

The relationship between franchise and franchisor: A study of the Vietnamese retail franchising

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Abstract. Decades saw the fast growth and high success of franchising in global market but the very early stage of franchising in Vietnam market. Previous researches about franchising have considerably contributed to better understanding of relationships between franchisor and franchise. However, the franchisor-franchise relationship has yet to be fully explored, knowledge of the factors that produce a high quality relationship between franchisor and franchise are critical to the advancement of knowledge in the retail industry. Leader-Member Exchange (LMX) theory is offered of an effective theoretical model of antecedents that can predict the effectiveness the franchisor-franchise relationship. The model proposed has been tested with 500 franchises operating in the retail (fashion, food and beverage) in the Vietnamese franchised distribution system. The results of this study generally support the hypothesized model and strongly support for the idea that the quality of the relationship will lead to higher level of franchise's job satisfaction, performance business, trust and commitment. This study also confirms the importance of the franchisor's support and mediating role of trust and commitment to the success of franchising relationship. Finally, this study provides franchisors with valuable information for establishing an effective management to improve the relationship between franchisor and franchise and thus improves the rate of success of both franchise and franchisor.

1. Introduction

Franchising can be described as a contractually based business arrangement between the franchisor that develops a product or service and the franchisee who buys the right to use the franchisor's trade name and sell that product or service (Khan, 1992). Franchising offers opportunities for individuals and business firms who want to expand the number of their distribution outlets carrying their products and services (Khan, 1992) and is becoming an important strategy in the global markets for business growth, creation of jobs and economic development.

The franchise market in Vietnam, still in an introductory stage, is quite open. Presently, most third-party franchising businesses are concentrated on the food and beverages sector with such popular brands as KFC, Jollibee, Lotteria, Dilmah, and Qualitea already establishing a presence. Most existing franchise operations in Vietnam are in the fast food sector. Other franchising business opportunities are generally unexplored. Industry experts foresee that with the new franchise law and other pertinent regulations in place, the franchise market could grow an average 20% - 30% annually over the next several years. There are several factors that will contribute to the growth of foreign franchises in Vietnam and that will attract foreign franchisors to participate in this market, not only in

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the food and beverages sector, but also other sectors such as fashion, health care services, children's services, cleaning and sanitation, employment services, tourism, hotels and motels, home furnishing, education products and services, convenience stores, cosmetics, beauty care and many others. This study will develop and test a theoretical model of the quality of franchisor-franchise relationship to determine the impacts of the quality of the relationship between franchisor and franchise on franchise's job performance, job satisfaction, franchise trust and commitment. The study additionally finds the role as determinants of relationship success of trust and commitment and the importance of evaluation of franchisor support to the success of such relationship. Among these factors are the franchise's commitments to remain in or leave the franchise relationship, the franchise's satisfaction with purchasing and operating a franchise outlet, the franchise's perception of the franchisor's support and trust, an essential factor for inter-firm franchisor-franchise relationship.

In sum, this study on franchising relationship in the introductory stage of Vietnam franchising focuses on providing information about the factors that affect the relationship between franchisors and franchisees, and additionally understanding impact of those factors on a successful relationship.

2. Conceptual model and hypotheses (H)

2.1. Conceptual model

2.1.1. Leader-Member exchange (LMX) theory

Exchange theory views human behavior as being guided by considerations of exchanges of costs and rewards between interacting parties. Exchanges between a subordinate and his/her leader are referred to as leader-member exchanges. The leader-member exchange (LMX) theory,

which evolved from what was originally called the vertical-dyad linkage (Dansereau, Graen, & Haga, 1975), represented a departure from the average leadership style theories by proposing that leaders do not treat all followers identically; rather, they develop different quality of relationships with followers. In high LMX relationships, followers receive support and encouragement from their leader, are given more responsibility, and receive more challenging, or developmental, assignments. In low LMX relationships, work is performed according to formal set of rules and employment contract; information is communicated downward, and relationships are characterized by distance between leader and followers.

LMX may offer an enhanced understanding of franchise's perceptions and attitudes toward the franchise system. LMX may be particularly useful on franchise research to assist in the explanation and understanding of the socialization process, in identifying the variables which are influenced by the leader-member exchange process, including satisfaction, performance, loyalty, turnover, motivation, and in developing an understanding of the management process as it affects the franchisor-franchise relationship.

2.1.2. Components of the model

In the theoretical model (see *Figure 1*), leader-member exchange (LMX) theory is a core concept dealing with the quality of the relationship between franchisor and franchisee.

The model describes the effects of the evaluation of the franchisor's support, the franchise's performance, the franchise's satisfaction, the mediating role of franchise's trust and commitment in term of staying with or leaving the relationship. This study will demonstrate that in a given leader-follower relationship, the causal directions are reciprocal in their effects on behavior, and the further, the study investigates variables which determine the degree of influence which dyadic partners may have on one another's behavior.

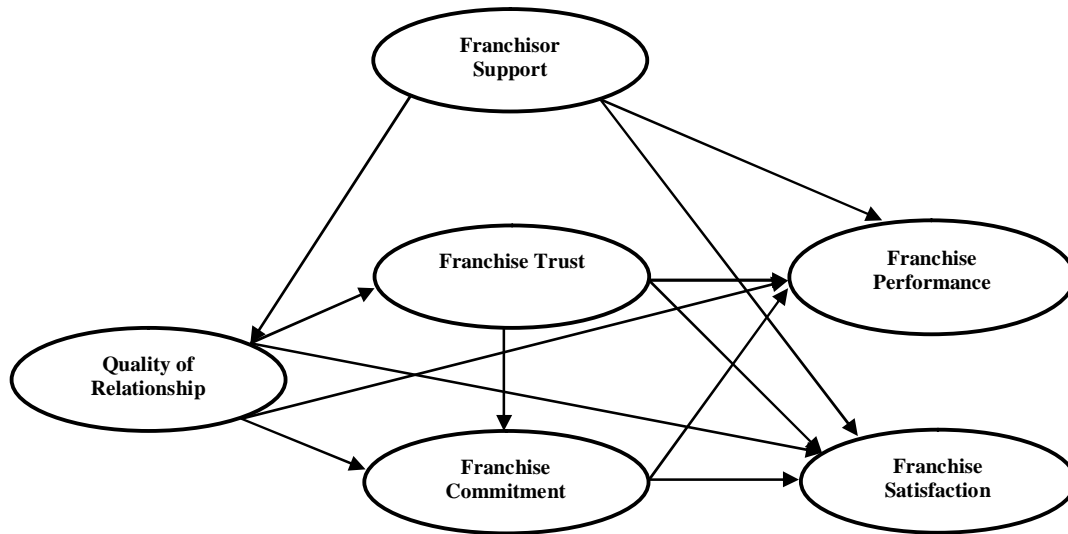


Figure 1. Conceptual model of franchisor-franchise relationship.

2.2. Hypothesized model

The concept of perceived value or subject value evolved from early research. Rational choice theory holds that people weigh the possible benefits of their actions against the cost incurred. A franchise's perceived value can be seen as a trade-off between two basic components: what is received (the benefits) and what is given (the cost), while the other two concepts are more related to the benefit components (Flint, Woodruff, and Garial, 1997).

Franchises pick and choose among competing contracts, looking for an opportunity that provides good value and a fairly high probability of success. The perception of contract fulfillment is contingent not only upon the ranked importance of a service from the franchisor, but also the adequacy with which that service is delivered. Thus, the transaction boundaries of the relationship can be clearly established from the perspective of the franchise. Both transaction-cost analysis and relational exchange theory rely on a spectrum of transactional involvement between parties.

H1a: The quality of the franchisor's support is positively related to the franchise's job satisfaction.

H1b: A perceived higher level in the quality of the franchisor's support leads to a higher quality relationship between the franchisor and the franchise.

H1c: The quality of the franchisor's support is positively related to the franchise's job performance.

Through a synthesis of the diverse literature on exchange relationship, this study conceptualizes relationship quality as consisting of three dimensions: mutual trust, mutual commitment, and interdependence. Trust, commitment, and interdependence have received a considerable amount of attention by marketing researchers (Brown, Lusch, and Nicholson, 1995).

Research shows that LMX theory is related to important organizational outcomes such as subordinate turnover (Graen, Liden, and Hoel, 1982), subordinate satisfaction (Graen, Novak, and Sommerkamp, 1982; Scandura and Graen, 1984), and member performance (Wayne and Graen, 1993).

H2a: A higher level of quality in the franchisor-franchise relationship leads to a higher level of franchise job performance.

H2b: A higher level of quality in the franchisor-franchise relationship leads to a higher level of franchise job satisfaction.

H2c: The quality in the franchisor-franchise relationship is positively related to the franchise commitment.

H2d: A higher level of quality in the franchisor-franchise relationship leads to a higher level of franchise trust.

Most researchers have proved that trust is a key determinant of commitment (Moorman, Zaltman and Deshpande, 1992; Morgan and Hunt, 1994; Andaleed, 1996; Garbarino and Johnson, 1999; Geykens, Steenkamp and Kumar, 1999). This is due to the fact that both trust and commitment are formed in successive stages of the relationship development process (Dwyer, Schurr and Oh, 1987): honesty is developed in the stage of exploration, benevolence is formed in the stage of expansion and subsequently commitment is established (Geykens, Steenkamp and Kumar, 1999). Trust increases commitment because it decreases perceived risk and vulnerability from opportunistic behaviors from the other party, so partners will not reach a commitment unless they trust in the other party (Morgan and Hunt, 1994). Moreover, when both parties of a relationship trust each other, the relationship acquires such a value for them that they want to establish a commitment (Garbarino and Johnson, 1999). Consequently:

H3: The greater franchise's trust in franchisors, the greater will be franchise's commitment to them.

Several authors have seen that trust means the intention for further exchanges (Hewett, Money and Sharma, 2002), expectation of continuity (Kumar, Scheer and Steenkamp, 1995a), and stability of the relationship (Andaleeb, 1991). Trust reduces the propensity to leave the relationship (Morgan and Hunt, 1994; Hewett and Bearden, 2001). Commitment reflects an evaluation of benefits and costs of the relationship (Anderson and Weitz, 1992). On the whole, there is an agreement among researchers on the fact that satisfaction is one of the major results of trust (Andaleeb, 1996). This is due to the fact that trust in the partner during the exchange increases the security through the idea that the partner's actions will have positive results, which produces a greater satisfaction (Mohr and Spekman, 1994).

From the marketing literature the influence of commitment on satisfaction has been studied (Siguaw, Simpson and Baker, 1998), since the

greater the commitment between partners, the more easily both parties will be able to reach their mutual objectives and, therefore, reach satisfaction (Mohr and Spekman, 1994). Consequently:

H4a: The greater the level of franchises' trust in franchisors the greater will be the satisfaction of franchise.

H4b: The greater the level of franchises' trust in franchisors, the greater will be the franchise's performance.

When a channel member trusts in a partner, they believe that they will not perform actions that will result in negative outcomes for the firm, will not behave in an opportunistic form and will perform actions that serve the partner's interest. These reflect signs that one partner desires the continuity of the relationship. In this sense, with trust, partners can behave in a more efficient manner, and therefore performance is improved (Dahlstrom and Nygaard, 1999).

With an increase of commitment, partners begin to consider long-term results of the relationship. Thus, when commitment, exists it is easier to assume that the other party's intentions is in the interest of both partners', and not only on one's own behalf (Jap and Ganesan, 2000). Therefore, it is also considered that relational commitment has a positive influence on a higher level of performance (Brown, Lusch and Nicholson, 1995; Blankenburg, Eriksoson and Johanson, 1996; Nes and Solberg, 2002). Consequently:

H5a: The greater the level of franchises' commitment to franchisors, the greater will be the satisfaction of franchise.

H5b: The greater the level of franchises' commitment to franchisors, the greater will be the franchise's performance.

In order to check if commitment and trust exert a mediating role for the success of relationship between franchisors and franchises, this study used criteria presented by Baron and Kenny (1986) and Judd and Kenny (1981) for testing mediation. Holmbeck (1997, p. 599) defined "a mediating variable is one which specifies how (or the mechanism by which) a given effect occurs

between an independent variable (IV) and a dependent variable (DV)”.

Baron and Kenny (1986) suggested four criteria to identify the significance of mediating variable. They are (i) IV to M must be significant, (ii) IV to DV must be significant, (iii) M to DV must be significant when entered with the IV and (iv) the effect of the IV on the DV must be less in the third equation than the second; perfect mediation holds if the IV has no effect when the mediator is controlled. According to the authors, if one obtains a significant drop in beta for this relationship, then one has obtained significant mediation. To test this is significant or not needs to be based on the result of Sobel's test⁽¹⁾. Additionally, this study agreed to use criteria for type of mediation suggested by Baron and Kenny (1986) as follows:

- **None:** non-significant Sobel's z-value
- **Partial:** significant Sobel's and ratio < .80 (ratio is *indirect/total effect*)
- **Full:** significant Sobel's and ratio > .80

Consequently, the study aims to hypothesize that:

H6a: The franchise trust has a mediating effect on the relationship between the quality of the franchisor-franchise relationship and the franchise's job performance.

H6b: The franchise trust has a mediating effect on the relationship between the quality of the franchisor-franchise relationship and the franchise's job satisfaction.

H7a: The franchise commitment has a mediating effect on the relationship between the quality of the franchisor-franchise relationship and the franchise's job satisfaction.

H7b: The franchise commitment has a mediating effect on the relationship between the quality of the franchisor-franchise relationship and the franchise's job performance.

⁽¹⁾ $z\text{-value} = a \cdot b / \text{SQRT}(b^2 \cdot s_a^2 + a^2 \cdot s_b^2)$

- a: significant coefficient of IV \hat{a} M

- b: significant coefficient of M \hat{b} DV

- s_a, s_b : standard error of a, b

3. Methodology

3.1. Study area and data collection

The sampling frame for this study consists of franchises in business-format franchising. The reasoning for the decision to concentrate on this type of franchise arrangement is that business-format franchising involves a complete business context rather than a single product or trademark (Khan, 1992). The primary means of data collection in this study involves a mailed questionnaire survey of selected franchises doing business in Ho Chi Minh City (Vietnam) with a concentration on franchises in the fashion, foodservice and beverage industry. The study draws a random sample of 500 respondents working at administrative offices of the franchises, including local franchises (*Trung Nguyen Coffee, T&T Shoes, Kinh Do Cake, Ninomaxx, Pho (noodle) 24H*) and international franchises (*Lotteria, Gloria Jeans Coffees, Jollibee, Lee's sandwiches, KFC*) around Ho Chi Minh City, one of the most dynamic economic centers of Vietnam and South-East of Asia. The most important criterion in selecting a sample is to increase the validity of the collected data (Carmines and Zeller, 1988). In the case of this study, the data selection criterion was designed to increase validity, rather than to ensure that the sample was representative of a given population. Therefore, this study uses a purposive sample, which is most desirable when certain important segments of the target population are intentionally represented in the sample.

A franchise questionnaire was constructed following an extensive review of the literature. A number of 150 finalized questionnaires were delivered to 150 respondents who work as managers of Trung Nguyen Coffee franchises in Ho Chi Minh City, Vietnam for pretest analysis. The sample of 120 usable questionnaires was returned and used for analyzing data. The Exploratory Factor Analysis and the Cronbach's coefficient alpha (α), the most commonly reported estimate of reliability, were used to verify the validity and reliability of measurement scales. According to Kline (2005), the reliability

coefficients around .90 are considered “excellent”, values around .80 are “very good” and values around .70 are “adequate”. This study indicates the Cronbach’s coefficients greater than .70 that can be acceptable for social science researches (Hair et al. 1995).

A total of five hundred questionnaires were distributed to the franchises. Included with each questionnaire was a cover letter explaining the purpose and the importance of the research and written instructions for completion of the study. In total, 435, usable questionnaire were returned, comprising a response rate of 87 percent.

3.2. *Measurement of Research Constructs*

3.2.1. Measurement of Evaluation of the Franchisor’s Support, Quality of the franchisor-franchise relationship

Among the services considered to be important to the success of a franchise are site selection, building plans, training programs, and operating manuals and field supervision. A successful franchise operation requires a broad-based support system for franchises, including training, sales promotion, and strong brand names (Shane and Spell, 1998). Contracted services include direct financial assistance such as loans and leases, help with site selection, lease negotiations, and store openings. Evaluation of the franchisor’s support was measured on 7-point Likert-type scale ranging from (1) = Strongly Disagree to (7) = Strongly Agree

The Operationalization of LMX has been developed over several studies. In Dansereau et al. (1975), two items were used to assess LMX. The measure was extended to four items, and additional items were added. The questionnaire scale-items used for this study have been adapted from the most widely used LMX version since 1982.

3.2.2. Measurement of Trust, Commitment, Job performance and Job Satisfaction

Trust is measured by the degree in which a party (franchise) perceives the partner’s benevolence and credibility (franchisor)

(Gundlach, Achrol and Mentzer, 1995; Siguaw, Simpson and Baker, 1998).

This study defines organizational commitment in terms of the affective component, or more specifically, in terms of the strength of an individual’s identification with and involvement in a particular organization. Therefore, the construct of franchise’s commitment is measured by Meyer and Allen’s (1984) eight-item affective commitment scale which assesses commitment characterized by positive feelings of identification with, attachment to, and involvement in the franchise system. Some statements are slightly modified to reflect the franchise environment.

The relationship between LMX and performance has been repeatedly demonstrated in studies where performance has been measured using supervisors’ subjective ratings (Duarte, Goodson, and Klich, 1994). Morrison (1997) hypothesized that the level of service and support is likely to be highly correlated with franchises’ success. An overall measure of job performance is obtained through self-ratings of performance, using a 7-point Likert-type scale.

Job satisfaction was defined as “a pleasurable or positive emotional state resulting from the appraisal of one’s job experiences” (Locke, 1976). This construct is measured by the 20-item short form of the Minnesota Job Satisfaction Questionnaire. The three items was added to measure the franchises’ global satisfaction, which reflects both economic satisfaction as well as non economic ones, with the relationship by Andaleeb (1996).

4. *Data analysis and findings*

4.1. *Confirmatory Factor Analysis Results*

4.1.1. Assessment of the fit and unidimensionality of the model

AMOS provides absolute goodness-of-fit measures: The p-value of the Chi-square (df =448) is less than .001 and it is statistically significant. However, the goodness-of-fit index (GFI), adjusted goodness-of-fit index (AGFI) and the comparative

fit index (CFI) stand at .895, .876 and .947, which are acceptable. The root mean square error of approximation (RMSEA) is .044, which provides evidence of model fit as they are less than .05. The Tucker Lewis Index (TLI) is .941, while CFI is .947. Both are incremental fit indices and their values exceed the recommended level of .90, further supporting acceptance of the model. The normed Chi-square (χ^2/df) has a value of 1.833. This falls well within the recommended range for conditional support to be given for model parsimony.

In summary, the various indexes of overall goodness-of-fit for the model lent sufficient support for the results to be deemed an acceptable representation of the hypothesized constructs.

4.1.2. Convergent validity, Discriminant validity

Convergent validity can be assessed by examining the loadings and their statistical significance through t-values (Dunn et al., 1994). In the AMOS text output file, the t-value is the critical ratio (C.R.), which represents the parameter estimate divided by its standard error. A t-value greater than 1.96 or smaller than -1.96 implies statistical significance (Byrne, 2001). The larger the factor loadings or coefficients, as compared with their standard errors, the stronger is the evidence that there is a relationship between the observed indicators to their respective latent factors (Koufteros, 1999). *Table 2* shows that each item exceeds the critical ratio at the .05 level of

significance. Therefore, all indicators were significantly related to their specified constructs, verifying the posited relationships among the indicators and latent variables.

Assuming an adequate model fit, further psychometric analysis for composite scales can be performed with the measurement model. The test of discriminant validity is one of the important analyses to be performed (Koufteros, 1999). According to Arbuckle's (2007) study, models are constructed for all possible pairs of latent variables within each construct (containing the measurement items). These models are run: (i) with the correlation between the latent variables fixed at 1.0, and (ii) with the correlation between the latent variables free to assume any value.

It is possible to test discriminant validity by comparing the average variance extracted (AVE) with the squared correlation between constructs. As can be seen in *Table 2*, the AVE for a construct should be higher than the squared correlation between that construct and all other constructs. Evidence of discriminant validity is also provided by the AVE method presented. The highest squared correlation was observed between franchise trust and franchise performance and it values at .413. This is significantly lower than their individual AVEs. The AVEs for the latent variables range from .501 to .610. The results have demonstrated evidence of discriminant validity for the study constructs.

Table 2. Correlations and Squared correlations

Measures	AVE ^a	FSpt	QR	FT	FC	FP	FS
FSpt	.610	1					
QR	.516	.342 (.117) ^b	1				
FT	.564	.621 (.386)	.431 (.186)	1			
FC	.501	.399 (.159)	.437 (.191)	.515 (.265)	1		
FP	.576	.509 (.259)	.426 (.181)	.643 (.413)	.496 (.246)	1	

FS	.595	.458	.420	.622	.424	.390	1
		(.210)	(.176)	(.387)	(.180)	(.152)	

^a **Average variance extracted (AVE)** = (sum of squared standardized loading)/(sum of squared standardized loading) + (sum of indicator measurement error)]. Indicator measurement error can be calculated as $1 - (\text{standardized loading})^2$.

^b **Squared correlation**

4.1.3. Construct reliability and variance extracted measures

Estimates of the reliability and variance extracted measures for each construct are needed to assess whether the specified items sufficiently represent the constructs. The reliability of a construct can be estimated using AMOS output. Construct reliability means that a set of latent indicators of constructs are consistent in their measurement. In more formal terms, this reliability is the degree to which a set of two or more indicators share the measurement of a construct. Highly reliable constructs are those in which the indicators are highly inter-correlated, indicating that they are all measuring the same latent construct. The range of values for reliability is between 0 and 1. Computations for each construct are shown at *Table 2*. The reliability values of the constructs of the franchisor's support, quality of

franchisor-franchise relationship, franchise trust, franchise commitment, franchise performance and franchise satisfaction respectively exceed the recommended level of .70 (Hair et al., 1998).

Higher variance extracted values occur when the indicators are truly representative of the latent construct. The variance extracted value is a complementary measure for the construct reliability value (Koufteros, 1999). *Table 1* shows that among the AVEs of the measures, franchisor support (FSpt) has the highest value of .61, indicating that 61% of the variance in the specified indicators is accounted for by the construct. All of the constructs had a variance extracted value that is greater than the recommended level of 50%. In sum, the overall results of the goodness-of-fit of the model and the assessment of the measurement model lent substantial support to confirming the proposed model.

Table 2. Parameter estimates, standard errors, critical ratios and construct reliability

Item	Completely standardized factor loading	Standard error	Critical ratio	Construct reliability ^a
FSpt1	.819			
FSpt3	.752	.060	17.148	
FSpt4	.807	.066	18.706	.886
FSpt5	.800	.058	18.501	
FSpt7	.722	.058	15.977	
QR2	.796			
QR3	.728	.054	14.841	
QR4	.617	.052	12.496	.841
QR6	.703	.056	14.494	
QR7	.735	.053	14.979	
FTB1	.768			
FTB2	.826	.063	17.217	
FTB3	.642	.063	13.581	.885
FTC4	.765			
FTC5	.785	.066	16.592	
FTC6	.707	.066	14.770	
FC1	.738	.066	13.289	
FC2	.693	.067	13.789	
FC3	.725	.068	13.312	.833
FC4	.699	.067	13.015	
FC5	.682	.066	13.289	

FP1	.653			
FP2	.745	.094	13.447	
FP3	.810	.102	14.203	
FP4	.762	.108	13.528	.890
FP5	.814	.105	14.297	
FP6	.760	.095	13.580	
FS2	.772			
FS3	.763	.059	16.041	
FS5	.727	.062	15.460	.880
FS6	.783	.056	16.560	
FS7	.810	.068	17.236	

^a **Construct reliability** = (sum of squared standardized loading)²/[(sum of squared standardized loading)² + (sum of indicator measurement error)]. Indicator measurement error can be calculated as 1 – (standardized loading)².

4.2. Results of hypothesis testing

Based on the data, the AMOS estimation of the model shows a value of 2.046 in the Chi-square to degree of freedom ratio, which is respectively acceptable. The model fit was assessed by using other common fit indices: goodness-of-fit index (GFI), adjusted fit index (CFI), comparative fit index (CFI) and the root mean square error of approximation (RMSEA). The model exhibited a fit value exceeding or close to the commonly recommended threshold for the respective indices values of .885, .865, .933 and .049 for the GFI, AGFI, CFI and RMSEA are satisfactory with respect to the commonly recommended value of equal to 0.05.

The hypotheses were tested based on the model as shown at *Figure 1*, *Figure 6*. The results offer strong support for the hypothesized model relationships (see Table 3).

Based on the results shown at *Figure 2*, the franchise trust has a partial mediating effect on the relationship between the quality of the franchisor-franchise relationship and the franchise's job performance, it means the hypothesis 7a was supported.

The *Figure 3* shows that the franchise trust has a partial mediating effect on the relationship between the quality of the franchisor-franchise and the franchise's job satisfaction, it means the hypothesis 6b was supported.

- Mediation testing for the Franchise Commitment

The results (see *Figure 4*) show that the franchise commitment has no mediating effect on the relationship between the quality of the franchisor-franchise relationship and the franchise's job satisfaction, it means the hypothesis 7a was not supported.

Based on the results shown at *Figure 5*, the franchise commitment has a partial mediating effect on the relationship between the quality of the franchisor-franchise relationship and the franchise's job performance, it means the hypothesis 7b was supported.

5. Discussion

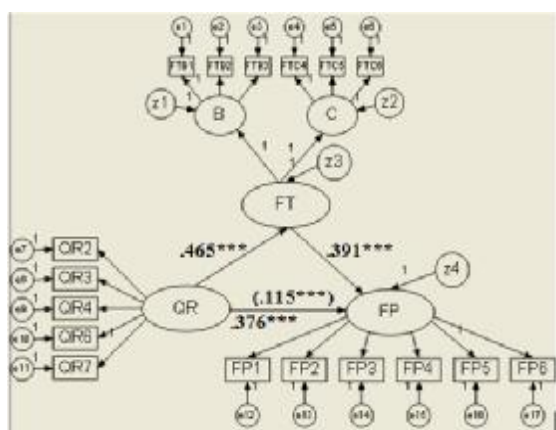
5.1. Review of empirical findings

This study sets out to develop a conceptual model that explains how relationship quality can affect franchise's performance, job satisfaction, franchise trust and commitment. The results of this study strongly support the hypothesized model, from the franchises' viewpoint, revealing the positive influence of the franchisor support on the quality of the relationship between the franchise and franchisor, performance and satisfaction. Additionally, the quality of the franchisor-franchise relationship has a positive effect on the franchise's job performance, the franchise's job satisfaction, the franchise trust and commitment.

Table 3. Results of Hypothesis Testing

Hypothesis	Unstandardized coefficient	S.E.	Standardized coefficient	C.R.	P	Results
H1a	.340	.051	.384	6.645	***	Supported
H1b	.253	.064	.215	3.927	***	Supported
H1c	.159	.056	.164	2.865	.004	Supported
H2a	.472	.061	.465	7.730	***	Supported
H2b	.314	.072	.270	4.340	***	Supported
H2c	.167	.066	.152	2.529	.011	Supported
H2d	.153	.076	.115	2.015	.044	Supported
H3	.454	.077	.397	5.908	***	Supported
H4a	.510	.090	.391	5.637	***	Supported
H4b	.448	.080	.413	5.567	***	Supported
H5a	.081	.059	.086	1.371	.170	Not Supported
H5b	.198	.069	.174	2.867	.004	Supported

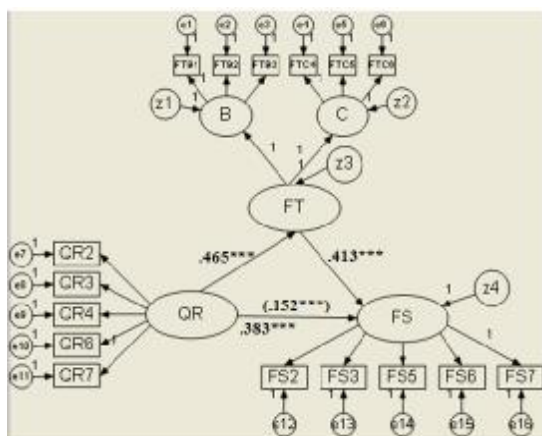
• Mediation testing for the Franchise Trust



QR → FT: .465, p < .001
 FT → FP: .391, p < .001
 QR → FP: .115, p < .001
 Std. total effect: .376
 Ratio = .694

Type of Mediation	Partial
Sobel's z-value	3.77449, p = .00016
Standardized coefficient	Direct = .115 Indirect = .261

Figure 2. Mediation testing for franchise trust on franchise performance.



QR → FT: .465, p < .001
 FT → FS: .413, p < .001
 QR → FS: .152, p < .001
 Std. total effect: .383
 Ratio = .556

Type of Mediation	Partial
Sobel's z-value	4.274504, p = .000019
Standardized coefficient	Direct = .185 Indirect = .233

Figure 3. Mediation testing for franchise trust on franchise satisfaction.

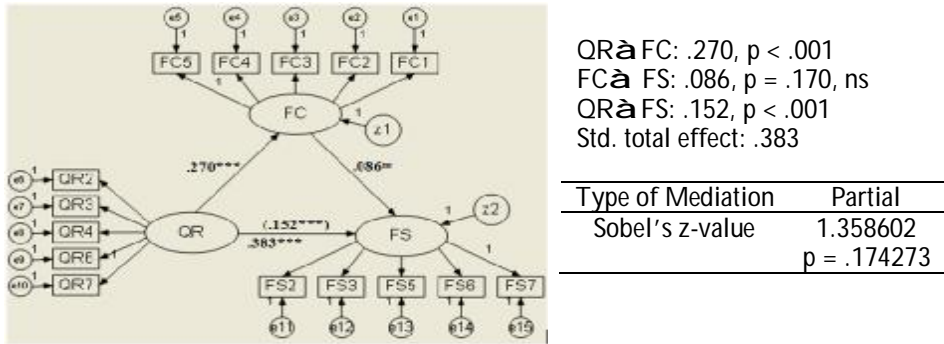


Figure 4. Mediation testing for franchise commitment on franchise satisfaction.

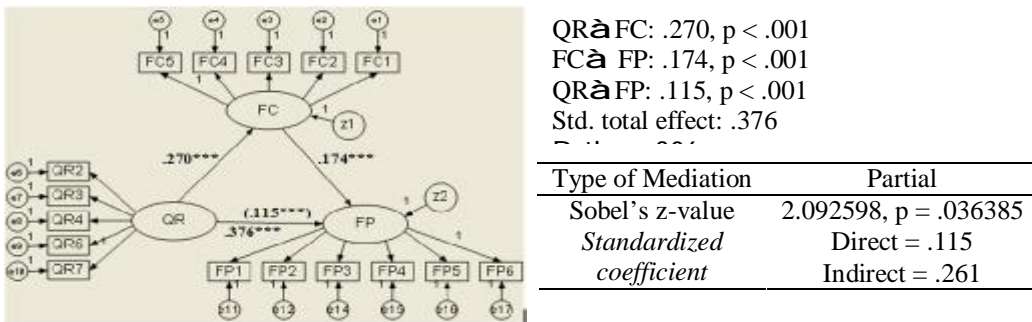
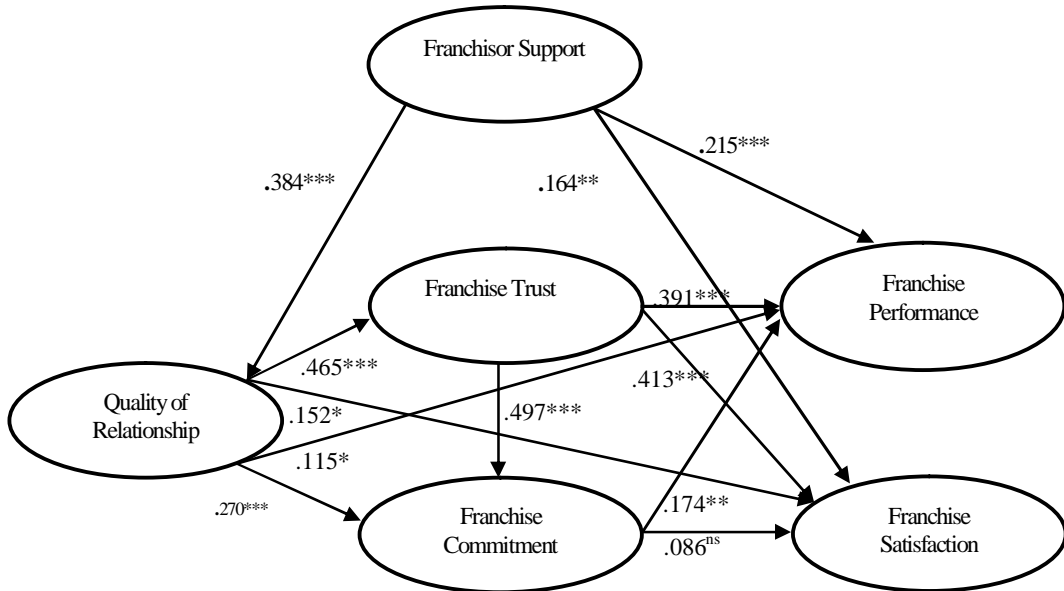


Figure 5. Mediation testing for franchise commitment on franchise performance.



Note: * $p < .05$, ** $p < .01$, *** $p < .001$

Model fit indexes:

$\chi^2/df = 2.046$, $p < .001$, GFI = .885, AGFI = .865, CFI = .933, NFI = .877, RMSEA = .049

Figure 6. Results of hypothesis testing.

Franchisor support was seen as having an inverse relationship with franchise experience levels, with the impact of franchisor support diminishing as franchise experience levels increased. Franchisor support is accepted as a significant element during the transition period when a franchise moves to newly adopted franchise system. That is, franchisor support is seen as a bridging mechanism. Following initial establishment, the quality of ongoing franchising support and guidance is also crucial with areas like franchise manuals, ongoing training and, purchasing, financial, local marketing and accounting assistance.

Franchisors must then focus on providing quality initial training and support, associated with, for example, initial training, and assistance with site selection and fit-out, purchasing, financial matter.

The concept of the quality relationship has gained prominence in franchising today. It is well recognized that the quality of the relationship plays a central role in initial and managing the franchising relationship. There is a strong linkage the quality of the relationship and satisfaction, performance, trust and commitment. The results of the study point to the important role played by the level of the quality of the relationship between the franchise and franchisor.

The derived structural model confirms that franchise's job performance and satisfaction are directly influenced by the franchisor support and the level of quality of the relationship between franchisor and franchise. This adds richness to our understanding of the determinant of the franchise's performance and job satisfaction.

Of the twelve hypotheses put forward, only one was not fully supported. The results show there is a non-significant relationship between the franchise commitment and the franchise's job satisfaction. This is, according to Bordonaba-Juste and Polo-Redondo (2004), since for franchises, this study added a

measurement of global satisfaction to measure the satisfaction construct.

Although the franchise commitment unexpectedly has no statistically mediating effect on the relationship between the franchise's job satisfaction and the quality of the franchisor-franchise relationship, both trust and commitment are essential ingredients for the success of franchising relationship. The results indicates that trust has the effect on both the franchise's job performance and satisfaction, whereas commitment affects only the franchise's job performance. Therefore, trust and commitment are mediating variables for relationship marketing success (Morgan and Hunt, 1994; Garbarino and Johnson, 1999). However, from the franchise's viewpoint, only trust is essential to obtain a greater satisfaction and better performance business. A trust is a key variable for relationship success, managers of franchises will have to examine how to improve mutual trust. Trust is also considered to increase the franchise commitment, which is concerning all efforts to establish and maintain the relationship with franchisors.

To end this, the study's findings indicate the key mediation of trust and commitment, especially trust for the success of franchising relationship. Additionally, higher level of the quality of the franchisor-franchise relationship as well as higher evaluation of franchisor support will lead to higher level of performance business and satisfaction.

5.2. Further empirical research

The results of this study offer both theoretical and practical contribution to the improvement of the fashion, foodservice and beverage franchises in Vietnam franchising market. First, the study supplies a franchise with valuable information for establishing an effective management strategy to improve the relationship with the franchisor. This study provides an analysis of the franchisor support, one of the predictors of a quality relationship between the franchisor and the franchise. The

findings of the study help increase an understanding of the relationships between the franchisor support, quality relationship, the franchise's performance and satisfaction. This will provide a useful tool for Vietnamese franchises to use in examining the level of quality relationship, satisfaction and improve the overall performance business.

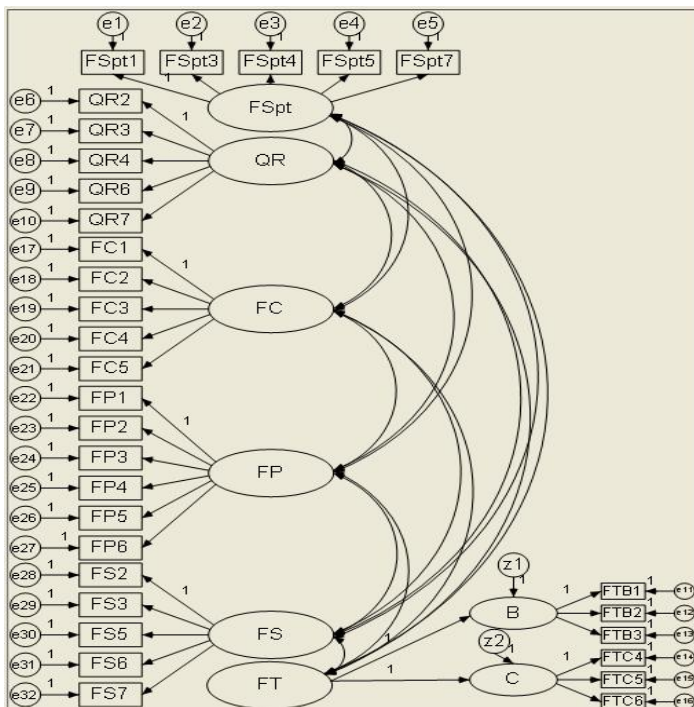
Apart from its methodological strengths and limitations, the study makes a number of important contributions. This study examines the interrelationships among the evaluation of franchisor's support, the quality of the relationship, the franchise's job performance, job satisfaction, the franchise trust and commitment to the relationship. Furthermore, the findings of the study confirm that trust and commitment, from the franchise's viewpoint, are essential mediating variables for the franchising success. This study has proved that trust is a key mediating variable for the relationship success.

Consequently, the adoption of principles which relationship proposes has important

strategic implications for the managers of the franchises, and those of the franchising companies. Thus, both franchises and franchisors have to direct themselves to the creation and transfer of value to the partner, with the presence of the importance of franchisor's support, high level of quality of relationship, mediating trust and commitment between the parties being necessary for the franchising relationship to be successful.

Future research using a more comprehensive measure of quality of the relationship would be useful and might include the measurement of franchisors in the relationship between franchise and franchisor. Research should also focus on the franchisor's personality and attitudes towards the franchise, since it is the strategic partnership of these two parties which ensures effective franchise operations. Lastly, future research should extend the model with more predictors of the quality of relationship such as brand name and motivation.

APPENDIX A



Model fit indexes:

- $\chi^2/df = 1.833, p < .001$
- GFI = .895, CFI = .947
- AGFI = .876, TLI = .941
- NFI = .891, RMSEA = .044

Correlations

	Estimate
FSpt <--> FT	.621
FSpt <--> FS	.458
FSpt <--> FP	.509
FSpt <--> FC	.399
FSpt <--> QR	.342
QR <--> FT	.431
QR <--> FS	.420
QR <--> FP	.426
QR <--> FC	.437
FC <--> FT	.515
FC <--> FS	.424

A model of Confirmatory Factor Analysis

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Mối quan hệ giữa nhận quyền và nhượng quyền: Một nghiên cứu về nhượng quyền bán lẻ ở Việt Nam

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Tóm tắt. Trong nhiều thập kỷ qua nhượng quyền thương mại đã phát triển nhanh chóng và trở thành một xu hướng lớn trong nền kinh tế hiện nay. Tuy nhiên ở Việt Nam hoạt động này còn rất mới mẻ. Những nghiên cứu trước đây về nhượng quyền thương mại đã giúp chúng ta hiểu rõ hơn phần nào về mối quan hệ giữa nhượng quyền và nhận quyền thương mại. Đáng tiếc là mối quan hệ này chưa được nghiên cứu đầy đủ. Việc hiểu rõ những yếu tố tạo nên mối quan hệ hiệu quả giữa nhượng quyền và nhận quyền thương mại sẽ giúp ta hiểu rõ hơn về vai trò của hoạt động này trong thị trường bán lẻ. Lý thuyết Trao đổi Lãnh đạo - Thành viên (Leader-Member Exchange (LMX) theory) là một mô hình lý thuyết phù hợp nhằm đánh giá hiệu quả mối quan hệ giữa nhận quyền và nhượng quyền thương mại. Mô hình này được thử nghiệm với 500 công ty nhượng quyền hoạt động trên thị trường bán lẻ thuộc hệ thống phân phối nhượng quyền (thời trang, thực phẩm và đồ uống). Kết quả của nghiên cứu này ủng hộ mạnh mẽ mô hình giả thuyết và quan điểm cho rằng chất lượng của mối quan hệ giữa nhượng quyền và nhận quyền thương mại sẽ góp phần nâng cao sự hài lòng trong công việc, hoạt động kinh doanh, niềm tin và cam kết của bên nhượng quyền. Nghiên cứu cũng khẳng định tầm quan trọng của bên nhận quyền và vai trò của nó đối với việc xây dựng niềm tin và cam kết với thành công của mối quan hệ nhượng quyền. Cuối cùng, nghiên cứu này cung cấp những thông tin bổ ích cho các bên nhận quyền trong việc xây dựng hiệu quả quản lý nhằm cải thiện mối quan hệ giữa bên nhượng quyền và nhận quyền thương mại, từ đó nâng cao tỉ lệ thành công của cả hai bên.