

OWNERSHIP AND CONTROL IN FRANCHISING NETWORKS

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Abstract. Previous research has not explained the governance structure of the franchise firms as institutional entity consisting of decision and ownership rights. We try to fill this gap by hypothesizing that the allocation of decision and ownership rights between the franchisor and franchisees depends on the distribution of intangible assets (local market and system-specific assets), the level of local market and behavioral uncertainty and franchisor's trust toward the franchisees. In addition, we investigate the interaction between decision and ownership rights. We hypothesize that, based on the complementarity view, decision and ownership rights function as complements, and based on the substitutability view, decision and ownership rights function as substitutes. Overall, we present the first study on ownership and control in franchising network by developing an integrative model using property rights theory, transaction cost and agency theory and the relational governance perspective. The hypotheses are tested with data from the German and Swiss franchise sector.

Keywords:

Franchising; Control; Decision Rights; Ownership Rights; Applied Econometrics.

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