The Choice of Governance Modes of International Franchise Firms

An Integrative Model

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Abstract. This paper examines the evolution of the international franchise research with special focus on the governance modes of the international firm and develops an integrative model for the franchisor’s choice of the international governance modes. International governance modes in franchising refer to wholly-owned subsidiaries, joint venture franchising, area development franchising and master franchising. Although many studies on the governance modes of the international franchise firm have been published in the last two decades, no prior study develops an integrative framework that investigates the determinants of the international governance modes by combining organizational economics and strategic management perspectives. Specifically, this study explains the governance modes of the international franchise firm by applying transaction cost theory, agency theory, resource-based and organizational capabilities theory and property rights theory.