What Makes Franchisees Trust Their Franchisors?

Evelien P.M. Croonen and Maryse J. Brand

Abstract A lack of trust of franchisees in their franchisor will negatively affect franchise system performance. However, very little is known about how franchisors can create and maintain franchisee trust. This paper presents a theoretical framework of antecedents of franchisees' trust in their franchisors and franchise systems. To develop our framework we combined franchising literature with literature on trust in other organizational contexts. We argue that a franchisee's general propensity to trust together with its perception of the trustworthiness of the franchisor and franchise system determine this franchisee's level of organizational trust. We distinguish three franchise system components that each entail a set of determinants used by franchisees to evaluate the trustworthiness of the franchisor and the franchise system, the system's strategic positioning in the market, its operational management and the franchisee management.

Keywords Franchising • Relational view • System performance • Trust

1 Introduction

In business format franchising, a parent organization (the franchisor) replicates a business format—entailing a positioning in the market and internal procedures—by allowing independent small business owners (franchisees) to use this format in return for fees (Davies et al. 2011). The franchisees form part of a franchise system with units that all operate under the franchisor's business format. In many regions, business format franchising has become an increasingly important instrument for entrepreneurial wealth creation, accounting for a large share of business in a wide

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range of industries, such as retailing, fast food, hospitality, construction, accounting and funeral services (Szulanski and Jensen 2008). The United States, for example, have over 1,500 franchise systems, representing more than 760,000 franchisees and almost 18 million employees (Dant 2008). In Europe the situation is similar; in the Netherlands franchising has a market share of 80% in food retailing and 71% in non-food retailing (Van Essen and Pleijster 2009).

The franchise relationship between a franchisor and a franchisee is characterized by mutual interdependence; the franchisor relies upon its franchisee to perform at expected levels and within specified guidelines while the franchisee depends upon its franchisor for support. Such mutually interdependent relationships, of which franchise relationships are a specific subset, rely on mutual trust to be successful (e.g. Morgan and Hunt 1994; Zaheer et al. 1998). Although these types of relationships are generally governed by formal contracts, a complete coverage of all possible contingencies is never guaranteed. Therefore, these relationships are governed by both formal mechanisms, such as contracts, and informal instruments, such as trust (cf. Bradach and Eccles 1989; Cochet and Garg 2008; Davies et al. 2011).

Moreover, franchise relationships are characterized by asymmetrical control; by virtue of the franchise contract the franchisor has generally more power than its individual franchisees, which renders the latter vulnerable to possible opportunistic behaviors of the franchisor (cf. Croonen 2010; Davies et al. 2011; Storholm and Scheuing 1994). Furthermore, a lack of trust of the franchisees in their franchisor and franchise system may lead to various kinds of undesired franchisee behavior, such as diminished efforts to comply with the franchise regulations or franchisees leaving the franchise system (Davies et al. 2011). These franchisee behaviors could lead to all kinds of problems, such as diminished system sales, problematic franchisee recruitment, and ultimately a decrease in and/or stagnation of the franchise system's profitability. In sum, franchisors have a large economic interest in creating and maintaining franchisee trust, since franchisees form an important ingredient in their franchise systems' success (cf. Michael and Combs 2008).

However, despite the importance of the topic, the research attention paid to franchisee trust so far has been relatively insignificant while as yet very little is known about how franchisors can create and maintain the trust of their franchisees. Even though the scientific literature has largely focused on antecedents and the consequences of trust in different organizational contexts, such as employer-employee relationships (e.g. Gillespie and Dietz 2009; Searle et al. 2011) and various types of inter-organizational relationships, for example marketing/distribution channels or buyer–supplier relationships (e.g. Anderson and Narus 1990; Gullett et al. 2009; Morgan and Hunt 1994; Lusch et al. 2003), still very little is known about antecedents of trust in franchise relationships as a specific form of inter-organizational relationship.

Since franchise relationships have specific characteristics, insights from other studies on trust cannot be directly transferred to franchisees. First, as opposed to actors in other inter-organizational relationships, franchisees generally have less freedom; franchisees operate according to a "full" business format, which includes a specific strategic positioning in the market and various internal operational procedures that franchisees are obliged to follow (Kaufmann and Eroglu 1998). With respect to evaluating (the trustworthiness of) their franchisor and its franchise system, franchisees will therefore take all aspects of the business format into account. Second, in contrast with other organizational actors (i.e. employees), franchisees are legally independent business owners who pay fees/royalties for the use of their franchisor's business format, who take the risk of investing capital in their units' assets and who are the residual claimants of these units (Ketchen et al. 2011; Sorenson and Sørensen 2001; Yin and Zajac 2004). This context may make franchisees more critical in evaluating their franchisor and franchise system as opposed to other types of actors, such as employees or professionals engaged in looser types of inter-organizational relationships. In sum, because of these particular characteristics, it is plausible that franchisees use other and stricter criteria to assess their partner organization's trustworthiness than other actors do. Existing studies, however, do not provide sufficient insights into the antecedents of franchisees' assessment of the trustworthiness of their franchisors and the franchise systems.

Most of the franchising literature has examined franchising from the franchisor's perspective (cf. Combs et al. 2011; Michael and Combs 2008), for example by explaining why franchisors use franchised units as opposed to company-owned units and how this decision affects franchise system performance (e.g. Combs et al. 2009). Much less research has taken the franchisee's perspective (exceptions are Davies et al. 2011; Kidwell et al. 2007; Michael and Combs 2008). As a result, we have a relatively limited understanding of the perceptions, motivations and behaviors of franchisees.

This lack of research on the franchisees' perspective has also resulted in a very limited understanding of antecedents and/or consequences of franchisee trust. There are a handful of studies available, most of which have focused on the consequences of franchisee trust regarding, for example, the level of franchisee compliance (cf. Davies et al. 2011), long-term orientation and satisfaction (cf. Bordonaba-Juste and Polo-Redondo 2004; Chiou et al. 2004) and performance (cf. Bordonaba-Juste and Polo-Redondo 2004; Dahlstrom and Nygaard 1995). Some authors have in fact dealt with antecedents of franchisee trust, but either in an explorative way (e.g. Croonen 2010) or by presenting only a very limited number of examples (e.g. Chiou et al. 2004; Dahlstrom and Nygaard 1995). Additionally, franchising researchers seem to consider franchisee trust mostly as a uni-dimensional construct (see Croonen 2010; Davies et al. 2011 for exceptions), whereas the literature on trust in general distinguishes different dimensions and levels of trust, each with specific antecedents and/or consequences (e.g. Searle et al. 2011; Zaheer et al. 1998).

Considering the above, our paper contributes to the literature in multiple ways. First, we have added to the franchising literature by taking the franchisee's perspective as opposed to that of the franchisor, which has until now attracted most research attention (cf. Dant 2008; Davies et al. 2011; Michael and Combs 2008). Second, given the importance of franchisee trust for franchise system performance, the lack of research on antecedents of franchisee trust represents an important knowledge gap in the franchising literature. This paper has aimed to fill this gap by developing a theoretical framework on antecedents of franchisee trust based on a multidimensional approach to defining franchisee trust. To this end, we have combined franchising literature with literature on trust in other organizational contexts.

The structure of this paper is as follows. First, we define trust in general and distinguish several forms of trust and levels of analysis. We then deal with trust in a franchise context and discuss different dimensions and levels of franchisee trust. Second, we create a theoretical framework on antecedents of franchisee trust by building on different literature streams. We conclude the paper by presenting our framework and addressing the implications for future research and practice.

2 Trust: Definitions, Dimensions and Levels of Analysis

2.1 Trust: Definitions, Dimensions and Levels of Analysis

Mayer et al. define trust as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer et al. 1995, p. 712). This definition has been adopted by a number of other authors who all identify two critical components of trust, viz. (1) a trustor's positive expectations regarding a trustee's intentions or behavior, and (2) a willingness to be vulnerable, thus accepting a level of risk in the relationship (cf. Rousseau et al. 1998; Six and Sorge 2008; Zaheer et al. 1998). Following this body of literature, we distinguish between a trustor (i.e. the party that has a certain degree of trust) and a trustee (i.e. the party that is trusted).

Researchers generally differentiate between two dimensions of trust (cf. Davies et al. 2011; Nooteboom 1999). The first dimension is trust in the other party's competencies to perform a certain action that is important to the trustor. This type of trust is termed competence trust (cf. Nooteboom 1999). The second dimension concerns a party's trust in the other partner's intentions or integrity, which refers to a party's expectation that the other party will demonstrate appropriate behavior. This type of trust is referred to as intentional trust (cf. Nooteboom 1999). These two trust dimensions are very similar to the three trustworthiness dimensions of Mayer et al. (1995): ability, integrity and benevolence. Ability is related to competence trust while integrity and benevolence are associated with intentional rust. Mayer et al. argue that their three trustworthiness dimensions help in understanding why party A perceives party B as trustworthy, and why party A ultimately trusts party B (see Sect. 3 for a more elaborate description of the link between trust and trustworthiness and a discussion of Mayer et al.'s three dimensions). Mayer et al.'s three-dimensional framework is a helpful instrument in understanding the different trust dimensions because it incorporates both cognition-based and affect-based trust

(Dirks and Ferrin 2002; Dunn et al. 2012). Cognition-based trust primarily concerns beliefs about the trustee's ability and integrity and affect-based trust refers to beliefs about the trustee's benevolence (Dunn et al. 2012).

In addition to distinguishing multiple *dimensions* of trust and trustworthiness, the current literature explicitly differentiates between (inter)personal and (inter) organizational *levels* of trust (e.g. Bachmann 2001; Currall and Inkpen 2002; Nooteboom 1999; Searle et al. 2011; Zaheer et al. 1998). As argued earlier, trust is based on positive expectations as regards a trustee's behavior. The trustee can be an individual or an organization. Trust in an individual is based on direct interactions with this actor, while trust in an organization is based on a trustor's image of this organization as a result of past decisions and actions. Nooteboom (1999, p. 28) argues that "organizational trust is a constellation of behavioral trust (i.e. personal trust, the authors), with organizational structure and culture acting as institutions that limit and guide behavior of staff." In other words, in organizations there are certain explicit or implicit norms for how things are generally done. In real life however, individuals within organizations may deviate from these norms because of conflicting interests. Some scholars have indeed empirically proven the relevance of this difference between personal and organizational trust. For example, in their study of 107 buyer–supplier relationships, Zaheer et al. (1998) confirmed that interpersonal and inter-organizational trust are distinct but related constructs and that they have different effects on organizational outcomes. Therefore, Zaheer et al. (1998) argue that research on trust between organizations should clearly specify the level of the trustee in order to avoid the risk of "cross-level fallacy" (i.e. attributing individual motivations and behaviors to organizations).

Zaheer et al. (1998) convincingly claim that it is not correct to say that organizations trust each other; individuals within organizations may collectively share a trust orientation toward another organization, but this is quite different from saying that an organization has trust. In other words, a trustee can be an individual or an organization, but a trustor can only be an individual. We use the term personal trust to refer to an individual's trust in another individual. In an organizational context, these individuals can belong to an organization or have an individual relationship with it. Personal trust can include, for example, the trust of one person in a colleague of the same organization (co-workers or managers, e.g. Ferrin and Dirks 2003; Gould-Williams 2003), the trust of one individual "boundary spanner" in its counterpart in a partner organization (e.g. Zaheer et al. 1998), or the trust of an individual customer in a specific representative of a supplying organization (e.g. Dahlstrom and Nygaard 1995). In contrast, organizational trust refers to an individual's trust in an organization, for example an employee's trust in the organization that he/she works for (e.g. Gillespie and Dietz 2009; Hodson 2004), an individual boundary spanner's trust in a partner organization (e.g. Zaheer et al. 1998) or an individual customer's trust in its supplying organization (e.g. Saparito et al. 2004).

In the present section, we have argued that trust is a multi-dimensional and multilevel construct. Although researchers have increasingly recognized this perspective in the literature on trust in other organizational contexts (cf. Zaheer et al. 1998), the franchising literature generally does not take this view point into account. In the next section we will therefore further discuss the different dimensions and levels of franchisee trust.

2.2 Franchisee Trust: Definitions, Dimensions and Levels of Analysis

Translating Mayer et al.'s widely-used trust definition to a franchising context leads to the following description of franchisee trust: "the willingness of a franchisee to be vulnerable to the actions of its franchisor based on the expectation that the franchisor will perform particular activities important to the franchisee, irrespective of the franchisee's ability to monitor or control the franchisor" (cf. Mayer et al. 1995). This definition is very similar to that of franchisee trust by Davies et al. (2011), which also emphasizes franchisees' positive expectations regarding their franchisors' behaviors and the willingness to accept vulnerability to the franchisor's actions.

The previous section has pointed at the importance of categorizing different dimensions of trust (i.e. competence and intentional trust); however, this distinction has until now not been a common one in the franchising literature. Only Davies et al. (2011) use a multi-dimensional approach to explain franchisee compliance by distinguishing between a franchisee's trust in the franchisor's competences and its integrity. Davies et al. found for example that franchisee compliance to franchisor requests is more strongly influenced by integrity trust (cf. intentional trust) than by competence trust, which empirically confirms the multi-dimensional nature of trust in a franchising context.

Neither is the multi-level approach to trust, which distinguishes between personal and organizational trust, common in the extant franchising literature. Dahlstrom and Nygaard (1995) however, do focus on antecedents and consequences of interpersonal trust in franchised channels (i.e. trust of unit owners/managers in their organizations' sales managers), but they do not explicitly distinguish this type from organizational trust. Another study by Croonen (2010) found a clear difference between a franchisee's personal trust (trust in particular representatives of the franchisor's organization) and franchise system trust (a form of organizational trust referring to the franchisee's trust in the fair and effective functioning of the franchisor's organization and its franchise system). Table 1 presents these two levels of franchisee trust. Croonen (2010) analyzed four case studies and concluded that personal trust is generally considered important by franchisees. However, if they feel too much dependent on their franchisor, personal trust is no longer sufficient. Franchisees that felt dependent on their franchisor or felt that their dependence would increase in the near future became more focused on the concept of trust in the franchisor's organization and its franchise system. Franchisees attach less

Table 1 Distinguishing between a franchisee's personal and organizational trust

		The trustee (i.e. the party that is trusted)	
		An individual representative of the franchisor's organization	**The franchisor's organization and its franchise system**
The trustor (i.e. the party that has a certain degree of trust)	**The franchisee as an individual**	*Personal trust*	*Organizational trust* (*the focus of the remainder of this paper*)

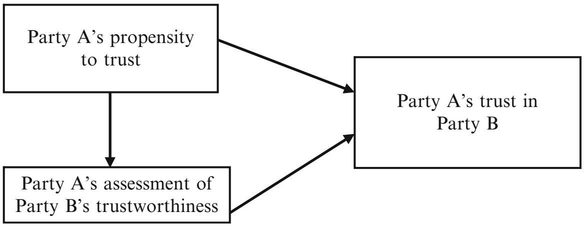
importance to trust in particular franchisor representatives, for example because these representatives could always leave the organization, which indeed frequently occurred in Croonen's case studies.

We conclude that franchisee trust is indeed a multi-dimensional and multi-level concept, which means that its different dimensions and levels may have different antecedents and consequences. The objective of this paper is to provide researchers and practitioners with new insights into how to create and/or maintain franchisee trust. Therefore, our focus is particularly on the antecedents of trust rather than on the consequences. We also chose to concentrate on the franchisee's organizational trust as opposed to the franchisee's personal trust (i.e. the right side in Table 1). We did so for several reasons. First, as we pointed out, in franchise relationships franchisees that feel dependent—which is specifically the case in centralized franchise systems (cf. Windsperger 2004)—deem trust in the franchisor and its franchise system more important than personal trust in particular franchisor representatives (see Croonen 2010). Second, organizational trust is more complex and thus more difficult to manage than personal trust. So, franchising researchers and practitioners would benefit the most from a better understanding of antecedents of franchisee trust in the franchisor and its franchise system. Probably as a result of the complexity of organizational trust there is currently very little coherent theory available on the antecedents of organizational trust and trustworthiness (cf. Gillespie and Dietz 2009 for a discussion of this issue and one of the few exceptions), while for franchise systems as a specific organizational context there is no extant theory on antecedents of trust and trustworthiness at all. The following section is a first step in building a theoretical framework.

3 Toward a Theoretical Framework

As pointed out, franchisee trust forms a relatively under-researched area in the franchising literature and its antecedents are even less well-understood than its consequences. The few studies conducted in this field have pointed to several (potentially) relevant antecedents, such as the franchisor's communication and its service assistance (Chiou et al. 2004), the organization's level of centralization and

Fig. 1 General antecedents of trust



formalization (Dahlstrom and Nygaard 1995), fee structures and the establishment of a Franchise Advisory Council (FAC) (Croonen 2010). However, these sources have serious limitations since they do not distinguish between the different levels of trust and neither do they focus on personal trust (cf. Chiou et al. 2004; Dahlstrom and Nygaard 1995). Furthermore, they only explore some potentially relevant antecedents of franchise system trust (cf. Croonen 2010). The theoretical framework that we will develop in this section aims to provide a more systematic insight into antecedents of franchisees' trust in their franchisors and franchise systems. In doing so, we will build on the general literature on organizational trust and integrate this domain into the franchising literature.

It is often argued that a party A's trust in party B is the result of (1) the characteristics of party A, or more specifically party A's propensity to trust, and (2) party A's assessment of the trustworthiness of party B (e.g. Colquitt et al. 2007; Mayer et al. 1995; Mayer and Davis 1999; Schoorman et al. 2007). Figure 1 reflects this idea, which is applicable to various empirical contexts and to both personal and organizational trust. In this paper we particularly concentrate on organizational trust with franchising as the empirical context. This point of departure leads to a first proposition:

Proposition 1 A franchisee's organizational trust in its franchisor and the franchise system is a function of this franchisee's propensity to trust organizations and this party's assessment of the trustworthiness of its franchisor and the franchise system.

In the following sections we will further translate the elements presented in this figure to a franchising context and develop a number of related propositions.

3.1 A Franchisee's Propensity to Trust and Franchisee Experience Levels

Propensity to trust ("dispositional" or "generalized" trust) is an individual trait reflecting the general expectancies about the trustworthiness of others (Colquitt et al. 2007; Mayer et al. 1995; Rotter 1971); it reflects a general willingness to trust others. Typical items to measure an individual's propensity to trust are: "In dealing with strangers one is better off to be cautious until they have provided evidence that they are trustworthy", or "I believe that most people are basically well-intentioned" (cf. Mayer et al. 1995; Searle et al. 2011).

Researchers commonly assume that a trustor's trust propensity is positively related to this actor's trust in a trustee, and that this association especially applies to the early stages of a relationship, in which the trustor does not yet have much information available to assess the trustworthiness of the other party (e.g. Bigley and Pearce 1998; Colquitt et al. 2007). However, there is a discussion on whether trust propensity continues to impact trust once trustworthiness has been determined (see Colquitt et al. 2007 for a meta-analysis). Several authors have argued that trust propensity creates a "filter" which makes the trustor continue to assess the trustee's trustworthiness, even in the presence of trustworthiness information. The meta-analysis of Colquitt et al. (2007) confirms this argument, which explains the arrow between party A's propensity to trust and its assessment of party B's trustworthiness in Fig. 1.

To our best knowledge, an individual's propensity to trust is typically measured as his/her general propensity to trust other individuals (see the items above for examples). However, we propose that here a multi-level approach applies as well, and that a distinction should be made between an individual's propensity to trust other individuals and his/her propensity to trust organizations. Even though we have never seen this distinction in the literature before, it may be relevant because organizations are complex social systems in which the intentions of the individual employees may be "overruled" by the organizational formal or informal power structures. We argue that, as a result of this organizational complexity, people's propensity levels as regards trusting individuals or organizations are not necessarily identical. This means that in both our propositions and our theoretical framework we deliberately use the term "propensity" to trust organizations.

In sum, we propose that a franchisee's propensity to trust organizations may have both a direct and an indirect effect on this actor's trust in its franchisor and the franchise system, whereby the strength of the effects is dependent on the franchisee's experiences as a franchisee in this particular franchise system (cf. Bigley and Pearce 1998; Blut et al. 2011; Bordonaba-Juste and Polo-Redondo 2008; Bradach and Eccles 1989; Colquitt et al. 2007). Franchisees that have only operated in a franchise system for a short time period ("novice franchisees") have to rely more on their general propensity to trust organizations than those that have functioned within a franchise system for a longer time period ("experienced franchisees") and that have been able to assess their franchisor's and its franchise system's trustworthiness on the basis of prior exchanges and experiences in different phases of the franchise relationship.[1]

[1] This idea is similar to the view of Lewicki and Bunker (1996) that in the early stages of a relationship partners build on so-called calculus-based trust, whereas in the later stages knowledge-based trust and identification-based trust become more important.

These findings have formed the basis for the following propositions:

Proposition 2a A franchisee's propensity to trust organizations has both a positive direct and a positive indirect effect on this actor's trust in its franchisor and the franchise system, since this propensity serves as a "filter" used by this franchisee to assess the trustworthiness of its franchisor and the franchise system.

Proposition 2b The direct effect of the propensity to trust organizations is stronger for novice franchisees than for experienced franchisees.

Proposition 2c The direct effect of a franchisee's assessment of the trustworthiness of its franchisor and the franchise system on the franchisee's trust is stronger for experienced franchisees than for novice franchisees.

3.2 A Franchisee's Assessment of the Trustworthiness of Its Franchisor and the Franchise System

3.2.1 Introduction

A well-known framework for assessing an individual's or an organization's trustworthiness is formed by the three dimensions of Mayer et al. (1995): ability, integrity and benevolence. The first dimension, ability, refers to the trustor's perception of the trustee's set of skills, competencies and characteristics that are necessary to exert influence within a specific domain. It is important to recognize that the trustor's perceptions of the trustee's abilities may differ among domains (e.g. the production of a certain good or the communication with customers). The second trustworthiness dimension, integrity, concerns the trustor's perception as regards the acceptability of the set of principles used by the trustee in its business conduct. Finally, benevolence relates to the trustor's perception of the trustee's intentions with respect to the trustor's interests aside from making profit.

Although these three dimensions have already provided some preliminary insights into how organizations (i.e. franchisors) can create and/or maintain an image of trustworthiness, they are still broad constructs. The exact criteria of trustors to evaluate a trustee's trustworthiness depend on the specific organizational context. As we pointed out earlier, hardly any coherent theories or models to understand the antecedents of an organization's (un)trustworthiness have as yet been presented. The few studies available merely discuss a range of determinants of individuals' assessments of an organization's trustworthiness, such as quality assurance, interactional courtesy (cf. Caldwell and Clapham 2003; Ingenhoff and Sommer 2010), the use of certain employment practices (cf. Hodson 2004; Searle et al. 2011), and strategy, structures, policies and processes (Gillespie and Dietz 2009).

All these literature sources are focused on trustworthiness in rather general organizational contexts, such as employees' assessments of their employers' trustworthiness (cf. Hodson 2004; Searle et al. 2011). Other authors have surveyed students about what factors they considered to be important in a highly trustworthy organization (cf. Caldwell and Clapham 2003), or interviewed people about a company of their choice (cf. Ingenhoff and Sommer 2010). However, these extant models of organizational trustworthiness cannot be directly transferred to a franchising context because franchise systems form a highly specific organizational context (as pointed out in Sect. 1).

To summarize, in order to understand how franchisees assess the trustworthiness of their franchisors and the franchise systems, a new model needs to be developed. To this end, we will build on the work of Gillespie and Dietz (2009) which uses a system approach by dividing a franchise system into different "components". Each component comprises a group of determinants used by franchisees to assess the trustworthiness of their franchisor and the franchise system. Additionally, we will integrate determinants of organizational trustworthiness from other organizational contexts into this new model.

3.2.2 Introduction to the Main Components of the Trustworthiness of a Franchisor and Its Franchise System

We distinguish three main components each comprising a group of determinants used by franchisees to assess the trustworthiness of their franchisor and its franchise system: (1) strategic positioning, (2) operational management and (3) franchisee management. Since franchisees pay for the right to use the franchisor's business format, we argue that the business format forms an important component of how franchisees assess the trustworthiness of their franchisor and its franchise system. This business format entails both strategic and operational elements (cf. Croonen 2006; Kaufmann and Eroglu 1998), which we will both take into account in our model of franchise system trustworthiness.

First, the business format reflects a certain identity in a certain market by which the franchisor aims to target its "unique competitive niche" (cf. Kaufmann and Eroglu 1998, p. 71). We refer to this identity as the franchise system's strategic positioning in the market (Croonen 2006).

Second, the business format contains a wide range of operational policies and procedures that form the foundation of its effective and efficient functioning at both the individual store level and the system level ("format facilitators" in terms of Kaufmann and Eroglu 1998). These operational policies contain for example the specification of equipment, detailed operating instructions for each unit, royalty payment procedures or financial reporting requirements. Although these business format elements are not directly visible to customers, they are critical because they comprise the managerial and operational infrastructure of the entire franchise system and its units (cf. Kaufmann and Eroglu 1998). Therefore, we argue that franchisees will take these operational issues into account when assessing their franchise system's trustworthiness (cf. Croonen 2006). We refer to these issues as the franchise system's operational management, which is the second main component in our model of franchisor and franchise system trustworthiness.

The third and final main component refers to the way in which the franchisor manages its franchisees. In the model of Gillespie and Dietz (2009) this approach is reflected in the component of "structures, policies and processes". In the general organizational trustworthiness literature (cf. Hodson 2004; Searle et al. 2011), it is argued that organizations have to respect their employees' rights and interests, for example through the provision of stable and secure employment as well as adequate pay and benefits. This literature particularly focuses on how organizations can use employment or human resource management (HRM) practices to maintain or increase their trustworthiness. Although these ideas cannot be directly applied to franchise relationships since these involve independent business owners, franchisors nevertheless need to demonstrate respect for their franchisees' rights and interests (cf. Morrison 1997; Storholm and Scheuing 1994). This is why we include franchise relationship management as the third main component of franchisor and franchise system trustworthiness.

These three main components relate to Mayer et al.'s widely-used trustworthiness dimensions of ability, integrity and benevolence (Mayer et al. 1995) in a number of ways. First of all, the franchisor's ability to manage the franchise system effectively is reflected in all our three system components. The franchisor needs to be able to organize the franchise system in such a way that it can attain an organizational advantage (cf. Hodson 2004). This can be done by measures such as defining a viable strategic positioning in the market, setting up a good operational structure and selecting high-quality franchisees and keeping them satisfied. Second, a franchisor's integrity and benevolence in managing the franchise system is clearly reflected by the franchisee management component. Via their franchisee management practices, franchisors can demonstrate that they operate based on principles acceptable to the franchisees and that apart from serving their own interests, they also have those of their franchisees at heart (Searle et al. 2011).

We will now discuss the main components of our propositions as well as the groups of determinants used by franchisees to assess their franchisors' and the franchise systems' trustworthiness.

3.2.3 Component 1: The Franchise System's Strategic Positioning in the Market

The franchisor's business format ideally includes a unique strategic positioning that serves a need in a viable customer segment (cf. Kaufmann and Eroglu 1998). According to Kaufmann and Eroglu, the business format contains several elements that help in communicating the unique features of the business to the customers. The business format is the franchisor's responsibility. We thus argue that franchisees will assess the trustworthiness of the franchise system by evaluating the franchisor's ability to develop a business format with unique features and the way in which these features are communicated to the customers (cf. Kaufmann and Eroglu 1998).

We distinguish the following determinants used by franchisees in assessing their franchise system's strategic positioning in the market (cf. Croonen 2006; Kaufmann and Eroglu 1998; Sullivan and Adcock 2002):

- The "product/service deliverables" (cf. Kaufmann and Eroglu 1998). Franchisees will assess whether their franchisor has been able to compose an assortment of goods and services with unique features at a certain price level and whether the competitive niche defined is viable.
- Promotion. This determinant refers to the franchisees' assessment whether the franchisor has been able to develop promotion policies that properly communicate the unique features of the business format to the customers, attract the customers' attention and help in strengthening the format's brand name. This can for example be done through the franchise system's website, television promotion campaigns, and/or by sending out promotion materials to customers.
- Unit appearance. This determinant includes the franchisees' assessment whether the franchisor has been able to develop a unit design that clearly communicates the features of the business format, for example in terms of color schemes or materials used.

The three determinants are all related to the franchise system's overall strategic positioning in the market, which the franchisees' should assess positively. However, a major strategic and managerial issue in the franchising context is the trade-off between standardization and adaptation (cf. Bradach 1997; Kaufmann and Eroglu 1998). A high level of standardization leads to image consistency and cost minimization while it facilitates system adaptation. However, sometimes the business format may need to be adapted to the franchisee's desires and to local circumstances, especially in mature industries and in the case of experienced franchisees. We therefore argue that another criterion for franchisees in assessing their franchise system's strategic positioning in the market concerns the degree to which they are allowed to adapt elements such as the "product/service deliverables", the promotion activities and the unit appearance to their own local circumstances if necessary.

The above considerations have led to the following proposition:

Proposition 3 The franchisee's assessment of the franchise system's strategic positioning in the market positively influences this party's assessment of the trustworthiness of its franchisor and the franchise system.

3.2.4 Component 2: The Franchise System's Operational Management

In addition to a certain positioning in the market, the franchisor's business format also includes procedures and policies to support the format's effective and efficient functioning at the individual store level and at the system level (cf. Kaufmann and Eroglu 1998). These are generally referred to as the franchisor services, including for example, central purchasing, training, site selection, quality programs, sales forecasts, and ICT support (cf. Croonen 2006; Gillis and Combs 2009; Morrison 1996; Roh and Yoon 2009; Windsperger 2004). We propose that franchisees will assess the franchise system's trustworthiness by evaluating the franchisor's ability in providing a range of operational support services. On the basis of the above considerations from the franchising theory and some additions from the general organizational trustworthiness literature, we distinguish between the following determinants of trustworthiness associated with the franchisor's operational management:

- Purchasing (cf. Kaufmann and Eroglu 1998; Roh and Yoon 2009; Windsperger 2004). The franchise agreement generally contains purchasing requirements from designated suppliers, for both the goods provided to the customers and business assets such as store furniture, cars or ICT systems. Franchisees will assess their franchise systems' trustworthiness based on the conditions under which these goods and/or assets are supplied, such as the quantities of goods/assets that have to be ordered and the price levels of these items.
- Logistics (cf. Croonen 2006). This determinant refers to the actual delivery of goods and assets by the suppliers designated, involving issues such as timely delivery, flexibility in the delivery and the care with which the goods/assets are being delivered.
- ICT systems (cf. Croonen 2006; Kaufmann and Eroglu 1998; Roh and Yoon 2009; Windsperger 2004). Franchise contracts often stipulate the franchisee's obligatory use of certain ICT systems, such as accounting systems, benchmarking systems or payment systems. Franchisees will assess the quality of these systems and evaluate the level of operational support provided in case of problems with these systems.
- Site selection and sales forecasts (cf. Roh and Yoon 2009). This determinant concerns the franchisees' evaluation of the franchisor's competencies in the selection of viable sites and the composition of realistic sales forecasts.
- Quality assurance (cf. Caldwell and Clapham 2003; Ingenhoff and Sommer 2010). This element involves the franchisee's assessment of the extent to which the franchisor understands quality standards, for example in methods of operation, and adheres to these criteria on a continuous basis.
- Legal compliance (cf. Caldwell and Clapham 2003; Ingenhoff and Sommer 2010). This item entails the franchisee's assessment of the degree to which the franchisor understands and follows the laws applicable to the specific customer market.
- Overall support (cf. Morrison 1996; Roh and Yoon 2009). This element refers to the perceived support and/or assistance received by the franchisees when they specifically ask for it. Examples are support in several functional areas, such as marketing, finance, production, or human resource issues.

The above considerations have led to the following proposition:

Proposition 4 The franchisee's assessment of the franchise system's operational management positively influences this party's evaluation of its franchisor's trustworthiness and that of the franchise system.

3.2.5 Component 3: Franchisee Management

As pointed out earlier, the literature on employees' assessment of their employer's trustworthiness has included HRM practices as an important antecedent (e.g.; Gould-Williams 2003; Hodson 2004; Searle et al. 2011; Whitener 2001). HRM includes a set of practices directed at attracting, developing, and maintaining (or disposing of) a firm's human resources (cf. Lado and Wilson 1994). The main conceptual link between HRM and organizational trustworthiness is that formal HRM policies and the way in which they are enacted within an organization influence the employees' assessment of their organization's trustworthiness. HRM policies reflect the ability, integrity and benevolence of an organization.

The same line of reasoning can be applied to franchise relationship management: the way in which franchisors attract, develop and maintain their franchisees gives the franchisees an indication of the franchise system's trustworthiness. As Castrogiovanni and Kidwell (2010) point out, franchisees are the key human resources of franchisors, and an HRM perspective—of course translated to a franchising context—can therefore provide a valuable contribution to understanding franchise relationship management. However, such an approach has as yet only rarely been used; the article of Castrogiovanni and Kidwell is the only exception that we know of. Their conceptual article discusses the differences between franchisees and company managers in terms of three HRM practices: "recruitment and selection", "training and development", and "rewards". However, there have so far been no studies using an HRM perspective to investigate how franchise relationships are managed and how this impacts franchisee trust. In this paper we will take a conceptual step in that direction.

In recent years the HRM research has focused on so-called "high performance", "high involvement" or "high commitment" HR practices (cf. Evans and Davis 2005; Huselid 1995; Gould-Williams 2003; Snell and Dean 1992; Whitener 2001). In this literature stream it is argued that certain bundles of HR practices positively affect organizational performance; however, the link between these HR practices and output measures is often taken for granted, while very few researchers have explicitly addressed the question how HR practices impact organizational members' trust levels (cf. Gould-Williams 2003).

Since HRM literature distinguishes among different HRM "domains" or "bundles" that together form a consistent system of HRM practices (e.g. Evans and Davis 2005; Searle et al. 2011), an HRM perspective could contribute to developing a systematic theoretical framework in a franchising context. Although there is still a lack of consensus regarding which practices constitute a "high involvement" or "high performance" work system, certain practices are frequently included, such as training, information sharing, employee participation, recruitment and selection, and performance management (cf. Becker and Gerhart 1996; Snell and Dean 1992; Searle et al. 2011; Whitener 2001). In this paper we have built on several literature sources on "high performance" and "high involvement" HRM practices to develop our own list of relevant determinants used by franchisees to assess the trustworthiness of their franchisors and the franchise systems. These determinants are also related to franchise relationship management. We used the three HRM practices of Castrogiovanni and Kidwell as a starting point and added other relevant determinants as proposed in the franchising literature.

The first determinant is franchisee recruitment and selection (cf. Evans and Davis 2005; Snell and Dean 1992; Whitener 2001). This determinant refers to the extensiveness of the franchisor's franchisee selection process; are the procedures used by the franchisor for evaluating the prospective franchisee' skills, knowledge and abilities thorough enough to see whether the franchisee can successfully run a unit and sufficiently fits in with the franchise system? We propose that an extensive franchisee recruitment and selection process positively contributes to the franchisees' perceptions of the trustworthiness of the franchisor and its franchise system. This is because this approach reflects the value attached by the franchisor to the quality of the franchisees as opposed to the one-sided goal of attracting as many franchisees (including their entry fees and royalties) as possible.

The second determinant is franchisee training and development (cf. Becker and Gerhart 1996; Evans and Davis 2005; Snell and Dean 1992; Whitener 2001) which Castrogiovanni and Kidwell call "enhancement". This determinant refers to the extensiveness of the franchisees' "initial training" (i.e. when entering the franchise system) and "ongoing training" or development. A franchisor's investment in its franchisees' training and development can be considered by franchisees as a manifestation of its intentions and abilities. This is particularly the case because training and development are primarily aimed at improving the franchisees' skills in successfully running their businesses.

The third determinant entails franchisee rewards (cf. Snell and Dean 1992; Whitener 2001). Castrogiovanni and Kidwell (2010) refer to this concept as compensation. Franchisee rewards can include financial and non-financial incentives. Financial franchisee rewards are closely related to the profitability of the franchised unit(s): the revenue of the unit(s) minus all the costs. These costs include all the royalties or fees that the franchisee has to pay. The important role of the fee structure in understanding the concept of franchisee trust in franchise systems has already been pointed out by Croonen (2010). Non-financial rewards from the franchisor include for example the possibility of opening new units (cf. tournament theories of Gillis et al. 2011), or the opportunity to join some special social activities exclusively available to some franchisees, such as trips to suppliers or music concerts (mostly in a very attractive setting, cf. Croonen 2006). As regards both types of franchisee rewards the reward system has to be equitable; it has to be fair and reasonable and treat all franchisees in an equal way (cf. Snell and Dean 1992; Whitener 2001). An equitable franchisee reward system is a reflection of the franchisor's care for its franchisees.

The fourth determinant is franchisee performance management (cf. Searle et al. 2011). This item refers to how the franchisor sets its expectations and how it measures, reviews and manages the franchisee's performance. It can be argued that an accurate and transparent performance management system demonstrates that the franchisor is well capable of managing its franchisees (cf. Mayer and

Davis 1999; Searle et al. 2011). Additionally, it can be argued that a franchisor's use of such systems shows the franchisor's care for its franchisees' interests in the sense that the franchisor pays attention to recognizing well-performing franchisees and helping under-performing franchisees.

The fifth determinant concerns communication and franchisee participation (cf. Evans and Davis 2005; Searle et al. 2011). These concepts relate to the franchisor's frequency of and openness in information provision and communication and the opportunities of franchisees to participate in decision making. Franchisee participation in decision making can take the form of a Franchise Advisory Council (Cochet and Ehrmann 2007; Croonen 2010). These authors have already recognized the potentially important role of FACs in preventing franchisor misbehavior and creating franchise system trust. A well-organized FAC tells franchisees that the franchisor is willing to take their interests into account in a transparent manner. Such a context positively influences the franchisees' perceptions of their franchisors' benevolence and integrity.

The sixth determinant is associated with conflict management (cf. Becker and Gerhart 1996; Blum and Wall 1997; Cutcher-Gershenfeld 1991). It entails the procedures followed in conflict situations and the speed with which steps are taken. Clear and fair procedures for conflict management demonstrate the ability and willingness of the franchisor to manage and solve conflicts. In this capacity these rules are also an indication of the franchisors' benevolence and integrity.

The seventh determinant includes franchisor restrictions (cf. Croonen 2010; Morrison 1996) and pertains to the franchisees' assessment of the fairness of the conditions of the franchise contract. These conditions involve restrictions regarding the actual operation of the business (e.g. purchasing, methods of operation, working hours, the level of investment required) and the conditions of the franchise (e.g. the size of the exclusive territory, termination/renewal terms, the use of "implicit charges", cf. Croonen 2010).

The final determinant is related to the proportion of company-owned units in the franchise system. Researchers differ in their views on this issue. On the one hand, some researchers, for example Cliquet (2000) and Storholm and Scheuing (1994) on "dual distribution implications", argue that a high proportion of company-owned units may lead to franchisee anxiety, which negatively impacts franchisee trust. On the other hand, other researchers (e.g. Croonen 2010; Gallini and Lutz 1992) have pointed out that franchisors can use company-owned units as an instrument to signal the quality of their business formats (cf. ability) and to demonstrate that their interests are aligned with those of their franchisees (cf. benevolence). It thus seems that franchisors need to find a proper balance in their proportion of company-owned units in order to influence their franchisees' trust levels positively.

The above considerations have led to the following general proposition:

Proposition 5 The franchisee's assessment of the franchisee management in the franchise system positively influences this party's evaluation of the trustworthiness of its franchisor and the franchise system.

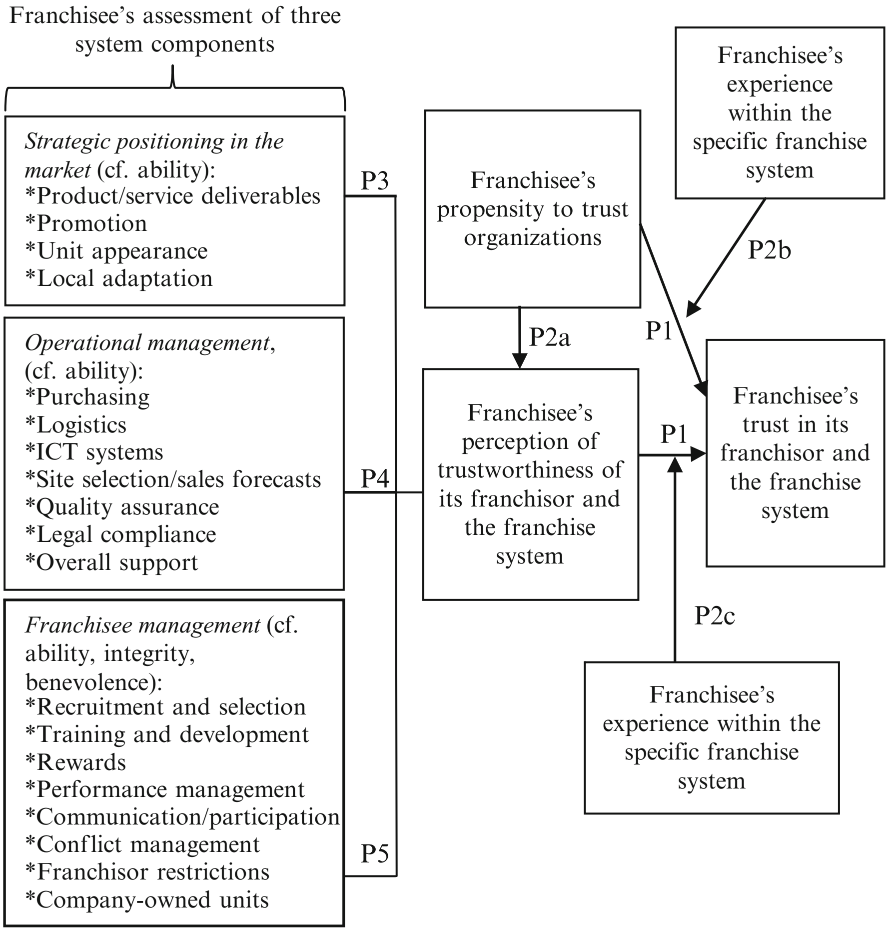


Fig. 2 Antecedents of franchisee trust in the franchisor and franchise system

3.3 Summary: Theoretical Framework

The above discussion has led to a theoretical framework based on two main antecedents of franchisee trust in the franchisor and the franchise system: (1) the franchisee's propensity to trust organizations, and (2) the franchisee's assessment of the trustworthiness of the franchisor and the franchise system. We have argued that the relationships between these antecedents and the franchisee's trust in its franchisor and the franchise system are moderated by the franchisee's experience within this system. Additionally, we have claimed that franchisees will assess the trustworthiness of their franchisors and the franchise systems via three components each comprising a group of determinants. These arguments have resulted in a comprehensive framework (Fig. 2) which explains the concept of franchisee trust.

4 Conclusions and Implications

Franchising is based on a mutual relationship between the franchisor and its franchisees, the effectiveness of which depends on the level of trust between the partners in this relationship. Franchisors have to manage a whole set of these individual relationships simultaneously, which is a very complex task. When searching the literature for extant conceptual or empirical works that provide insight into the antecedents of franchisee trust which could help franchisors in managing their franchise relationships, we had to conclude that there is a significant gap in this body of knowledge. In developing our theoretical framework we aimed at combining earlier work on trust in other organizational contexts with the scarce work on trust in franchise relationships. This framework presents a comprehensive overview of the main antecedents of franchisee trust in the franchisor and franchise system (i.e. propensity to trust and trustworthiness), and the determinants of these antecedents in a franchise context.

The contributions of this paper can be summarized as follows. First, we have added to the franchising literature by taking the franchisee's perspective as our point of departure rather than that of the franchisor, which attracted most research attention in the past (cf. Dant 2008; Davies et al. 2011; Michael and Combs 2008). Adding the franchisee perspective is important for both academics and policy makers who are trying to grasp the functioning of franchise systems, which have become so important in today's economy. Second, given the relevance of franchisee trust to franchise system performance, the lack of research on antecedents of franchisee trust represents an important knowledge gap in the franchising literature. This paper has made a start in filling this gap by developing a comprehensive framework based on a multidimensional approach to defining franchisee trust. To this end, we combined franchising literature with studies on trust in other organizational contexts. Additionally, we made a case for conceptually distinguishing between propensity to trust individuals and propensity to trust organizations. Such a distinction could also be useful in other contexts.

This paper also has some limitations. First, we ignored a potentially relevant research stream in our theoretical discussion, namely the literature on fairness and justice (see Cohen-Charash and Spector 2001 for different forms of fairness/justice and a meta-analysis). Several researchers have claimed that there is a clear link between different forms of fairness or justice perceptions on the one hand and trust on the other hand. The fairness/justice literature also provides a framework that can be used to obtain a more systematic understanding of antecedents of trust and determinants of trustworthiness. However, it can be argued that the way in which organizations implement HRM practices has a large influence on the organizational members' fairness/justice perceptions. Therefore, we included only some determinants of organizational trustworthiness related to fairness/justice. According to Searle et al. (2011), the HRM and justice/fairness research domains have progressed quite independently of one another. So a fruitful area of future research would be to integrate these two perspectives into a more comprehensive model. A second limitation of our study is that we left out some potentially relevant antecedents of trust as distinguished in other literature streams, such as the environmental context (e.g. Dahlstrom and Nygaard 1995). Besides two franchisee characteristics (i.e. propensity to trust and experience), we have largely focused on the franchisee's assessment of its franchisor's trustworthiness, which is based upon the franchisee's subjective perception of its franchisor's behaviors (following Schoorman et al. 2007; Gullett et al. 2009). Future research, however, could include the franchisee's perception of environmental characteristics in explaining its trust level toward its franchisor. This suggestion leads us to the third limitation of our paper; our paper has neither theorized nor presented any empirical data yet on the relative importance of the different determinants of a franchisee's assessment of its franchisor's trustworthiness and that of the franchise system. More insight into this issue would lessen the complexity of the theoretical model and increase the franchisors' understanding of the most important instruments that they can use to create and maintain the trust of their franchisees. The fourth and final limitation is that we focused on the antecedents of only one level of franchisee trust: the organizational level. However, since personal and organizational trust are related (cf. Zaheer et al. 1998) it would have been useful to also distinguish antecedents of a franchisee's personal trust and to theorize on how these two levels of franchisee trust (i.e. personal trust and organizational trust) affect either desired or undesired franchisee behaviors and ultimately the franchise system's performance.

This paper's limitations lead to several implications for future research. First of all, the theory presented needs to be tested in an empirical setting. Considering the volume and quality of the extant empirical work on the antecedents of trust in non-franchise contexts, it should be very well possible to develop a quantitative study to test the propositions formulated in this paper. We would propose to conduct such a first test in a relatively controlled environment, for example one large franchise system (cf. Davies et al. 2011). In this system all franchisees would operate within a chain and deal with the same franchisor. This approach would diminish the risk of disturbances by other possible factors that could influence trust (e.g. environmental factors). The study of one specific system would also provide the opportunity to work closely with the franchisor whereby additional data could be obtained about the respondents, such as objective performance data, unit and franchisee demographics, et cetera. Such data could be relevant to include as controls in the quantitative analysis. A second implication for future research is associated with our approach to franchisee trust as a multidimensional and multilevel concept. As mentioned, previous research on the consequences of franchisee trust has generally considered this concept as uni-dimensional and single level (exceptions are Croonen 2010, and Davies et al. 2011). This paper has suggested that in studying the consequences of franchisee trust, researchers should also take the different dimensions and levels of this construct into account. The focus should then be on how these elements together impact the outcomes with respect to franchisee compliance, franchisee commitment or franchisee retaliation behaviors.

This paper also has implications for practice. Franchisors have to realize that although franchisee trust is an important determinant of franchise system performance, it is a complex concept influenced by an array of other factors. The framework presented in this paper offers franchisors a checklist of possible instruments that could be used to enhance trust. In combination with some form of measuring and monitoring franchisee trust, these instruments could be used to increase the effectiveness of the franchise system. Considering the complex task of managing a network of legally independent franchisees within a franchise system, many organizations may welcome the instruments introduced in this paper.

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