

International Entrepreneurship & Management Journal (IEMJ) Special Issue: Global Franchising-Editorial

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Special Issue: Global Franchising
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Furthering international research has long been a goal of many international academic organizations and journals. In fact, in the June 2005 issue of the *Academy of Management Journal*, the editors examine international management articles that have been published from 1970 to 2004 to really find out if they truly have increased the international scope of the journal. They concluded that while there has been a dramatic increase in international management research in their journal especially in the first half-decade of the 21st century, there is still more that needs to be done. This special issue is a concerted attempt to expand the body of knowledge in the area of international management research, particularly in a growing area of entrepreneurial research-franchising.

Franchising has been one of the fastest growing methods of doing business in the U.S. and abroad for the last half century. Franchising sales in the U.S. alone are estimated at \$800 billion, with more than 2,300 franchisors and 550,000 franchised units across the United States employing seven million individuals. Especially internationally, it is a less expensive, less risky form of doing business than developing a start up company (Taylor, 2000). The franchisor, or founder of the unique business format system, fits clearly into the definitions of entrepreneurship found in the literature as reviewed by Low and MacMillan (1988), such as carrying out new combinations (Schumpeter, 1934); driven by the perception of opportunity (Stevenson, Roberts, & Grousbeck, 1989); and the creation of new ventures (Gartner, 1985). Franchising encompasses entrepreneurial characteristics such as the introduction of new products and services, innovative marketing, openness to change, outrunning the competition and fast growth (Aldrich & Auster, 1986; Gartner, 1985).

While franchisees differ from the traditional entrepreneurs in that they are buying a license from an organization that has a market tested concept and a structured set of operating procedures, usually decreasing their risk substantially relative to a traditional start up business, they are still business owners, which classify them as a particular type of entrepreneur. Entrepreneurship entails: innovativeness, risk taking, and proactiveness (Burgelman, 1983; Morrison, 2000). Despite the control of the franchisor, a franchisee still must commit to a certain amount of risk taking and proactiveness in the running their business successfully.

This focused issue seeks to gain a better understanding of the relationship between entrepreneurship and franchising worldwide, the international expansionary activities by franchises into emerging and industrialized markets, including motives and patterns of development and investment; unique expansion strategies; challenges to expansion; unique forms of franchising, such as hybrid franchises; multi-generational family franchise expansion and other forms of franchise expansion; solutions and lessons that franchises have learned as they have expanded internationally, including cultural implications; and the effect of trade policies on franchise expansion and success, such as NAFTA. Articles were encouraged in all disciplines that overlap with franchising.

In that regard, our submissions exceeded their target. In fact, we had more than enough submissions to fill our special issue and so some franchise articles are being incorporated in other issues. Cataluna, Garcia, and Castro, in their article entitled, “Proposing New Variables for the Identification of Strategic Groups in Franchising in Spain identify new strategic variables that classify franchisors between sectors and distribution strategy. Four perfectly-differentiated groups are identified: expensive franchisors, re-converted franchisors, mature franchisors, and rapid growth franchisors. Expensive franchisors are defined as the group that has the highest cost of investment. Besides the financial investments demanded from the franchisees in this group such as entry fee, sales royalties, and advertising fees, minimum population and minimum size of the location present higher values than any other group. Re-converted are franchisors that have been exercising their commercial activity for more than 34 years, on average. They have not gotten the number of outlets they have desired and present limited growth. They have adopted franchising as a strategy later (22 years). However, they have been operating in franchising longer. The mature franchises present the second highest number of outlets and present the most international companies. Their annual growth is good so they search for new markets to support expansion efforts. Rapid growers are franchisors that have the lowest age, eleven years, but have adopted franchising almost immediately, have the longest contract, and the highest growth of the four groups.

Through identifying strategic groups, this study identifies certain variables (investment, entry fee, royalties, geographical dispersion, etc.) to be explanatory factors of growth. However, the study constraints include sample size, classification and industry, variable selection, limited database usage, and heterogeneous samples within each type or industry classification. Despite these limitations, the study offers further opportunities for research in countries around the world.

Stevan Holmberg and Kathryn Boe Morgan take on a controversial topic that has been much researched: franchise failure. They conduct a study entitled, “Entrepreneurial Global Franchise Ventures: US and European Franchisee Failure Strategic and Empirical Perspectives” that primarily looks at franchise failure in developed and transitional economies that includes utilization of a strategic franchisee failure perspective that looks at franchisee failure as a multi-stage process rather than one event; a comparison of longitudinal data from over 780 franchise systems

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