards, and more attention. The leader allows these members some latitude in their roles. They work within the leader's inner circle of communication. In contrast, out-group members are outside the leader's inner circle, receive less attention and fewer rewards, and are managed by formal rules and policies.

According to Huong (2011) the leader-member exchange theory views human behavior as being guided by considerations of exchanges of costs and benefits between interacting between parties, who is received benefits and who were given costs. The leader-member exchange (LMX) theory, which was inventing from the vertical-dyad linkage (Graen & Schiemann, 1978) represented a departure from the average leadership style theories by proposing that leaders do not treat all the followers as who he/she belong to; the leaders develop different quality of relationships with followers. Based on the theory LMX, there were two relationships High and Low LMX. The high LMX relationships, the followers receive supports and encourage from their leader to give more responsibility, and receive more challenging or developmental, assignments. In low LMX relationships, the job-performed based on the rule and contract. The information sharing is not affective, and relationships are just work need to be done, no proper guidance by distance between leader and followers.

Lee (1999) mentioned that Leader-Member Exchange (LMX) theory is offered of an effective theoretical model of antecedents that can predict the effectiveness the franchisor and

franchisee relationship. This study presents a model based on a subset of the Leader-Member Exchange theory. He found out that that the quality of the relationship between franchisee and franchisor plays a role in ensuring that the contractual relationship will lead to franchisee job satisfaction and financial success for both.

## Conceptual framework

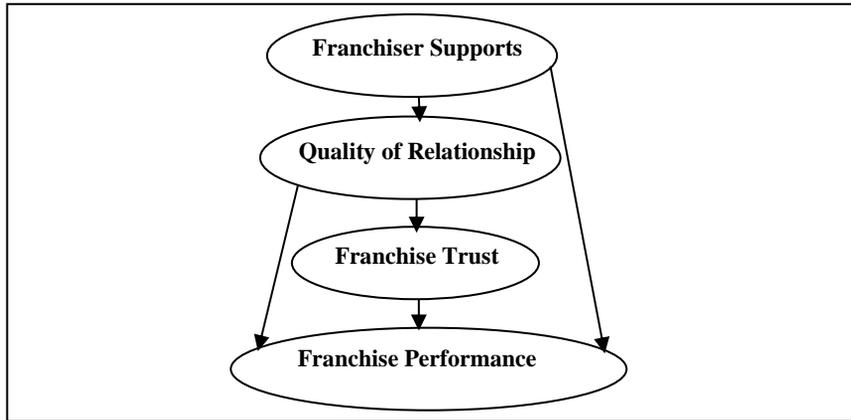
The conceptual framework of this study is based on the conceptual framework, which was proposed by MA. Hoang ThiThu Huong (2011). Please figure 2, (Appendix II). In her study, it is included franchisee commitment together with franchisee trust to find out relationship between franchisor and franchisee in terms of franchisee performance and satisfaction.

Franchisee commitment is an obligation, which was firmly mentioned in the franchisor-franchisee contract, it's long distance franchise system context. As the franchise relationship constitutes a business-to-business relationship, formal commitments are necessary, usually in the form of franchise agreements (e.g. both parties possessing financial and legal obligations to each other). Trust is also attributed to relationship between two persons. It can be changed time-by-time. In fact, trust is human's perception. In this regard, this study will include only trust as a factor to fine the relationship of franchisor and franchisee. Please see figure 3, (Appendix II). Furthermore, accordingly with the objectives of this study, the second derived factor satisfaction is excluded from this study.

Justification of the study is only a part of the larger model (Figure 2). Since franchising business has been practiced all over the world, there are so many research have been done in many sectors such providing services, hotel business in particular, fast foods, cosmetic, clothes and convenience stores. In this study, it is defined the relationship between the franchisor and the franchisee through the franchisor's supports, quality of relationship and trust. These controlling factors will bring a good performance of the franchisee. Furthermore, the franchisor's supports will directly or indirectly create a good environment in franchisee performance. In general, trust is built upon the sincerity and honesty of both parties- franchisor and franchisee. After having trust between them, the good relationship will play a big role in the performance of the franchisee. In the theoretical model (Figure 2,

appendix II), leader-member exchange (LMX) theory is a core concept dealing with the quality of the relationship between franchisor and franchisee. The model describes the effects of the franchisor's supports, the franchisee's

performance. This study demonstrate that in a given leader-follower relationship. See the diagrams of conceptual framework below (Figure 1).



**Figure 1** Conceptual model of franchisor - franchise relationship

## Research methodology

### Research design

A qualitative research using thematic approach was used to find out the perceptions of the respondents who were the franchisees of this study. A prepared questionnaire, in Myanmar, related to the relationships between the franchisor and franchisees were used to ask the respondents. Most of the interviewed questions were based on the facts that included in the contract, franchisor's supports (in cash and kinds), providing staff training, monitoring, relationship and mutual trust. All answers were recorded.

### Sampling strategy

Since this study is a qualitative research, to understand in depth of the franchisor and franchise relationship, face-to-face interview with the franchises was required. In the pilot research, which was done a few months before, it was found out that the problems in getting enough respondents or required sample size. In this regard, after consulting the research advisor and there was no rules for sample size in qualitative inquiry, only 14 respondents from various fast food sectors were chosen as the sample of the research. Researcher believed

that the selected entrepreneurs and persons from top management of the fast food franchised restaurants would be better informed than the average citizen. These respondents were chosen with the following constraints:-

- (1) Employed in fast food restaurants not less than six months.
- (2) Have thorough knowledge in franchising business.
- (3) Willing to participate in the interview.

The demographic information of the study is indicated in Table 1, (Appendix II).

### Data collection

A qualitative questionnaire, which will give the required answers to the objectives of this study, was prepared. Two interviewees, including the researcher, made request for the interview to each selected respondents. The interviewees represented the 17 different brand names of franchise restaurants. Interviews were conducted at their workplace, whilst some interviews were made at any convenient locations for interviewees. Conversations were tape recorded with the informants' permission. The researcher carefully transcribed the interviews in voice to the scripts. Then it was



translated into English by a professional translator.

## Qualitative data analysis

A thematic based analysis was used in this study. It systematically identified the properties of textual information by detecting the more important structures of its communication content. Frey, Botan & Kreps (1999), Key replicable and valid inferences were coded into four main categories that were relevant to the research context. Repetitive frequencies were determined, while intriguing viewpoints and useful quotations were evaluated. Many researchers used thematic analysis as a way of getting closer to their data and developing some deeper appreciation of the content. Researchers were interested in looking for broader patterns in their work in order to then conduct a more fine-grained analysis often use thematic analysis as a first step.

## Analysis and results

### Analysis of the text

A thematic based analysis will used for this study. Key replicable and valid inferences were coded into four main categories that are relevant to the research context.

1. Creating themes for coding
2. Explanation of coding
3. Summary of the cases
4. Forming clustering of the themes

The collected data through reviews are noted and begin to sort it into categories. Data analytic strategy helps researcher move their analysis from a broad reading of the data towards discovering patterns and developing themes. It can be used with many kinds of qualitative data. In transforming qualitative information, thematic analysis is a process of "encoding qualitative information. The code words or phrases serve as labels for sections of data. Depending on the methodology and research questions, codes can come in many shapes and sizes. This may be a list of themes, a complex model with themes, indicators, and qualifications that are causally related. Uses techniques in addition to theme identification, including word searches and data reduction techniques

The researcher conducted 14 valid interviews for the study. From the interviews,

respondents' major themes were explained in the appendix III.

## Themes' reliability and validity

The important step in thematic analysis is that themes need to be determined to make sure whether themes describe the whole of the text. Miles & Huberman (1994) said that validating themes in the early and later stages of data analysis is essential. It was suggested that the researcher was involved as a peer reviewer during this early stage to evaluate and identified themes. In other words, to test the themes that the researcher identified were compatible with the whole of the text or not. The researcher subsequently involved as an independent reviewer for the feedback of peer reviewers. In this case, a co-researcher was very cooperated with the researcher and consulted for getting clear picture of the respondents' feedbacks.

This enables the researcher to compare the two sets of feedback (Huberman, 1994). The main purpose of this procedure is to "build reliability in themes analysis coding" (Hosmer, 2008). The researcher was better informed of any possible conflicting results (if there are any) with respect to any themes and accordingly some themes were added or removed by the outside and independent reviewers (Miles & Huberman, 1994; Hosmer, 2008).

In this case, the researcher referred the list of themes consulted with the peer reviewers and identified those excerpts made by participants that supports each theme. Late checking and verification involved the independent reviewer to evaluate the overall themes, demonstrate and confirm the details of textual excerpts "similar to validity in positivistic terms" (Hosmer, 2008). Miles & Huberman (1994) said that by including two i.e. outside/independent reviewers at two separate phases would 'probably' build a strong process for analytical credibility "similar to reliability from a positivistic perspective" (Hosmer, 2008). Moreover, researcher conducted validation of the themes in the early stages of the research. The first level of themes was validated during the first phase and second level of themes during the second phase. At the first level of themes as it provided accurate and reliable ones for the second level. Furthermore, it made the data at the second level of themes less prone to errors and mistakes. It was evident that the agreed codes of the independent and outside reviewers were more consensual and that there were fewer different between them.



**Table 1** Summary of the Cases Tabulation Note: the number and percentage in the parenthesis shows the (negative response)

Themes No.	Themes Name	Case														Total Count	Percentage
		1	2	3	4	5	6	7	8	9	10	11	12	13	14		
1.a	Franchisor's Supports in Kinds															14	100%
1.a.1	Supports Training	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	14	100%
1.a.2	Innovation new products line	Yes	-	-	Yes	-	-	-	-	Yes	-	-	Yes	-	-	4	29
1.a.3	Help on promotion	Yes	-	-	-	-	Yes	Yes	Yes	-	-	-	Yes	-	-	5	36
1.a.4	Help on Advertising	-	Yes	-	Yes	Yes	-	Yes	-	-	Yes	-	-	-	-	5	36
1.a.5	Location selection & decoration	-	-	Yes	Yes	-	Yes	Yes	-	-	Yes	-	-	-	Yes	5	36
1.a.6	IT Software	-	-	-	-	-	Yes	-	Yes	-	Yes	-	-	-	-	3	21
1.a.7	Market survey	-	-	-	-	-	Yes	-	Yes	-	-	-	-	-	-	2	14
1.b	Franchisor's Supports in Cash																
1.b.1	Discount on loyalty fee	-	-	-	-	-	Yes	Yes	-	-	-	-	-	-	Yes	3	21
1.b.2	No percentage over gross sales	-	-	Yes	Yes	-	-	-	-	-	-	-	-	-	-	2	14
1.b.3	Delay payment	-	-	-	-	-	Yes	-	-	-	-	-	-	-	-	1	7
1.b.4	Advertising allowance	-	-	-	Yes	-	-	-	-	-	-	Yes	Yes	-	-	3	21
2.a	Business Relationship																
2.a.1	Planning	-	-	-	-	Yes	-	-	-	Yes	-	Yes	Yes	-	-	4	29
2.a.2	Inauguration	-	-	Yes	Yes	Yes	-	-	-	Yes	-	-	-	-	Yes	5	36
2.a.3	Implementation	-	-	-	-	Yes	-	Yes	-	Yes	-	-	-	-	-	3	21
2.a.4	Monitoring	-	Yes	Yes	-	Yes	Yes	-	Yes	Yes	-	Yes	Yes	-	Yes	9	64
2.a.5	Evaluation of a business	-	-	-	-	-	Yes	-	-	Yes	-	-	-	-	-	2	14
2.b	Personal Relationship																
2.b.1	Social meeting	Yes	Yes	-	Yes	-	-	Yes	-	Yes	-	Yes	Yes	Yes	Yes	9	64
2.b.2	Telephone conversation	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	1	7
2.b.3	Email/ online / Skype/ Viber	-	Yes	-	-	-	Yes	-	-	-	-	-	-	Yes	-	3	21
3	Franchisee's Trust	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	13(1)	93(7)
4	Franchisee's Performance																
4.1	Growth	-	Yes	Yes	Yes	Yes	-	-	-	Yes	Yes	Yes	Yes	-	Yes	9	64
4.2	Customer feedback	-	-	-	-	Yes	Yes	-	-	Yes	-	-	-	-	-	3	21
4.3	Increase sales	Yes	-	Yes	-	Yes	Yes	-	-	Yes	Yes	-	Yes	-	-	7	50
4.4	Self reliance	-	-	-	Yes	-	-	-	-	Yes	Yes	-	-	Yes	-	4	29

**Results**

According to the table as shown as above and the analysis of the franchisees’ perceptions on the franchisor’s supports, mutual relationship between the franchisors and franchisees and their trust on the franchisors, we can summarize the findings as follows;

Perceptions on Franchisor’s supports.

**Franchisor’s supports in kinds**

In this regard, some of the respondent feedbacks are asserted as follows;

*“Franchisor sent a head-chef to train their staff in Korea. After franchisee opened many branches, they will bring our staffs batch by batch or staffs with good personality and help us for training.”*

*“The raw materials are directly imported from Singapore. We have to store of raw materials because of delay in shipment from them and we could not find it in the local market.”*

*“Franchisor helped us in innovation of new menus which will be accepted by our customers. Another franchisor said “In*



*innovation, they add at least a new menu and they told us how to prepare the new menu.”*

In franchise business, the franchisor's supports are vital for the franchisee to gain success in business. In this study, 14 franchisees were asked how they did perceive on the franchisor's supports in kinds. All 14 (100%) interviewees, the franchisees, believed that the franchisor provided the staff training. This perception is reflected to the terms of agreement, which was made during the sign of contract. The other kinds of supports such as innovation of new product line, in promotion including advertisement and finding location and decoration, about 4-5 (36%) of 14 interviewees said that they got the franchisor's supports. The additional supports such as IT software and market survey, very few respondents 2-3 (14% to 21%) of the interviews said that they got these supports.

### **In cash**

Here are some of the noteworthy feedbacks from the franchisees about franchisor's financial supports;

*“For advertisement, they don't. They give us the concept- what they should do for our promotion.”*

Another one said *“When they become master franchisor, the advertisement is our responsibility.”*

*“I paid franchise fee to franchisor for 3 years. Actually it would be 3 million Kyats, but my friend (franchisor) gave me 20% discount- I paid only 2.4 million Kyats in lump sum.”*

In franchise business, even though franchisees were seen as the business partners, franchisors were very strict on money. When franchisees were asked about this financial dealing, it was evident that they offered a very few supports in cash, such as discount on loyalty fee, exemption on the gross sales, delay payment, etc. For example, in delay payment, only one out of 14 (7%) franchisees said there was delay in payment. Similarly, 2-3 interviewees (14% to 21%) said there were almost no supports from the franchisors in terms of loyalty fees, advertising allowance.

### **Personal relationship**

Most of the interviewees, agreed that there must have a personal relationship between the franchisors and franchisees. Some of their salient remarks are noted as follows;

*“Relationship between us will make our performance better because nature of franchise*

*business cooperation between franchisor and franchisee.”*

*“Since their supports are very important for us, they do appreciate their kind supports and our relationship is stronger and stronger.”*

*“Since they have had a good relationship and our business is improving due to their kind support.”*

*“Yes, we have fair treatment form franchisor. I think they help us more than what is needed. Satisfy with relationship they are tremendous bench of people going by another great man who is very successful Thai and they have a great team who after.”*

Relationship between franchisor and franchisee in person was expected to make the business easier and better. In this case, it is found out that two parties had a good relationship only in social events. 9 out of 14 or 64% of the respondents mentioned about it. They almost did not have other kinds of relationship such as telephone conversation nor chatting on line.

### **Business relationship**

Franchisees care more personal relationship with their counterparts. One of the respondents said “ Relationship between us will make our performance better because nature of franchise business cooperation between franchisor and franchisee.”

*“Until now, we always cooperate with them and we are doing accordingly with the contract. In many ways they allow us to do the things that were not mentioned in the contract.”* One of the respondents satisfied the relationship with the franchisor. It was echoed by another person *“Since their supports are very important for us, they do appreciate their kind supports and our relationship is stronger and stronger.”*

However, another franchise gave a negative feedback *“..., when we would like to change or to introduce new menu, they took time about four months and finally they refused our proposals. For example, besides dim sum, we would like to sell rice and curries or hot-pots which are used to eat by our customers- they rejected it.”*

Business relationship means a formal form of relationship between franchisor and franchisee. There had many kinds of relationships such as attending the opening of the shops, implementing of new products and evaluating the progress of the business. Furthermore, franchisors had to monitor the work of franchisees. They used to visit to the franchisor, checking the progress and giving some goods



advices for further improvement. 9 out of 14 or 64% said that the franchisors did it.

### **Perceptions on trust**

The respondents were asked whether they trust on the franchisors or not? All of them except one or 93% of them replied that they have trust in the franchisors. Some of their comments are shown below;

*“Trust is built up by the franchisor and franchisee through close relationship between them, they will trust each other and consequently they will have a better performance.”*

*“We show us that we are doing our best to improve the business in terms of following all the terms of the contract- through which we are getting their trust on us. As a franchisee, trust on them since they are giving all the supports that we need.”*

*“It means that they care our business and at the same time, they show us that they care us too. On the other hand, they want us to fulfill their promises that are written in the contract.”*

### **Perceptions on Franchisee’s**

#### **Performance related to the**

#### **Franchisor’s Supports**

“Franchisor can make better customer service because their support in staff training will bring a good customer service and consequently it will make a better performance.”

The same concept is expressed by two other franchisee and he said “In addition, relationship between us will make our performance better because nature of franchise business cooperation between franchisor and franchisee.” and

“We consider the performance on how we can give good service to our customers and how far we are getting our brand name among our customers. Sales can be one of the factors of indicating performance- if our sales are down, we should check our service providing to our customers and other possible factors.”

Normally the performance is measured by business growth, increase in sales, and customers’ feedback. In business growth, 9 out of 14 or 64% of the respondents mentioned that there was business growth and 50% or half of the respondents said that their sales were increased. However, 3 out of 14 or 21% said they had customers’ feedback. When they were asked that was there any factors than the franchisor’s supports that made the franchisee’s performance better. 29% or 4 out

of 14 respondents said that their own effort made their performance better.

## **Conclusion, discussion, and recommendation**

### **Conclusion and discussion**

Based on the clusters of the theme of the previous chapter. It will be divided into 5 parts accordingly with the framework of this study. They are;

#### **Franchisor’s supports in kinds**

All of the interviewees appreciated with the supports of the franchisors and agreed that these supports were helpful and important for them. Most of them satisfied with the help in training their staffs.

#### **Franchisor supports in cash**

In term of cash supports, some of the interviewees have got the supports in advertisement of the brand and some said they had paid some percentages on gross sales but majority were not.

#### **Relationship**

In franchise business, relationship between franchisor and franchisee, as in the other businesses, cooperation between two parties is vital for the success of the business. Since franchise business is quite new in Myanmar, franchisees may have problem in doing business such as logistic, financial management, promotion and staff management with their counterparts, franchisors from different parts of the world. Some franchisees may feel that they do not get equal treatment from the franchisors. Hence this study is trying to find out how the relationship between two parties can affect to the performance of the franchisee.

#### **Trust**

Before a franchisor (owner) leased his/her brand to a franchisee (user), they have to reach an agreement in which all the terms of references are clearly stated. After this business deal, a contract, both sides have to fulfill the commitments as mentioned in the contract. Sometimes, one of them may miss to follow the terms of references intentionally or accidentally, the relationship may be one way or another affected. Consequently they do not trust each other and certainly it affect the performance of the franchisee. Most of the respondents in this study believed that trust can be built up by keeping the promises that they agreed before- as mentioned in the contract.



Related to the trust between the two parties, franchisor and franchisee, a franchisee expressed that trust was built up by the franchisor and franchisee through close relationship between them, they will trust each other and consequently they will have a better performance.

### **Performance**

The last item, which was mentioned in the framework, is performance of the business. They measured the performance accordingly with the success of the business. In the other words, the more the sales that they could make is the better performance that they could achieve. Most of them agreed that the more the franchisor's supports the better the performance that franchisee make. But some of them did not relate the franchisor's supports and the performance. Instead they related it to their own efforts.

This exploratory study tried to find out the relationship between franchisor's supports and relationship between the franchisor and franchisee, trust and the performance. It proceeded with open interviews with 16 franchisees from Yangon. As summarized, there were two general ways through which the quality of the relationship affects the franchisees perceived value as (1) The quality of the relationship directly increases franchisee performance and (2) The quality of the relationship reduces the franchisee's commitment to terminate the contract. It was found out that franchisor's supports were related to the performance of the business. In addition, the better relationship could make better performance and also trust between franchisor and franchisee also made a better performance.

### **Contribution of study**

The results of this study offered both theoretical and practical contributions to the improvement of the restaurant franchises in Yangon franchising market. First, the study provides valuable information to a franchise who would like to establish a franchised fast food business. It also guides the franchise for having effective management strategy to improve the relationship with franchisor. Second, this study gives knowledge on important of franchisor's supports, in many ways, one of the predictors of a quality relationship between the franchisor

and the franchisee. Third, this study provides the new model of franchisor and franchisee relationship through franchisor's supports, having good relationship and trust. Thus, both franchises and franchisors had to direct themselves to the creation and transfer of value to the partner, with the presence of the importance of franchisor's supports, high level of quality of relationship, trust and commitment between the parties being necessary for the franchising relationship to be successful.

### **Limitations**

The limitation in this study is that the validity of the data collected is a consequence of the interviewee's understanding of the questions and willingness to tell honestly. Researcher tried to get appointment a week ahead to conduct interviews. Even though some persons cancelled the interviews in last minutes, researcher patiently waited for getting another chance for interview. Some interviewees did not allow use voice recorder, but hand note only. The 13 interviews were conducted in Burmese language and one interview conducted in English. A professional translator carefully translated 13-recorded interview to English. There might some missing in right words to use in translation even though the translator tried the best to capture the essence of the messages.

### **Recommendation for future research**

Future research using a more comprehensive measure of quality of the relationship would be useful and should include the costs and benefits of franchising foreign fast food restaurants rather than local food restaurants. Research should also focus on the franchisor's personality and attitudes towards the franchise, since it is the strategic partnership of these two parties, which ensures effective franchise operations. A comparative study of franchisee and franchisor's relationship in Myanmar and other countries should be conducted to learn the similarities and differences. Lastly, future research should extend the model with more predictors of the quality of relationship such as brand name and motivation, franchise satisfaction and franchise commitment.



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# Appendix I

## Interview Guide

### Part I Questions related to franchisor's supports:

1. What kind of supports are you getting from the franchisor?
2. In term of supports, in cash, what kind of special supports are you getting from them?
3. Do you satisfy with these supports? If yes, please make some good points which make you satisfy, OR if no, please make some weak points that you are expecting to get more.
4. What do you think about getting training and other kind of supports? How does it affect preparing for the first year of the franchise's operation?
5. What is your opinion on the franchisor offer further training?
6. Could you please name the types of supports in staff training, innovation, and advertising etc. from franchisor?
7. Are you satisfied with these supports? If yes, please make some good points which make you satisfy, OR if no, please make some weak points that you are expecting to get more.
8. What kind of ongoing supports from franchisor or a one-time experience, Such as, monitoring, helping to create a new product?
9. Does franchisor help with location, lease negotiation, and interior and exterior design?
10. Are there any financing programs available to you directly from the franchisor? If yes, please specify it.
10. In case of getting an advertising funding that you get the supports from the franchisor, what will the results be?
11. In case of getting a promotion program that you get the supports from the franchisor, what will the results be?
12. What is your opinion on the operation manual, which guided from franchisor?
13. Do these supports help improve your performance? If yes, please specify.
14. If the answer for the above question is no, please specify.
15. Do these supports help improve your relationship with your franchisor? If yes, please specify.
16. If the answer for the above question is no, please specify.

### Part II Questions related to quality of relationship between franchisor and franchise:

1. What is your opinion on getting fair treatment such as respect, acknowledgement and friendliness from the franchisor?
2. Is the franchise's continuing fee or royalty reasonable? If yes, how? And no, why? Can you explain that?
3. Have you ever received some special favor such as rewards from the franchisor? If no, could you please specify its effect on the relationship with the franchisor..
4. Have you ever noticed that the franchisor has given a better service to another franchisee of the same business than you have? If yes, how does it affect the relationship with the franchisor?
5. Have you ever been conflict or disagree with your franchisor? If yes, why?
6. What problems have occurred and how did the franchisor deal with you?
7. Are you satisfied with the relationship both formal and informal between the franchisor and franchise? If yes, please make some good points which make you satisfy, OR if no, please make some weak points that you are expecting to get more.
8. Do these kinds of relationship help you to have a better trust with your franchisor? If yes, please specify.

**Part III Questions related to the franchisee's trust on franchisor**

1. How do you trust your franchisor? Based on what franchisor supports you to growth of better performance or open and honest relation?
2. Are all terms-of-references in the contract fair for you? If not, why?
3. Have you ever asked the franchisor to change some terms-of-references? If yes, did the franchisor agreed upon it?
4. Have you ever considered to stop the business with the present franchisor and would like to start with another franchisor? If yes, what is/are the reason/reasons?
5. Do you think that having better trust with your franchisor can create a better performance? If yes, please specify.
6. If the answer of the above question is no, please specify.

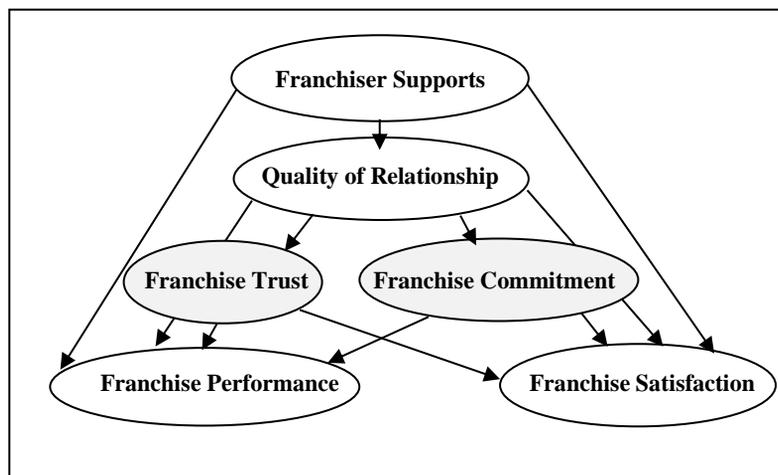
**Part IV Questions related to the franchisee performance:**

1. Does the franchisee performance meet the standard of a franchise business of the respective area? If yes, can you mention how it meets the expectations of the customers? OR if no, in what areas the performances do not meet the standard?
2. Are the performances of the franchisee directly related to the franchisor's supports?
3. In what areas, the performances have had its strength?
4. What kind of franchisor's supports do you need more to have a better performance?

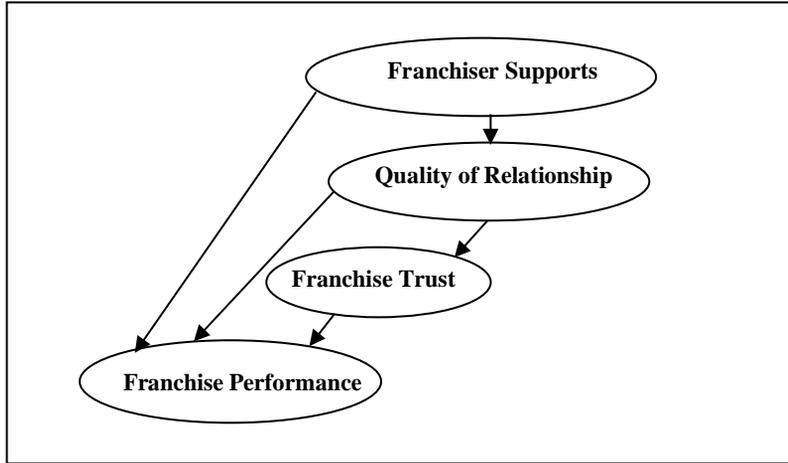
**Part V Question related to general perception**

1. Could you please give your comments, which will definitely improve the current situation of the fast food franchising business in Myanmar.

## Appendix II



**Figure 2** Conceptual model of franchisor- franchise relationship  
(porpose by MA Hoang Thi Thu Huong)



**Figure 3** Conceptual model of franchisor- franchise relationship after excluded franchise commitment

**Table 2** Demographic-Information

<b>Interviewee</b>	<b>Gender</b>	<b>Position</b>	<b>Number of Outlets</b>	<b>Year in Business</b>
Interviewee 1	Male	Branch Manager	1 outlet	2.5 years
Interviewee 2	Male	Branch Manager	3 outlets	2 years
Interviewee 3	Male	Managing Director	4 outlets	3 years
Interviewee 4	Female	General Manager	2 outlets	1.5 years
Interviewee 5	Male	Chairman	9 outlets	4 years
Interviewee 6	Male	Managing Director	1 outlet	2.5 years
Interviewee 7	Male	Owner	1 outlet	3.5 years
Interviewee 8	Male	CEO	1 outlet	2 years
Interviewee 9	Male	General Manager	6 outlets	2 years
Interviewee 10	Female	General Manager	4 outlets	1.5 years
Interviewee 11	Female	General Manager	3 outlets	3 years
Interviewee 12	Male	CEO	2 outlets	2 years
Interviewee 13	Male	General Manager	1 outlet	2 years
Interviewee 14	Female	Owner	2 outlets	2.5 years



## Appendix III

### Respondents' major themes

Items	
<b>1. Support</b>	
1a. Cash	Because they are master franchise, they don not take any percentage over gross sales.
	I paid franchise fee to franchisor for 3 years. Actually it would be 3 million kyats, but my friend, give me 20% discount.
	We do not have these kinds of financial support from the franchisor. However, they pay for 5% for the total cost of advertisement.
	They paid for 5% of the total cost of advertisements in journal. The franchisor does not give discount on the franchisor fee and ease on term of payments.
1b. Kinds	But firstly, they get the support in staff training. They come here to train our staff.
	Franchisor helped us in innovation of new menus, which will be accepted by our customers and they help us in promotion too.
	When they become master franchisor, the advertisement is our responsibility.
	They came here to decorate the shop and trained the local staffs. I would say that their support in decoration of the shop.
	They asked us to make a market survey with 6 to 10 respondents every day. They took these feedbacks back to the head office. After analyzing the findings, they gave hem comments and suggestions.
	Another issue is the support of raw materials.
	They advertise our shop in the face book and journal.
	They trained our staff how to prepare foods, arrange the shop and it's setting.
<b>2. Relationship</b>	
2a. Personal	The owner of this shop (franchisee) was a very close friend of the owner of the Jade Five Co. (the franchisor) when he was in Japan for 15 years.
	Both the franchisor and franchisee are young and have same race- Chinese- they have had very good relationship.
	I met the owner of Pizza when I visited Thailand. She is very kind and we do not have any problem.
	When they come here they stay at least one week; sometimes almost one month. It is good for us to be friendly with us.
2b. Official	They can use some of local products. For example, they allowed us to use the raw materials, which are made in Myanmar.
	They have to strictly follow the terms of references of the contract because the franchisor does not like to affect to their brand name.
	I think mutual respect is the most important factor to get better relationship.
	I have regular contact with the franchisor- we speak on Skype at least once a month.
	Yes, we have fair treatment form franchisor.
	We have regular contact with us through e-mail.
<b>3. Trust</b>	
	To make a deal for signing a contract with the franchisor, first, they must be careful with the existing labor law.
	They show us that they care us too.
	When you see this brand, firstly, you fully trusted it because they are providing quick service to get customers' satisfaction.
	Through close relationship between us.
	That's why we always sincere to us to get good relationship and through which we can trust each other.
	We normally consider trust as the understanding between us.
	We are doing our best to improve the business in terms of following all the terms of the contract.
<b>4. Performance</b>	
	I think their supports in cash and kinds will help us to make better performance.
	Now they have three outlets in Yangon.
	Normally they measure it on the sales.
	Our performance is not entirely depended on them but it depends on us.
	They measure the performance on how far people know about us and how far our business can go on.
	Our customers keep on coming and give a good response.
	We measure the performance on customers' feedbacks in quality of foods, service and price.
	Yes, we need their supports very much.
I don't think lesser relationship will affect on performance.	