Home grown Middle Eastern franchises: Prospects for the future

By: Bassem M. Nasri, Pablo G. Collazzo & Dianne H. B. Welsh

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Abstract:

This research explores the local factors that drive the competitiveness of Middle Eastern food service franchises in international markets. The literature on franchising is largely concerned with the success and competitiveness of Western franchises in global markets, with little information on the Middle East. This is despite its relevance as a major franchise market, with an economy shifting towards oil-alternative businesses. When referenced, the region is depicted solely as a host to foreign franchise operations, overlooking the opportunities of local businesses to adopt franchising as a strategy for international expansion. A qualitative case study methodology is applied to prominent food service franchises from Lebanon and the United Arab Emirates. The cases highlight real experiences of success and failure in specific regional and international markets, and suggest that culture contributes to international competitiveness. Implications for future research are discussed.

Keywords: Franchising | Middle East | Cultural factors | Competitiveness

Article:

Introduction

Relevance and research purpose

Amongst the biggest marketing innovations of the twentieth century (Alon 2012) one of the fastest-growing areas in the business world (Anwar 2011; Campbell et al.2009; Dant et al. 2008) and a preferred choice for small and medium-sized firms (SMEs), is to expand globally Sadi and Henderson (2011). Franchising accounts for the largest share of the world's retail trade, with about 53% of the retail share in Australia, 41% in the United States (US) and 32% in Germany (Dant et al. 2011; Paswan et al. 2014). Total contributions to the US economy attributable to franchised businesses are more than 20 million jobs, USD 660.9 billion in payroll, and USD 2.31

trillion in output (Welsh et al. 2011). Additionally, franchising is a proven model to create enterprises and proliferate small-business ownership in Europe, increasing employment and reducing turnover (European Franchise Federation 2015). While franchising is well-entrenched in the retail trade, food services still account for a significant share of franchise businesses: 40 of the top 100 global franchises in 2019 are food service related (Top100 Global Franchises Report 2019).

Franchising in the Middle East is quickly gaining preeminence within the economic diversification undertaken by oil-exporting Arab countries (IMF 2016) with the major Gulf economies looking for alternative sources of income (Middle East Economy Watch 2017). Yet, franchising generally is described in terms of foreign franchises with minimal information of local, home-grown franchises. Foreign franchises are given credit for the emergence and success of local retail food franchises in the region. This has been disseminated through benchmarking studies, and cases illustrating the setbacks and difficulties encountered by foreign franchises entering the Middle Eastern market Nasri and Collazzo (Nasri and Collazzo Yelpo 2015). While home-grown franchises have existed for more than 30 years (Alharbi 2014) the role and competitiveness of Middle Eastern franchises across global markets have barely received attention in the literature. The purpose of this study is to examine the local factors which potentially drive the competitiveness of Middle Eastern food service franchises in international markets, with a focus on prominent franchises in Lebanon and the United Arab Emirates (UAE). This study aims at answering the following research question: *"How did cultural factors reflected in Middle Eastern retail food franchises contribute to their competitiveness in local and international markets?"* This research is arguably the first to suggest a classification system for local home-grown Middle Eastern franchises based on the degree of their cultural awareness. Local Middle Eastern franchises are analyzed as to the nature and extent of cultural awareness, how this awareness would contribute to their local and international competitiveness, and suggests a roadmap for foreign market entry and expansion.

Overview of the literature

Although franchising is said to be one of the fastest-growing areas for business expansion in the world (Anwar 2011) the internationalization of franchise systems arguably remains under-researched by Altinay and Brookes (2012). Even in today's competitive global marketplace, where franchising has proven to be a successful means of international expansion (Banderas et al. 2013) the literature only marginally addresses the competitiveness of emerging market franchises. Much less is known about franchising in the Middle East, which has been expanding at an annual rate of 27% per year (Furey 2007).

Franchising is a well-recognized business strategy for expansion (Banderas et al. 2013) particularly for Small-Medium Enterprise (SME) expansion in all parts of the world Sadi and Henderson (2011). When a franchise decides to expand globally, there are many more management challenges. Strategic development becomes increasingly more important to scale the franchise efficiently (Wu et al. 2015). International expansion is likely to initially take place in markets geographically and culturally closer to home markets (Quinn 1998).

Emerging markets arguably embody the most dynamic opportunities for service franchisors (Welsh and Alon 2001; Alon 2006) due to some countries' rapidly growing economies (Baena 2012a, 2012b). Franchising in emerging markets has been addressed by (Welsh and Alon 2001; Toit 2002; Alon 2004; Baena 2012a, 2012b) who concluded that home-grown, local franchises are the majority in South Africa, India, and Brazil, and that foreign franchises are limited. These authors argue that in these markets, home-grown franchises and their founding entrepreneurs have a competitive advantage because of their knowledge of local conditions. However, the Middle East and the Gulf Region were not addressed. Entry into the emerging markets of Latin America, Eastern and Central Europe, and East Asia and the Pacific has accounted for much of the international expansion of franchising (Welsh and Alon 2001; Alon and Welsh 2001). Retail trade in these markets has been found to be established primarily by master franchising (Alon and McKee 1999; Welsh et al. 2006). (Baena 2012a, 2012b) examined how market conditions may constrain the diffusion of franchising into emerging markets. Similar studies were conducted on franchising in Macau (Yeung, Brookes and Altinay 2016) China (Pine et al., 2000; Zhang, 2019) Taiwan (Chen et al. 2015), Brazil (Neuenfeldt Junior, Siluk, Soliman, Nara and Kipper 2015) and Mexico (Banderas et al. 2013) but the Middle East Region was not included. Most of the franchises in the Middle East are family businesses, that have been shown to have higher performance in the long run and to invest more training in their franchisees (Chirico et al. 2020).

Franchising has been traditionally linked to food service (Lewandowska 2014). Recent studies have looked at the design elements in business format franchising (e.g., brand name, support systems, specification of products and services), and link these elements to performance (Nijmeijer et al. 2014).

The embedded cultural impact of host markets on the franchise has been addressed in the literature. For instance, given the religious ban on pork (Muslim) and beef (Hindu), Subway uses lamb, chicken, and turkey for its sandwiches in those regions where these religions predominate, and offers a variety of new vegetarian subs, such as hummus and falafel (Welsh and Alon 2002; Alon and Welsh 2001, 2003; Alon 2004). As the Islamic culture remarkably shapes the Gulf region (Ali 1990; Welsh and Raven 2006) and Western and Arab cultural and religious norms are often at odds, a cultural duality emerged (Raven and Welsh 2004) confirmed by (Alon 2004) to be the cause of "cultural homogenization-social conflict" in his study on emerging markets (ibid). (Ritzer 1996) defined 'McDonaldization' as the process by which the principles of the fast-food restaurant are coming to dominate more and more sectors of American society, as well as of the rest of the world. He argued that the spread of 'McDonaldization' is a vehicle for many organizations and societies in the world to experience American culture. Perceptions of egalitarianism and democratization in China and India were recently studied in terms of their link to consumers' patronage of McDonald's. Foreign cultures and values that are brought by global organizations, may have a significant, even desirable impact on local cultures and values (Jeon et al. 2016) but can also be viewed to conflict with, or even damage, local culture, and values, as McDonald's did with the dietary habits-sacred reflections of French identity (Meunier 2000). Yet the competitive positioning of the incoming international franchise in the host market, was not addressed in those studies, let alone in the Middle Eastern context.

The Middle East (ME) is defined by The (Bernstein Global Wealth Management 2010) as a geographically vast, culturally and economically diverse quasi-continent, covering 32 countries and territories. For ease of analysis, it can be divided into two regions: (1) "Traditional" ME (with ca. 279 million inhabitants), and (2) "Greater" ME (with ca. 444 million inhabitants). Each region can be further broken down into four sub-regions -"Traditional" ME (the subject of our research) groups (a) Arabia/Gulf (Saudi Arabia, UAE, Qatar, Kuwait, Bahrain, and Oman; b) Fertile Crescent (Lebanon, Syria, Jordan, Palestine, and Iraq; c) Turkey, and (d) Iran (Black Book 2010). In this study, the focus will be on Arab/Gulf countries, with additional examples from Lebanon and the United Arab Emirates.

The Arab/Gulf area is regarded as one of the most lucrative and tempting markets in today's otherwise saturated marketplace (Martin 1999). The paper by Aliouche and Schlentrich (2011) develops the first global index of international franchise expansion that ranks countries according to their attractiveness to US-based franchise firms. After the USA (first), UK (second), Canada (third) and Germany (forth), Saudi Arabia ranked 16th on the Index, before Brazil (28th), China, (37th), and the UAE (38th). Despite notable rankings, Middle East management research remains scarce (Baena 2012) but even more so concerning franchising in general, and retail food franchising (Nasri and Collazzo Yelpo 2015). A systematic review of 126 empirical studies on franchising shows that 17 countries were the topic of study, primarily North America and the United Kingdom (67%), Europe (17%), while only seven studies were conducted on Asia (Alharbi 2014; Grünhagen et al. 2010; Nijmeijer et al. 2013).

Research Design and Methodology

A qualitative, case study research design was chosen for this study. Each franchise accounts for a "whole" independent study, in which convergent evidence is sought regarding the facts and conclusions for the case (Yin 2009). In qualitative case study research, the case is, "in effect, the unit of analysis", according to Baxter and (Jack 2008). It is a phenomenon occurring in a bounded context Miles and Huberman (1994) which could be an individual, an organization, some event or entity, like a program or a decision, a country's economy or an industry (Yin 2009). The next section presents a summary of the chosen cases, according to the unit of analysis, which has been defined in this research as local, home-grown franchises that were created and developed in the Middle East, and successfully expanded in the region and to other international markets. Cases are bound Miles and Huberman (1994) by industry, limiting the selection to retail franchises in the food industry.

An analysis of the region's political, economic and business prospects includes the following countries: Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates and Yemen (Jones 2003). Franchising trends show expansion concentrated in the Arab Middle East (Black Book 2010) hence Turkey, Iran, and Israel were excluded from the analysis. A major example from the region, are the franchise brands under the umbrella of the Alshaya Group, the Middle Eastern franchisee with more than 50 prominent global retail franchised brands, like Dean and Deluca, H&M, Debenhams and Mothercare (Jones 2001, Jones 2003). Moreover, language and religion unite Arabs, from North Africa across to Saudi Arabia, and it is possible to devise a cost-effective pan-regional media strategy to complement or drive activity in local markets (Fry 2001; Jones 2001). While the region is arguably full of potential businesses that could be franchised, the number of local franchises conforming to our definition of the unit of analysis, is limited to a small number and concentrated in countries characterized by both larger volumes and a more mature franchise market. As a result, the cases chosen for the analysis are from Lebanon, the Middle East's pioneer in franchising, and home to the only franchise association in the region, and the United Arab Emirates, the region's cosmopolitan and most developed retail franchise market (Furey 2007).

While the countries are bound by market conditions, the cases were chosen first on the actual existence of local franchises matching the unit of analysis defined above, and then on the readiness and willingness of their founding executives to cooperate with the study. Five Middle Eastern retail food franchises matching the unit of analysis were contacted, with the two most relevant ones, based on size and global outreach, selected for further analysis.

The analysis relied on the triangulation of data (Polkinghorne 2005; Yin 2009) with the issue of construct validity addressed Baxter and Jack (2008). In-depth, personal interviews were conducted with the founding top executives of the selected franchises. A case study protocol was developed to ensure consistency of measurement for reliability (Nicholas 2011) outlining the case study objectives, detailed field procedures used in the collection of data, the synthesis of case study questions and the writing of the case study report (Yin 2009).

Qualitative Content Analysis in the form of the text interpretation method (Kohlbacher 2005) was applied. Qualitative content analysis is defined within this framework as an approach to carry out empirically, methodologically controlled analysis of texts within their context of communication, following content analytical rules and step-by-step models, which included formulating a research question/hypothesis, defining the universe in question, selecting an appropriate sample from the population, defining the unit of analysis, constructing categories, establishing a quantification system, training coders, conducting a pilot study, code of the content, analyzing data, and drawing conclusions (Mayring 2000). (Bryman 2004) states that qualitative content analysis is "probably the most prevalent approach to the qualitative analysis of documents" (Kohlbacher 2005). Text transcribed from interviews was entered into ATLAS/ti software, to support text interpretation. This made the steps of text analysis on-screen easier, as in working through the material, underlining, writing marginal notes, defining category definitions and coding rules, and recording comments on the material (cf. Huber 1992; Weitzman and Miles 1995; Mayring 1996; Fielding and Lee 1998; Mayring 2000). Relying on theoretical propositions was applied as a strategy for data analysis (Yin 2009). Gaps in the literature were identified, data gathered and analyzed, then propositions were formulated, as suggested by the standard inductive, theory building approach (Locke 2007). Pattern-matching was applied as a technique, in addition to cross-case synthesis, the latter being ideal to use when the study consists of multiple cases Ericksen and Dyer (2004). Finally, a linear-analytic structure was followed to write the research report (Trochim 1989; Yin 2009).

Selected cases

Company a

Company A is a chain of restaurants serving Mediterranean street food, founded in 2007 in Abu Dhabi, United Arab Emirates. The company started franchising in 2011 and has since opened 46 outlets across 11 countries, with company-owned and franchise outlets in Egypt, Turkey, India, Saudi Arabia, USA, Canada, Australia, and the UK. As such, Company A became the biggest and fastest-growing chain in its food category in the region. Company A has its headquarters in Dubai and a corporate office in London. It employs more than 200 people, most as franchisee employees, with about 40 employees based at the headquarters.

Company B

Company B is a Lebanese firm established in 1998 in Beirut, the capital of Lebanon, which is also the home of its corporate office headquarters. The company was founded by two partners, one of whom also owns an independent Lebanese Pizza chain with company-owned branches in Lebanon and franchised outlets in the Arab region. The other founder, a former top executive at prominent technology companies in the US and France, operated the business until 2013, when he sold his share to his partner, in a major deal that was widely covered by local media. Company B owns and operates two restaurant brands, Brand X and Brand Y. Brand-X is a dine-in restaurant based on the concept of an American diner restaurant, with 10 branches and 8 delivery centers. Brand Y, established in 2003, is a casual dining restaurant chain, with chicken-based meals as the main menu.

Discussion of findings and propositions

Elements of cultural reflection in middle eastern franchises

This research addresses the question: *"How did cultural factors reflected in Middle Eastern retail food franchises contribute to their competitiveness in local and international markets?"* International –as opposed to local- competitiveness of ME franchises remains underexplored (Nasri and Collazzo Yelpo 2016). Alharbi (2014) identified a range of factors challenging the development of franchising in Saudi Arabia, related to both franchisors and franchisees. Factors identified included issues in the legal environment, financial support, institutional environment, marketing, and the educational environment. Franchise development firms interviewed in the research emphasized examining factors like religion, people, culture, tradition, norms, the way of life and methods of speech to spread a local franchise, not elaborating on the process of whether, how, and to what extent these factors might contribute to competitiveness of a local franchise as it expands internationally. Alharbi's (2014) research includes the Saudi Arabian franchise environment in general, rather than the local franchisor perspective, including expansion attempts to regional and international markets, competitive advantages of successful franchises, and advantages or barriers to international competitiveness. In another study, brand accuracy was found to be a competitive driver, country-of-origin (COO) knowledge was found to be positively related to COO image, and inaccurate brand COO awareness could lead to a confusing, and somewhat negative image about the COO (Paswan and Sharma 2004). However, the degree to which this affects franchise competitiveness was not covered. In China, consumers have been found to view someone who patronizes McDonald's as a distinctly "civilized" person, "like a Westerner" (Watson 1997; Jeon et al. 2016). International franchisors may, therefore, be more successful by emphasizing the difference and "Westernness" of their product offerings (Alon et al. 2002). Hence, it would be interesting to know whether franchise success through emphasizing the origin or cultural differences could apply to other franchise origins and hosting markets, especially in the context of the Middle East. Franchises from this region, with authentic food concepts, are seemingly highly sought after in international markets (Nasri and Collazzo Yelpo 2016). This study takes a closer look at how different elements of the Middle Eastern home market culture, and how these elements impact franchise international competitiveness in hosting markets.

Through the cases studied in this research, the elements of culture through which local Middle Eastern retail food franchises would express their concepts, were identified as follows:

> "Historic elements" would be part of the franchise identity, like portraits of figures or heroes from history, paintings of warfare, and old weapons hung to walls in the dining area. Narratives from heritage about real or symbolic personalities would be part of the menu or be printed on dining tables.
>
> "Social Styles" would be captured on environmental design, reflecting culture through architecture and interior design, corporate colors, dining tables, seats, seat couches and pillows, floor tiles, typography, and lighting patterns. Traditional costumes would be part of dress codes in franchise outlets, and background music of a specific genre or country would be played. A singer and/or folklore dancing band would be hosted on given dates to celebrate a specific culture-related event. Dining customs would be expressed by order presentation in patterned pots, dishes and the use of traditional spoons and knives, and dining on traditional carpets while using either hand, or spoons, or fork-knife combinations table sets. Hot beverages would be presented in mugs, Asian cups or small Arabesque designed cups, and Arabic tea in a transparent "istikana" tea glass of Turkish origin. Arabic coffee would be offered in a traditional Arabic "dallah" with a handle-less small cup, by a traditionally-outfit butler.
>
> "Social Norms" were illustrated by an executive of Company A, by portraying a man or a lady wearing traditional costumes, cooking in a traditional style in an open oven in front of customers, spreading the odor of food and spices. Artistic baking of the Lebanese pizza on a concave metal "saj" over a lit fire, frying falafel balls, and grilling of kebabs, gyros, and Arab shawarma are examples in this regard. Tribes and family values might be emphasized in the form of mottos posted on flyers, posters, or onto waiters' costumes. The flow of customers in Western-style quick self-service versus the Arab-style waiter-served along with three or four phases, as well as Western small 4-seat tables relative to Middle Eastern long tables for family dining, are all relevant in this context. Therefore,
>
> *P1- Culture has been reflected in the operations and marketing business activities of Middle Eastern franchises.*

Nature and extent of cultural reflection in middle eastern franchises

Whenever a Middle Eastern franchise reflects a culture in its concept, this culture needs not be Middle Eastern. Moreover, the level of clarity in the reflection of the culture, no matter what this culture might be, was in itself found not to be clear. The lowest level of reflection starts with ambiguity in the reflection. An intense reflection of culture could be either a clear cultural extreme reflection, a reflection of an adapted cultural extreme, or a mixture of cultures (hybrids), and it could reach the reflection of a totally foreign culture in a Middle Eastern franchise, so customers would confuse the business as being imported. The last level of cultural reflection is represented in absent, authentic, potential franchise concepts, which did not reach the level of becoming franchise brands, due their being fragmented, and not consolidated into franchise chains. The levels of cultural reflection in Middle Eastern franchises are elaborated further.

> "Variation in Culture Reflection" was identified upon the selected cases. Arguably Middle Eastern franchises do not always reflect a culture in their concepts, and if reflected, need not be that of the local Middle Eastern culture. This research identified four levels of culture reflection in local Middle Eastern retail food franchises:
>
> "Ambiguous Culture" – franchises that do not reflect a clear culture.
>
> "Country-of-Origin's Culture" – Middle Eastern franchises operating abroad, revealing their own country-of-origin's culture, typically as:
>
> "Pure Culture Extremes" – franchises reflecting local cultures in a bold fashion, with minimal adaptation.
>
> "Adapted Culture Extremes" – franchises reflecting their culture of origin, with considerable adaptations to local cultures in terms of cuisine, ingredients, spices, and presentation.
>
> "Mixed Culture Hybrids" – Middle Eastern franchises offering multiple varieties of food cuisines. An executive of Company A told us about some concepts which could have a long, diverse menu, from American burgers and bread-fried chicken combo meals, to Italian pastas and pizzas, to Mexican tacos and fajitas, to Asian noodles and sizzling dishes, all the way to local Kebsa, Levant mezzas, and mixed-grill platters.
>
> "Local under-cover" – Foreign-Culture Simulators were referred to by executives of both selected cases, as Middle Eastern franchises that adopted concepts which do not reflect their own local cultures, but rather foreign ones. Interviewees largely agreed that having a 'foreign look' could often develop into a competitive advantage, hence many local restaurant concepts try to have their businesses convey an impression of an imported brand by 'simulating' concepts of American diners, Chinese restaurants, burger shops, Japanese sushi bars, Italian or Latin American restaurants. Interviewees argued that Middle Eastern entrepreneurs are likely to be seasoned travelers, either on frequent business trips, or have studied and worked in foreign countries and restaurants, acquiring enough experience to introduce this kind of local under-cover. "Lebanese diaspora comprises at least five times the population of Lebanon", says the CEO of Company B, adding that "It is, therefore, no wonder to see that most Lebanese franchises convey foreign cultures, rather than local ones". This type (4) is identified by executives of both selected cases to account for most Middle Eastern franchises. Outlets would reflect the

intended foreign culture in any or all the cultural elements explored above. Moreover, some would hire foreign waiters and chefs, and/or local employees with extensive foreign restaurant franchise experience.

"Minimal Traditional Locals" are local traditional Middle Eastern categories of cuisines, deeply rooted in the local culture, but almost absent from the franchising landscape, like 'Saudi Specialties', 'Beans and Chickpeas', 'Milk Sweets', 'Juices', and 'Arabian Sweets' groups of food items. Therefore,

P2- Middle Eastern franchises have been considerably different in the nature and extent of culture reflected in their retail food concepts.

Culture and competitiveness across middle eastern markets

Local franchisors in Saudi Arabia and UAE viewed foreign franchises as their main competitors, a competition that offered Middle Eastern franchises both a "familiarity" factor, as well as a "readiness for internationalization" factor in the context of regional Middle East markets (Nasri and Collazzo Yelpo 2016). Yet the relative competitiveness of Middle Eastern franchises in international markets, and the factors driving such competitiveness remain largely unanswered. The different levels of culture reflection in Middle Eastern franchises, their impact on competitiveness, and whether such impact is the same in both regional and international markets, need addressed. Therefore,

P3- Culture reflection contributes differently to the competitiveness of Middle Eastern franchises in different markets.

Home-grown Middle Eastern franchise concepts which reflect foreign, specifically Western cultures, have high competitive advantages in local and regional markets. This is referred to as "Foreigners Complex". Issues started to arise as many franchisors began expanding into international markets, where they were faced with a "Repulsion Effect", as the reflection of Western cultures in their concepts turned out to be negative and repelling to international customers in those foreign markets. Yet Middle Eastern franchisors who kept their origins, tradition and cultural authenticity in the concepts they offered, were the most competitive among the ME franchises studied. Founders eventually realized that the winners in international markets were those who differentiate their concepts by truly reflecting their culture of origin.

"Foreigners Complex" was emphasized by the COO of Company A, referring to concepts that were successful because, "everybody thought this is imported". He assured that the Middle Eastern consumer has always been impressed by foreign brands, choosing them over local ones. Since many customers of Middle Eastern franchises are arguably frequent travelers, hence exposed to global brands, such 'local undercover' franchises have been an attraction as well as a source of advantage for Middle Eastern franchises in local and regional markets.

"Repulsion Effect" is referred by Nasri and Collazzo (Nasri and Collazzo Yelpo 2016) as the "Adapted Contrasts" of those Middle Eastern franchises, which stand out in international markets by offering 'authentic' food items from their origins and cultures. By citing the Arab proverb that claims, “You cannot sell water in a butler’s compound”, the CEO of Company A implied that unless the foreign entrant brings in different choices, relative to the local offerings, the franchise will fail. As a matter of fact, Company A did not take hold in several European markets and had to close many of its outlets. This outcome was attributed to heavy competition by independent shops that succeeded in offering original local tastes presented in a Middle Eastern culture setting. The company business model was benchmarked against Subway. For example, many Lebanese franchises which could be considered ‘local under-cover’ types, failed in American and European markets until they significantly re-designed their menus to introduce Middle Eastern specialties, and adapted their restaurant design and environment to convey a traditional Middle Eastern image.

The following sub-propositions are in line with the above findings:

> *P3a- Middle Eastern franchises which reflect foreign cultures, received high affinity by consumers in local and regional Middle East markets.*
> *P3b- The reflection of local (Middle Eastern) cultures by Middle Eastern franchises was a competitive advantage in international markets.*

Selected quotes and corresponding finding's codes in the table below Table 1:

Table 1. Selected quotes

Quote	Company Executive Interviewed	Finding’s Code
“You cannot sell water in a butler’s compound! Unless the foreign entrant brings in different choices, relative to the local offerings, the franchise will fail. The Lebanese Franchise “Z” is successful locally and regionally with international specialties. They failed when they expanded to the States, until they introduced a very traditional falafel concept.”	Company A	Repulsion Effect
“We have multiple cultures under one roof. This multiplicity was one of the ways how the company differentiated itself while being in direct competition with most leading names. If we take the sandwiches segment, we are the leaders in Saudi Arabia and have no competitors. There is Subway, yet far away from us. At hamburgers, McDonalds, Burger King & Hardees are the main competitors. At the fried chicken segment, there is KFC and (local Saudi competitor). At the pizza level there is Pizza Hut, Domino’s Pizza & other local pizzas.”	Company B	Mixed Culture Hybrids
Foreign Franchises are much respected here, they still enjoy a presence in our minds, and we learn from them. The founding partners had an admiration to a name called Fuddruckers. I was fond of something called Waffle House. When restaurant “X” opened at the Corniche Road, everybody thought this is imported”. The Middle Eastern consumer has always been impressed by foreign brands, choosing them over local ones.”	Company A	Foreigners Complex
“Lebanese diaspora comprises at least five times the population of Lebanon. It is, therefore, no wonder to see that most Lebanese franchises convey foreign cultures, rather than local ones”	Company B	Local under-cover / Foreign-Culture Simulator
Local Competitor “Y” created the system simply by bringing somebody from the States to do it for him. Whoever knows the restaurant business recognizes that, let alone the fried chicken, it is a copy-paste of Burger King, with even the same equipment used inside.	Company B	Local under-cover / Foreign-Culture Simulator

Implications for Theory, Practice, and Policymaking

This study hopes to encourage more extensive research on franchising in the Middle East region –both in terms of home-grown franchise start-ups in the region, and those expanding to other regions around the world. This would be helpful information for local restaurants considering franchising, as well as those considering expanding internationally. Decision-making concerning location, interior, and exterior designs, and menu offerings could be adjusted.

Global franchise competitiveness is deemed to be affected by cultural conveyance and messaging. The selected cases explore cultural authenticity and originality of franchise concepts, while taking a closer look at the business functions that convey the different elements of local cultures. While our study points at the added value of real reflection of culture, it also suggests the simulated reflection of a foreign culture is likely to become a liability to franchise competitiveness in international markets.

This study is one of the first to classify the degree of cultural reflection in local home-grown Middle Eastern franchises. These range from unclear reflection of cultures, through adapted local cultural reflection, reaching up to the "hybrid franchise" concepts, "local under-cover", and those responding to the "foreigners' complex". We develop novel categories and terminology that can be used in further research. Local Middle Eastern franchises are put under the cultural reflection lense at operational and marketing levels, and analyzed as to how this reflection contributes to local and international competitiveness. The research points at a clear, practical path to enhance international competitiveness for local Middle Eastern franchises to grow and expand. The findings suggest that the reflection of foreign aspects on the firm's activities is good for local markets ("high affinity by consumers in local markets") (P3a), while reflection of local Middle Eastern cultures is good for foreign markets (P3b). Our study offers the following practical advice to future franchise businesses: reflect as much as possible of foreign, especially that of Western cultural aspects in home-grown Middle Eastern franchise businesses, which helps operating successfully in local ME markets. In international markets, local franchises should reflect as much as possible local, authentic Middle Eastern cultural elements in their businesses, so as to increase their international competitiveness.

With the transformation of oil-producing countries in the Middle East, especially those of the Arabian Gulf, to oil-independent economies, franchising emerges as a major contributor to local development in the region. The international expansion of Middle Eastern franchises could partially reverse the direction of capital flows and lead to more revenue generation coming back into those Middle Eastern countries as opposed to revenue flowing out of the region through international franchises. Additionally, the development of local franchising is likely to have a positive impact on the sought-after nationalization of jobs. Middle Eastern governments intend to tackle the increasing unemployment rate of the local workforce which some consider is at a disadvantage compared to expat labor that is often higher-skilled and less expensive. With multiple programs to support SMEs, franchising is called up to foster the incubation of local, creative business concepts. Local regulations are evolving to facilitate regional trade, transportation, and logistics, all needed for cross border franchising. This includes a more reliable judiciary system, strengthening the enforceability of franchise agreements.

Limitations and Future Research

This research aims to ignite the debate on the impact of culture on the international competitiveness of local franchises, building on selected Middle Eastern cases. While the findings are not generalizable –rather than analytically (Yin 2009) they are arguably representative of the leading franchise markets in the region, i.e. Lebanon and the United Arab Emirates. The potential drivers of international competitiveness discussed in this exploratory study could feed further explanatory research on the internationalization of franchising, ideally with a focus on emerging markets as the country of origin of the franchise concept.

Additionally, our chosen research design could be replicated in other regions, to shed more light on the challenges of franchises going global, leveraging on reflecting a local culture as a unique source of advantage.

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