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An Essay on the Phenomenology of Franchising

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An Essay on the Phenomenology of Franchising

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ABSTRACT:

Franchising is an economic relationship between two independent actors, the franchisor and the franchisee. As such, it lends itself to the application of economic models (agency theory, theory of incomplete contracts, transaction costs, etc.) or managerial concepts (theory of stakeholders, empowerment, creativity management, etc.). But Dant (2008; Dant et al., 2011) pointed out that this complex relationship was lacking of a real phenomenology. This article attempts to produce this phenomenology in the form of an ordered layering of descriptions: a minimal description (an economic relationship between two agents who find their interest in it), then elements of complexification (an unbalanced economic relationship, a relationship other than economic, multi-level, networked, agonistic). Finally, the dynamic scenarios of the franchise relationship are identified.

Keywords: franchising; management of a business relationship; scenarios; phenomenology.

RÉSUMÉ :

La franchise est une relation économique entre deux acteurs indépendants, le franchiseur et le franchisé. En tant que telle, elle se prête à l'application de modèles économiques (théorie de l'agence, théorie des contrats incomplets, coûts de transaction, etc.) ou de concepts managériaux (théorie des parties prenantes, *empowerment*, management de la créativité, etc.) Mais Dant (2008 ; Dant *et al.*, 2011) a souligné que cette relation complexe manquait d'une véritable phénoménologie. Cet article tente de produire cette phénoménologie sous la forme d'une superposition ordonnée de descriptions : une description minimale (une relation économique entre deux agents qui y trouvent leur intérêt), puis des éléments de complexification (une relation économique déséquilibrée, une relation autre qu'économique, multi-niveaux, en réseau, agonistique). Enfin, les scénarios dynamiques de la relation de franchise sont identifiés.

Mots clés : franchise ; gestion de la relation ; scénario ; phénoménologie.

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Franchising is an old economic and social phenomenon. It is generally traced back to the middle of the 19th century with Singer sewing machines and McCormick agricultural machines. It was then a distribution contract for a product (or several products) of a brand, with territorial exclusivity, the distributor remaining independent of the producer. This is what is called “traditional franchising”. Then a more original form of franchise appeared at the beginning of the 20th century, called “business-format”. There, the franchisor provides the franchisee with a way of doing business–what today would be called a “concept”–rather than with a product. In France, it was in 1923 that Jean Prouvost, owner of *La Lainière de Roubaix* had the idea of creating a chain, the Pingouin stores, to sell his balls of wool by choosing retailers who adopted his brand.

The phenomenon appears quite simple–a relationship between two independent economic actors–and at the same time rich and diverse. It is vertical integration, but flexible and contractual. Not surprisingly, it has become the playground of economic science, which has applied all its major models to it. This is the case of agency theory (Brickley et al., 1991; Lafontaine, 1992), transaction costs (Minkler & Park, 1994; Brown, 1998), incomplete contracts (Hadfield, 1990) or corporate governance (von Koch & Ludvigsson-Walette, 2020). Blair and Lafontaine (2005) provide a synthesis, albeit a bit old, of economic models of franchising. Management theories have also been tested in the sector, such as Resource-Based View (Gillis et al., 2014), stakeholder theory (Altinay & Miles, 2006), empowerment (Lopez-Bayon & Lopez-Fernandez, 2016) or creativity and innovation management (Simon et al., 2019). Most of this research focuses on franchisors, little on franchisees, very little on the relationship itself between the two and even less on other actors involved in the franchise (most models are designed for two actors, but much less for three or more).

Rajiv Dant (2008; Dant et al., 2011) has raised two other problems: on the one hand, the vast majority of research has been carried out in the USA, and on a particular industry–fast food (McDonald's, KFC, etc.)[1]–the other industries being less known; on the other hand, research has consisted of applying models, concepts and theories to franchising, whereas a “phenomenology” of franchising taking into account the phenomenon in its complexity, as Dant calls it, is lacking.

Descriptive complexity as a phenomenological approach

In response to Dant's suggestion, several studies on the franchise then claimed to use phenomenology (Qureshi et al., 2018; Lachman, 2017). But when looking at their methodology, it is not properly what phenomenology is: they just conduct interviews and analyze them from the perspective of the theoretical frameworks laid down. In the case of Qureshi et al. (2018), for example, four theoretical frameworks have been identified: family entrepreneurship, franchising, business internationalization and fast food in Pakistan. We are far from a real phenomenology which consists in going to the phenomenon itself, to the thing itself (*zur Sache Selbst*, according to Husserl's motto). However, affirming that franchising is in reality more complicated than what the economic models predict is a non-sense because, by nature, a model is a simplification, which is necessary for understanding a phenomenon. The question therefore arises: how can we describe the franchise as a relationship in its complexity, that is to say without reducing it to only one of its dimensions in connection with a theoretical model? In computer science, an entity is said to be complex when its description is very long (Gell-Mann, 1995, p. 17). The approach to complexity is then quantitative. But, as far as practices and behaviors are concerned, it is not certain that a long description, simply because of its size, can make it complex. The philosopher Ryle introduced another approach by qualitatively distinguishing between two descriptions of a practice: thin description and thick description. Ryle (1971) gives the example of the following situation: two children face each other and one lowers one of their eyelids and very quickly raises it. Objective facts–a behavior visible to everybody–are described. This is a thin description. We can add the meaning for the two children of what happened: two children are facing each other and one has given a knowing wink to the other. We are here in a thick description. Compared to the first, we have added the meaning of the behavior for the

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1 However, as noted by one of our interviewees, fast food is a very specific case of franchising and not representative of franchising in general: “For me it's not franchising, people are happy, but before to open, the customer is already there. From the first day, there is a queue. This is not the good example”.

actors. For Ryle, if you want to describe a practice, you have to start with a thin description, then add the thickness of the meaning.

Geertz (1973/1998, p. 78) thinks that an 'objective' (thin) description is an illusion and is useless in terms of understanding a practice, and that ethnology–but in reality the social sciences in general–must aim only at the second type of description. Descombes (1998) points out: 1. that Ryle is right to see description as an ordered layering, but that he is probably wrong to suggest that there is at the foundation one possible objective description; 2. that Geertz is right to criticize this illusion of the possibility of an objective description, but that he is wrong to think that the thick description is possible without an opposition to a minimal description and to forget the idea of the description as an orderly layering–Ryle's idea. Dumez (2016; 2021) takes up the debate again and proposes considering the process of describing practices as a complexification: the researcher starts with a minimal description (but without the illusion that it is objective, indisputable: it is simply minimal) then explores the complexity of the phenomenon by adding elements (and in particular the experience of the actors, the meaning they give to their practice). The description is then a layering of "seeing as" (Wittgenstein, 2008/1953), ordered from a minimal one. It then makes it possible to approach the complexity of a practice not because it is long (as in computer science), but because it becomes more complex by adding layered "seeing as", i.e. different and enriched points of view. Adopting this perspective, the article proposes a descriptive exploration of the complexity of the franchise relationship by highlighting the managerial problems it poses, i.e. a phenomenology of this practice.

The empirical material consists of a series of ten interviews conducted by Zoom from March to May 2021, with franchisors and franchisees in four different sectors (hospitality industry, estate agency, florist, hairdressing) and with franchise specialists (a specialized consultant, a manager of the French Franchising Federation, a banker financing franchises and an arbitrator)[2]. The interviews lasted one and a half to two hours.

The interviews were coded in a multi-nominal way using an approach inspired by grounded theory (Dumez, 2016). The main codes are:

- Economic relationship / balanced relationship / unbalanced relationship
- Non-economic relationship / emotional aspect / love metaphor / pleasure of the relationship / pleasure of the franchisor / pleasure of the franchisee / limit of the emotional
- Non-hierarchical / collective relationship
- Horizontal relationship / creation of associations
- Contractual relationship / framework of the contract / role of the Federation
- Contradictory / hyper-conflictual and hyper-harmonious / fragile and agile relationship
- Multi-level relationship / team / franchisor team / franchisee team
- Cliché of the relationship
- Profile of franchisors / leader
- Profile of franchisees / drivers / followers / psychological profiles
- Network balance / 60/40 ratio
- Dynamics of the relationship / honeymoon / renegotiation / dynamics of the franchisor / dynamics of the franchisee / conflicts
- Tensions in the relationship / renewal / control

These codes were used to construct the different "seeing as" that constitute our phenomenological description of the franchise relationship and the different scenarios of the dynamics of the relationship. The verbatim statements used in the following text were selected on the basis of this coding of the interviews (in particular the first seven generic codes). This description begins with the simplest "seeing as", the franchise as a classic economic relationship between two independent partners who both find their interest in it, then continues with other "seeing as", which complicate the initial description.

A classic economic relationship

2 To preserve anonymity, these four actors will be referred to by a common category [Franchise Specialist] and identified only by number.

The franchise can be seen, as economic theory does, as a simple economic relationship between two agents who benefit from it. The franchisor conceives a business concept. They want to develop it quickly (to benefit from a first-mover advantage) but they do not have the equity to create a distribution network of their own.

> Franchising is a choice of expansion. To set up a group, there are the logistical aspect and the sales aspect. If you want to develop it yourself, you need capital; otherwise, we do it as a franchise, which enables to reach critical size much more quickly to adjust to logistics costs. It's an equation: will my sales allow me to amortize my logistics costs? It's always that research [franchise specialist 1].

Added to this is the fact that the franchisee, remaining the owner of his/her business, is more encouraged than a simple employee of the franchisor to increase their turnover. On the franchisee side, entering the franchise is a form of limited risk entrepreneurship:

> The franchisee does not have to develop the concept. *Ex nihilo*, defining a concept, finding the right suppliers, refining the concept are time-consuming and very expensive. There, the franchisee recovers a concept which he/she know it works, with selected suppliers, they will benefit from the brand, communication, a central purchasing. The franchisee will only have to manage the operational part and run the concept locally. The ROI [Return On Investment] is faster. Franchisees are independent contractors, but they are not isolated [Franchise Specialist 1].

The franchisee pays an entry fee and royalties (around a few percent of turnover) to the franchisor for the availability of the concept.

> In the obligation of the franchisor, there is the provisioning of the concept, but also the transmission of their know-how and the sharing of value. If there is no transmission of know-how, it is not franchising. [franchise specialist 1].

In practice, a firm creates a concept, tests it in a few stores it owns, then develops the franchise to grow more quickly. The network is therefore very often mixed.

> Why are there mixed networks [mixing outlets owned by the franchisor and outlets run by franchisees]? Because it is a way of basing the company on a part of equity. For a group like Carrefour, it would be difficult to say I am 100% in franchising [franchise specialist 1].

The owned stores also make it possible to test new ideas, which are then proposed to franchisees. They allow experimentation. Franchising is therefore, basically, a fairly simple economic relationship that results in a contract between two independent players who both benefit from the relationship and share the benefits. An actor emphasizes the decisive role of the contract, distinguishing the franchise relationship from other business relationships:

> At X[name of the company in which the interviewee was an executive], we had independent distributors. Salespeople visited them, but we were very dependent on the quality of our salesperson and on the ability to understand the problems of this network which was not related to us. There was competition between our products and those of others. We were faced with [names of competitors]. Competition was fierce and there was no framework agreement that required distributors to make special offers. The advantage of the franchise is that it is framed by the contract [franchise specialist 4].

In the eyes of the actors, however, the relationship can never be reduced to this "simplicity" of the contract.

> At the very start, the franchise is simple: a contract, a transfer of know-how, a defined catchment area. But it is not [franchise specialist 2].

The first element of complexity lies in the fact that the relationship is deeply unequal, at least in its beginnings.

An unbalanced economic relationship

The franchise relationship seems odd and complex because it appears both as a balanced contractual relationship in which both actors find their interest, and a deeply unbalanced and dynamically unstable relationship, both being obviously linked. To describe the imbalance in the relationship, one actor evokes "*the earthen pot against the iron pot",* and says that the franchisee *"sells his soul to the devil*" [hospitality industry franchisor 1]. In fact, an individual actor signs a contract defined by the lawyers of a powerful group, sometimes with a global dimension. In the words of one franchisor:

> If the franchisee tumbles, he/she loses everything. With including, often, a divorce as a bonus. From my perspective [those of the franchisor], if a franchisee tumbles, it's not very disturbing. Contrary to popular belief, it is not an equal relationship [florist franchisor].

This imbalance is established as soon as the contract is signed. Franchisors speak of "recruiting" franchisee as if they were an employee.

> Between a franchisee and a franchisor, there is recruitment, selection. When you select, there is no balance at the start, the franchisor chooses more than the franchisee does [franchise specialist 3].

While, legally, a contract is made between two independent actors, the threat of a "hierarchization" of the relationship is therefore present. It can greatly aggravate the situation. Franchisors may feel that they are the creator of the concept, that they can easily find franchisees, replace them, when they would not exist without them.

> As a leader who embodies the concept, accepting that franchisees are right is not easy to accept [franchise specialist 2].

Network management can then drift towards a hierarchical mode, while franchisees are legally independent.

> The franchisee is considered as an independent entrepreneur (staff, opening hours, own investment): the franchisor has no right to intervene [franchise specialist 1].

It is therefore an apparently balanced economic relationship between two independent entities, but de facto, a highly unbalanced one, which poses particular management problems.

A relationship other than economic: the emotional dimension

When an actor is asked to describe a relationship, of whatever nature, the metaphor of marriage appears very often. The franchise is no exception. People who want to become an entrepreneur (for example, a very common case is a mid-career manager who wants to reconvert) will choose the franchise to minimize the risk. They will choose between several possible networks of franchise. They should study the different contracts that will be proposed to them, but the actors concerned describe the choice differently:

> You are fed up with your job, you want to sell flowers, you are going to go around the three specialized networks, you are going to choose the one with whom you are going to jump into the void. Kids would say, "I can feel it." As in marriage. A click. A belief that we are going to do something together [florist franchisor].

Without going as far as the metaphor of marriage, an estate agency franchisee describes his/her choice between two networks, in which an affective dimension appears (sympathy and antipathy).

> The guy doing prospecting for [the name of franchisor A] took me there [an estate agency of the network]. The guy was nice. It reassured me to have someone who could help me but who didn't bother me like [the name of franchisor B] [estate agency franchisee].

Salespeople of the franchise, in the words of several players, will indeed develop "a business of seduction". Finally, this relationship of an economic nature takes on another dimension:

> A relationship between two independent merchants, but *intuitu personae* contracts, like a romantic relationship [hospitality industry franchisor 1].

In some networks, the charismatic personality of the founder is essential. A franchised hairdresser speaks with admiration and respect of "Monsieur Dessange" [a very well known French hairdresser, founder of a hairdressing franchise]. And, at the time of Jacques Dessange's death, the question of whether or not to remain in the group arose in terms of loyalty to his person: to remain loyal to him, was it necessary to remain in the group which continued to carry his name, or on the contrary leave it because the new leaders were not hairdressing professionals like him? Most of the franchisees stayed because the new managers had worked with this charismatic figure and could therefore be seen as continuators of his values. If the new leaders had been financial investors from outside the group and the entourage of its founder, it is likely that a large number of franchisees would have left the franchise. The emotional dimension therefore plays positively on the relationship, as it can conversely play negatively. In the latter case, even a reassessment of the economic conditions of the contract has any effect.

> We had a period when the franchisees were not satisfied. Like a couple who decided that it was no longer possible, even if one tries hard; it's too late [hospitality industry franchisor 2].

Even though the affective dimension of the relationship needs to be qualified, it should not be ignored and it should be analyzed dynamically.

> One of the oldest [franchisees] has been there for 30 years, but on average it is 10 years. The oldest ones are not necessarily the easiest ones, but they were certainly the most emotional in their approach [hospitality industry franchisor 1].

One of our interviewees insists on the fact that the relationship is above all economic, that it is about business, and that therefore, according to her, the discourse on affect in the relationship is not the right one. Then, strangely, in the course of the interview, she mention a couple of franchisees and notes incidentally "they were friends of mine" [hospitality industry franchisor 2]. Another interviewee mentions the conventions organized by the network every year, during which all the franchisees meet. She notes that over time, she made friends there. But she adds: "but I know that when I retire, I won't see them anymore" [hairdressing franchisee]. The affect aspect is therefore combined with the economic one in the relationship, it is clearly present and plays a visibly important role, but in a particular dimension: on the one hand, it never completely erases the economic aspect, which takes precedence (except in the case, as we have seen, where the loss of love is such that even better economic conditions can no longer allow the relationship to be maintained); on the other hand, it often remains linked to it, seeming to disappear at the same time as the economic relationship. What one interviewee puts it this way:

> For me, the emotional aspect is both necessary and not sufficient and the icing on the cake. If we have the choice between two proposals with the same advantages, we choose the one with which we tilted. The primary interest must be satisfied, but if we have not had the click, it will be signed with someone else [hospitality industry franchisor 2].

It should be noted that we find here the notion of click which relates to the beginning of the relationship. But as we have seen, the affective aspect plays a role in the subsequent dynamics of the relationship. It also plays on the multi-level aspect of the relationship and we will therefore find it there.

A multilevel relationship

So far, the relationship has been analyzed as linking two actors, the franchisor and the franchisee. But this binary relationship actually plays out on several levels. The future franchisee has first contacts with a commercial or developer of the franchisor.

> Before entering the franchise, [the future franchisee] has a contact with the sales manager. It is a personal relationship with a company representative. And as they get closer to the franchise contract and his integration, they have contacts with other people [hospitality industry franchisor 1].

The sales manager tends, as a good commercial, to be a purveyor of dreams. Then, the franchisor's teams must take charge of the relationship. There may be tensions within the franchisor itself between sales and franchisee relationship management teams.

> When you integrate a new franchisee, the salesperson has done his/her job and sold the dream. After this honeymoon, it's sometimes a little less rosy. The money dimension weighs on the relationship. You have to work with the sales people so that they don't sell things that are too ideal [hospitality industry franchisor 1].

Another tension is created with the financial aspect.

> This is a very difficult point. As soon as they signed, we are all in euphoria, we want to help them, we want to go there. And then the financier aspect arrives and there it can break [hospitality industry franchisor 1].

Other actors are there to manage the relationship as well as possible. The franchisee often has a referent, who is his/her point of entry for any relationship problem with the franchisor.

> It is the franchisee referent who will be the entry point for the relationship with the franchisee and who will be responsible internally for dealing with sales, finance, etc. But at least the franchisee won't have to go over the list of people, people they don't know, to find out who to contact [hospitality industry franchisor 1].

The referent is a key point in the relationship, as shown in a crisis in a franchise acquired by a foreign firm.

> Why are they all leaving? They no longer have referents in France. When a franchisee comes to a franchise because they need a referent, if there isn't one, it doesn't work [hospitality industry franchisor 1].

The referent also plays the role of network facilitator (it is generally the same person, the term network facilitator being the one used by the French Franchising Federation to encompass the different roles).

> There are network facilitators. They are formed, quite a long way. These are people with a particular profile, in a mixed network for example, it is not the same person who visits the franchisees and the managers. It's not the same relationship. The franchisee is the boss at home, you do not set goals, you advise. We share good network practices. The facilitator will set up regional meetings to share best practices [franchise specialist 1].

Hence the franchisee has relationships with the franchisor's teams and the quality of these teams is essential. A disconnect may eventually occur between the general management of the franchisor, on the one hand, which develops its own strategy, and its teams and the franchisees on the other (see below "them and us"). Such a cut can lead to crises.

> Loyalty was tied to loyalty to the [franchisor's] teams, they [the franchisees] had trust, and even if there were things they didn't like too much, they remained loyal. As soon as the strategy was decided outside of them and us, they started to leave [hospitality industry franchisor 1].

The franchisor's teams manage the relationship between the latter and the franchisees.

> Once, I remember that in a firm, the CEO had taken a rage. They told me: I don't want to hear about it anymore, manage it. We had to try to maintain a good relationship between the general management and the franchisees [hospitality industry franchisor 2].

Franchisees seem more isolated, but they have their own teams, which can have their own analysis. A franchisee in hairdressing explains that she considered leaving the franchise. She would not have lost her customers, who would have continued to come to the salon even if the brand had changed. But she didn't because their teams told her they would leave: they were committed to the values of the franchise chain. They also perhaps had the prospect of eventually becoming franchisees themselves in this chain. We therefore see that the relationship is not simply binary–the franchisor and the franchisee–but that it is played out at several levels in interaction.

A network relationship

Intervening at several levels, the franchisor/franchisee relationship must also be seen as a network relationship.

> It is a collective game. You have to have a project. Three actors: the franchisor, the franchisee and the network. It is also a network story. You have to have values that correspond to the collective. The franchise has suffered a lot of mistakes [florist franchisor]

Indeed, managing a network is precisely managing the relationship.

> The relationship is part of the franchisor's know-how. It's not the ability to sell [their product], it's managing their network with intelligence [franchise specialist 3].

The intelligence of the management is then based on the search for balances, the first of which must relate to the recruited profiles.

> If you have in your network a majority of creatives, influential leaders, with an idea per second that the franchisor must apply at the minute, it is a disaster. It's just not manageable. You need innovators, people who have ideas, who push others, but you also need followers. Depending on how the network is composed, yes, there are issues. The key is in recruitment. Here too, a good balance is needed between drivers who will have ideas and followers [hospitality industry franchisor 1].

Very generally, the networks also combine franchisees and managers (stores belonging to franchisors). And there, too, there needs to be a balance.

> The right balance is 60/40 one way or the other. 20% franchisees never work: there is no consideration for them. The balance ratio is important [Franchise Specialist 2].

In addition, the need for the animation of the network is always complicated.

> You have to manage. You have to feed entrepreneurs who want to grow, but if the network is installed, there are few possibilities for offers. We have to manage all this, it's all this animation of the network, in a spirit of co-construction, we have heard a lot about "collective intelligence" in the networks. They don't work for the network, the network *is* themselves. It's a virtuous circle [franchise specialist 3].

The relationship is therefore between the franchisor and the franchisees, but also between the franchisees. In the best of cases, the franchisor agrees to not be the only one to manage the concept developed at the start, to see it evolve from the practical experience of the franchisees who bring it to life. This can be difficult to manage.

> When Franchisors create a concept, they want to develop very quickly and they especially want hands. They did not understand that the trajectory of the boat will not be the same. I will have to share the reasons for the success. The development does not only come from my brilliant concept, it will also come from the intelligence of my franchisees. I have an ego, but my franchisees too have egos. They may want something else. And you have to accept this contradiction [franchise specialist 2].

These network management problems can lead to conflicts, sometimes intense.

An agonistic relationship

30% of business-related disputes in the United States relate to franchising (Wang et al., 2020). Many are settled by mediation or arbitration. Upstream control of contracts greatly reduces the number of lawsuits. Indeed, the contracts are drafted by lawyers working for the franchisors and they tend to design contractual clauses that overprotect their clients. The French Franchising Federation plays a role to avoid that. It only admits as members franchisors whose contract has been deemed balanced by its lawyers. As one actor puts it: *"It doesn't mean there is no conflict, but it means there is no scam"* [franchise specialist 1]. The balance in the very structure of the contracts greatly limits the number of disputes and it is better, for a franchisee, to sign with a franchisor who is a member of the Federation. The latter therefore plays an upstream role in checking the clauses of contracts in order to avoid conflicts, and a downstream one in mediation in conflicts.

But control over contracts is not enough to eliminate the conflicts that generally arise from changes affecting the actors in the relationship. If the concept works well, the franchisor grants franchises in territories neighboring the catchment area of its first franchisee, thus reducing it. It therefore puts the franchisee in competition with other players in the network. Or, the concept working well, the franchisor launches other concepts, supposed not to compete with the first one but often considered as cannibalizing it by the franchisees. Symmetrically, franchisees develop their business by freeing themself from the rules imposed by the franchisor, believing that the latter does not advertise enough, does not innovate enough, etc. Given the asymmetry of resources between the franchisor (often a large financial group) and the franchisees (independents), disputes initiated by individual franchisees are relatively easy for the franchisor to manage. What franchisors fear, however, is the association between franchisees.

> We had an association of franchisees which was created following a decision taken in the US [by the franchisor], I had to manage, one of my first missions, we found a solution. I managed to make my US contact understand, we found a solution, the association dissolved. It is very much due to the relationship of trust that we have managed to establish. The association was recreated a year ago. Today, large well-established groups have very, very complicated relationships with their franchisees. At [name of a large French hotel group], franchisees created chains within the chain. There is a very important counter-power. At [name of an American hotel group present in France], there are very powerful associations of franchisees, forming a counter-power. As a franchisor, you have to distribute your network well, rely on franchisees who take over other outlets, but without giving them too much power [hospitality industry franchisor 1].

As the relationship is characterized by an imbalance between a powerful franchisor and a weak and isolated franchisee, it can therefore be rebalanced by the emergence of a countervailing power (Galbraith, 1954) in the form of an association of franchisees. As we have seen, franchisors organize conventions during which franchisees meet. These conventions allow exchanges on good practices and possible innovations. Often, the franchisors tend to prevent the franchisees from finding themselves alone to discuss their problems.

> When you organize conventions, you make sure that franchisees don't spend five minutes with each other, because that can pollute. There are always people from head office present [florist franchisor].

The relationship can therefore be hyper-conflictual. There are associations of franchisees that buy out their franchisor group following a dispute. But, if handled well, the relationship can be nice.

> That's what franchise relationships are, it's being in contact with everyone to try to maintain a good social climate. Because bad social climate = franchisees who leave, franchisees who get together and prepare a bomb, franchisees who no longer pay royalties. You can't say a great relationship, no. Even if we do conventions, etc. But that's what franchising is [hospitality industry franchisor 2].

Franchisors must remain innovative and attentive to their network. They must manage the sharing of value in a balanced way. And, more specifically, they must manage the feeling of fairness. This is what it means to manage the relationship.

> We must ensure the development of our franchisees. They must be able to express themselves, the leaders must be able to propose and the followers must not have to propose. You have to know how to accompany them according to the stages and the profiles. If franchisees feel like they're not earning what they should, you have to manage. Sometimes, it is necessary to help those who suddenly earn more money than they have ever had, there we offer patrimonial assistance. Profitability must be well shared and this sharing must be well accepted. The management of feelings is part of the franchisor's job. Mature franchisors know that there are types of franchisees that need to be helped. The franchisee who has just joined, who is in full energy, who wants to open others and the franchisee who is happy with their point of sale, who is in a logic of transmission. Not all franchisees have the profile of the multi-site franchisee [franchise specialist 3].

The difficulty of this management, for the franchisor, is due to the diversity of profiles in the network.

> We are faced with very diverse profiles, some want to be totally independent, others are waiting for us to mother them. You have to deal with all these profiles. You have to manage all that, create a culture. It often takes colossal energy [hospitality industry franchisor 1].

And this management must be exercised in a particular climate since the relationship between franchisor and franchisee is not hierarchical and runs the risk of the emergence of a counter-power if it turns to hierarchy.

> The franchisor is less and less a decision-maker, he/she is a leader whose job is to streamline collective intelligence, organize ideas and refocus on the general interest [franchise specialist 2].

In reality, the two actors in the relationship, franchisor and franchisee, must have the concern to keep the relationship alive, to manage it, in order to avoid the rise to extremes which threatens permanently. When management is efficient, the relationship is very positive.

> It is a context of very high tension, it is the context in which it is set up, but then, it is a very great agility. Franchisees find themselves in a system that they did not anticipate at the start, but then it creates a lot of agility and solidarity. You have to know that we're going to manage egos, that we're going to have to manage a network, the progress plans of franchisees, that you're going to have territorial conflicts, but the networks that have mastered this are capable of reviewing royalties, of set up solidarity funds, controlled by franchisees. The collective realized that it was a collective [franchise specialist 2].

In the same way that one actor described the relationship as both hyper-harmonious and hyper-confrontational, another describes it as both nimble and fragile.

> The franchise is an agile and fragile system. A mechanism that creates a lot of agility because it forces contradiction. However, it is fragile. As a franchisor, I have to work on agility and I have to work on the weak points: my concept is not up to date, I do not give enough information to my franchisees, etc. [franchise specialist 2].

Everything rests in the management of the relationship itself, in dynamics. It is this dynamic that must now be described.

Dynamics of a dependence relationship

In a famous passage from the *Phenomenology of Mind*, Hegel analyzes the dynamics of the relationship between master and slave. Hegel shows how a relationship of extreme dependence can be transformed by its own dynamics. The phenomenology of the franchise relationship is reminiscent of this analysis. The dynamics of the relationship always starts the same way. Franchisors, who have recruited their franchisees, transmit know-how to them in the form of training, often also an immersion period with another franchisee with a lot of experience, and the support of its teams. This first phase of the relationship is the "honeymoon", already mentioned.

> Between zero and two years, everything goes pretty well. Good concept, good recruitment. The franchisor provides a lot of assistance, invests a lot, more than royalties, this is what we call the "honeymoon" [franchise specialist 2].

Then the franchisee is left, as an entrepreneur, autonomous. From there, the dynamics of the relationship can follow several scenarios.

Scenario 0: termination of the relationship.

The franchisee fails to grow and exits the relationship by selling or go bankrupt. But franchise representatives often contrast startup failure rates with franchise failure ones and point out that a franchisee is much less likely to go bankrupt than a startuper. This scenario is therefore not very common. Blair and Lafontaine (2005) nevertheless point out that the given figures must be qualified: they generally do not take into account the phenomenon of multiple franchises. Many new franchises are made by actors who already have experience in the franchise relationship. The most relevant comparison should be made between the failure rate of startupers and that of new franchisees alone. The gap would undoubtedly be smaller, even if franchising remains in any case a less risky form of entrepreneurship than the choice of independence.

Scenario 1: the status quo in the relationship.

The franchisee succeeds, and is satisfied with this success. He/she stays in the system without contesting it. He/she can take some leeway within reasonable limits and participate in conventions, allowing exchanges with the other franchisees of the network. For his/her part, the franchisor exercises a fairly light control (Goullet & Meyssonnier, 2011).

> If you control what happens too much, people are not happy, if as a franchisor you let go too much, you get screwed. It's a bit like: "I've got you, you've got me by the goatee." In fact, you have to be with them, without being with them. Control them without controlling them [hospitality industry franchisor 2].

This is a relationship between two independent partners who each find their interest in the relationship, without trying to go further. The franchisee is rather part of the category of "followers" in the network (see above).

Scenario 2: renegotiation.

The franchisee succeeds and controls his/her activity even though the franchisor provides him/her with less support. The relationship with the franchisor changes in depth.

> I have always said: a franchisee when results are good, it is thanks to him/her; if there is a problem it is the fault of the franchisor. We know it, we don't even discuss it [hospitality industry franchisor 1].

Franchisors know this is when difficulties arise. A franchisor explains that he/she anticipates this reversal at the very moment when recruiting his/her franchisees by telling them what will happen.

> There is the franchisee curve. I tell them: "In a few years, you are going to explain my job to me". They answer: "No, no". And I explain to them that yes. It's an exciting job, it helps to grow faster, but exhausting [florist franchisor].

Franchisees believe that their success comes from their managerial qualities, while the franchisor brings them much less than during the honeymoon phase. They then overvalue the daily problems of the relationship.

> The franchisor will be judged by the franchisee on the little everyday details, which will exasperate the relationship, even if there is trust [florist franchisor].

Consequently, franchisees consider that they are paying too much to the franchisor for a service that is not always responsive and of high quality and they seek to renegotiate his royalty rate.

> The franchisee tries to renegotiate. We are always on the razor's edge, it's a balance of power, it's not just an emotional relationship, if the franchisor is in a position of strength, that's fine, if the franchisor can't afford to lose franchisees, they have to try harder [hospitality industry franchisor 2].

This balance of power can be established between a franchisor and a franchisee who represents a significant part of their income, a situation mentioned in an interview.

> Should we take out the biggest franchisee, 20 million [euros] turnover? A large percentage of turnover. Pragmatically, I have to keep it, but for the network, it hurts the momentum, it rots the network. The guy is systematically late to meetings, wants a reserved seat at the front. The star football player who degrades the collective. These are not easy decisions to be made. I lose a territory, a big turnover, I may strengthen a competitor, but for the collective, I have to do it. We are waiting for the deadline, we are preparing for it and we will not renew. This partner is a barony, he/she will attract other members of the collective into their fold [franchise specialist 2].

Or the balance of power may involve a collective of franchisees.

> In a network, 20 franchisees, 5 of which are very strong. Fifteen days before the convention, the 5 ask to go from 4 to 1% royalties. If you say no they leave, if you say yes you lose your income [franchise specialist 2].

The problem is that everything is known in a network. If one or more franchisees obtain better conditions than the others, the whole network can be shaken. An actor uses the metastasis metaphor.

> In many networks, people want to renegotiate. There, we begin to put metastasis in the relationship. I broke the rule. I knew it would end badly [florist franchisor].

Renegotiation is a factor of fragility in the franchise relationship, even though it is part of the very dynamics of the relationship.

Scenario 3: exit or change of network.

If the renegotiation does not succeed, the franchisee can decide to leave the franchise relationship by becoming an independent, strong in the clientele and know-how acquired, or try to negotiate better conditions with a competing network.

Scenario 4: multi-franchise.

The franchisee who has succeeded and wants to continue to grow can acquire other franchises. In a large city, they can take over other franchises of the same brand; in a medium-sized city, they can acquire franchises in several industries (they succeeded with a restaurant franchise, they take one in clothing, and another in the distribution of flowers). Some franchisors develop several complementary concepts that facilitate multi-franchising in their own group.

> The Bertrand chain [a French restaurant chain] offers several ranges of different restaurants[3] that can be developed locally with interesting synergy work [franchise specialist 1].

Multi-franchising is one of the ways to stabilize the relationship between franchisor and franchisee with a common growth perspective.

Scenario 5: network disruption.

Renegotiation attempts have failed, franchisees can then leave the network individually, with a cumulative effect, weakening it considerably. As one actor noted:

> A network where there is a lot of turnover is a bad sign [franchise specialist 3].

They can also play collective action and counter-power, as we have seen, that is to say create an association and then negotiate from a position of strength, or even–a case mentioned in our interviews–buy back the franchisor.

These different, contrasting scenarios of the dynamics of the relationship reflect the characterization of the franchise made by the actors, as seen before: *"this relationship is sometimes hyper-harmonious and sometimes hyper-conflictual"* [hospitality industry franchisor 1]; *"franchising is an agile and fragile system"* [franchise specialist 2]. A phenomenology of franchise must therefore account for these contradictions which arise from the very nature of this relationship.

Conclusion

There are many theoretical approaches to franchising. But they have two limiting characteristics. Very often, first of all, they only test a model (agency theory, transaction costs, incomplete contracts, etc.) on

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[3] Hippopotamus (a meat restaurant), Léon de Bruxelles (a Belgian style restaurant), Au Bureau (a British style restaurant) and Volfoni (an Italian style restaurant).

an economic reality that is very simplified and fragmented. Then, these theoretical approaches do not really address the dynamic complexity of franchising as a relationship: the strictly relational aspect is poorly taken into account. This article has chosen to follow Dant's recommendation: break with traditional approaches and start from a "phenomenological" approach to franchising ("*think phenomenologically*"–Dant, 2008, p. 96). For this, it sought to show the franchise as a relationship, starting from a minimal description, a balanced economic relationship between two independent partners, to gradually make it more complex by adding successive "seeing as" (an unequal economic relationship, a relationship other than economic, a multi-level relationship, a network relationship, an agonistic relationship). These "seeing as" were based on verbatim extracts from interviews carried out with franchisors and franchisees, expressing the experience of the actors in the relationship.

The description proposed in this article, as a layering of these different "seeing as", then directs towards the construction of a theory of the franchise as a theory of the management of a relationship in dynamics, in its complexity, which, quite obviously, will be based on the theoretical elements developed in the literature. But it is clear that franchising is a possible form of relationship between business partners, among others (the simple customer/supplier relationship, for example). From this point of view, a comparative approach would certainly enrich the analysis. If it is likely that the minimum description of these other relationships would most likely be very close (a relationship based on the joint economic interest of the two partners), it would then be appropriate to identify the similarities and dissimilarities at the level of the other dimensions of the relationship (types of conflicts, types of affective commitment in the relationship, the multi-level game, etc.) so as to better understand the possible dynamics of these relationships. It would then be interesting to study how the "seeing as" and the dynamic scenarios of these relationships would differ from those of the franchise.

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