

**Trying to reduce contract terminations:
The different views of franchisors and franchisees**

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Abstract

To achieve consistency for the entire franchise chain while assuring some autonomy for the franchisees in the operation of their entrepreneurial ventures constitutes an important source of conflict in franchising that may lead to contract terminations. Franchisors must decide the level of empowerment of their franchisees along with different contract provisions, aimed to improve their capabilities and commitment, to reach the desired balance between standardization and franchisee's autonomy. However, as we explore in this research, both parties may differ in their assessment of the allocation of decision rights. In this study we focus on pricing and local advertising policies as controversial issues, and analyze how the degree of decentralization of these policies may have a different impact on contract terminations instigated by both sides of the dyad: franchisor and franchisees. Conversely, the study also highlights less conflicting requirements and conditions (e.g. upfront investments, franchisor experience...), that are able to reduce early terminations initiated by both partners (franchisors and franchisees).

Key words: Franchise relationship, early terminations, conflict, decision rights.