Trust and Multi-unit Ownership in Franchising

A Relational Governance Perspective

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Abstract

Multi-unit franchising (MUF) is becoming an increasingly important organizational form. Most of the previous literature on MUF presents explanations based on agency theory. As an attempt to complement the dominant agency-theoretical explanation of MUF, this study applies the relational governance perspective by investigating the role of trust in franchisor’s choice between MUF and single-unit franchising (SUF). Our data from the German franchise sector indicate that knowledge-based trust has a positive influence and general trust has a negative influence on the franchisor’s tendency towards MUF.

Key words: Multi-unit franchising; relational view of governance; trust; agency theory; empirical