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HOW TO SELECT FRANCHISEES: A MODEL PROPOSAL

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HOW TO SELECT FRANCHISEES: A MODEL PROPOSAL

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Abstract

The selection of franchisees is a key decision for a franchisor and the success of a franchising business. The aim of this research is to design a model proposal with which franchisors may objectively evaluate their potential franchisees in a selection process and reduce any likelihood of error in their final choice. To do so, we apply the Analytic Hierarchy Process methodology, which yields a model proposal as its main result that prioritizes the attitude of the applicant over and above all other criteria that may be taken into account when selecting a chain franchisee. Franchisors can choose to apply the model with the proposed variables, thereby minimizing any error in their candidate selection procedures. They can also adapt the model proposal to virtually any other variables that are central to the spirit of their franchising businesses. The model will help any franchisor to refine its franchisee selection procedure.

Keywords: recruitment, franchisee, selection, performance, Analytic Hierarchy Process, success.

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HOW TO SELECT FRANCHISEES: A MODEL PROPOSAL

1. Introduction

In a franchise business format, the franchisor grants the right to its franchisees to use the brand, the business concept, and the products or services, under certain conditions, and within a specific time frame (Elango, 2019). The franchisor, therefore, depends on the franchisees to develop the business concept, to expand the brand, and to access any knowledge that the franchisees hold on the local market (Elango, 2019). However, if this dependent relationship between the franchisor and its franchisees is to be successful, the franchisor must seek to balance control over the franchisees with the autonomy of the franchisees to respond to local demand (Colla *et al.*, 2019). The scope of franchisee autonomy can lead to opportunistic behaviors wherever franchisees take advantage of the interests of the franchisor (Grunhagen *et al*., 2017). A behavior that has direct costs for the brand and indirect costs for other franchisees from the same franchise chain (Grunhagen *et al.*, 2017). It is in the interests of the franchisor to prevent such opportunistic behaviors, in order to maintain brand uniformity, and to protect the business model, and both the name and the image of the franchise brand (Antia *et al.*, 2017). One of the most efficient ways of reducing this risk and its associated costs is to ensure the effectiveness of the franchisee selection procedure (Antia *et al*., 2017; Thaichon *et al*., 2020). The level of *ex-post* transaction costs, such as monitoring and litigation, that are incurred as a result of the relation between the franchisor and the franchisees, has been used as a measure of the effectiveness or otherwise of franchisee selection procedures (Sadeh & Kacker, 2020)

An analysis of the personal and entrepreneurial characteristics of the franchisee applicants is a key aspect for the development of the franchisor-franchisee business relationship. However, it would make little sense, if the franchisor were to ensure that the objectives of future franchisees solely coincided with the objectives of the franchising business format,

ignoring whether the franchisee applicants possessed the capabilities and the skills needed to develop their own business model.

Selecting future franchisees who respond to franchise opportunities posted on a website and publicized in advertisements on the basis of their qualities and skills (Gaul, 2014) is a preliminary stage that the franchisor should prioritize. A franchisor will usually describe the points that constitute the ideal franchisee profile, as has been defined in some studies (see Ramírez-Hurtado *et al*., 2011b). However, there is no practical tool in any of those studies to apply in the selection procedure, in order to reduce the likelihood of a poor choice of franchisee.

The way in which the franchisor selects the franchisees is a key aspect for the success of a franchise brand at both a national (Baena, 2018; Lafontaine *et al.*, 2019; Perrigot *et al.*, 2011) and an international level (Ghantous & Dass, 2018; Jell-Ojober & Windsperger, 2017; Rosado-Serrano, 2019). Franchisor errors when selecting franchisees or master franchisees can lead to divergence between both parties over stipulated objectives (Watson *et al.* 2016; Clarkin & Swavely, 2006). A selection procedure, therefore, can neither be solely based on franchisor experience and intuition, nor indeed on random chance (Watson *et al*., 2015). Solid studies are needed to help a franchisor in that respect (Ramírez-Hurtado *et al*., 2011a). There is generalized agreement on the importance of an effective selection procedure to appoint franchisees for the success of the franchisor-franchisee business relationship (Ramírez-Hurtado *et al*., 2011a). In accordance with the above, the main objective of this paper is to design a model proposal with which franchisors may objectively evaluate their potential franchisees in a selection process and reduce any likelihood of error in their final choice.

A multi-criteria decision-making methodology known as Analytic Hierarchy Process (AHP) was chosen to achieve the aforementioned objective. This methodology is based on expert opinions incorporated in a multi-criteria decision-making model and is designed to resolve complex decision-making problems with multiple selection criteria. Following our

application of AHP methodology, we obtained a model as the main result for the objective evaluation of franchisee applicants to a franchise chain. Franchisors who select other variables or modify any of the existing ones within the proposed model could easily replicate the same methodology and adapt the model accordingly. The purpose behind the model and its replication is to minimize error in the franchisee selection procedure that is so important for the survival and the success of a franchise chain. The model and its replication will help a franchisor to fine-tune and to professionalize franchisee selection procedures, so that the most promising applicant may be selected. The contribution of this paper is therefore its objectivization of the franchisee selection procedure through an evaluation model with specific variables and weights for a franchisor to select its franchisees. The structure of this paper will be as follows. After this Introduction section, a review of the literature will be presented, to argue both the academic and the professional importance of the stated objective. In the third section, the methodology will be described, continuing on to the fourth section with the description and the discussion of the results of having applied the model in real-life case studies. Finally, the last section will set out the conclusions where the business implications and limitations will also be described.

2. Literature review

Perrigot *et al.* (2011) affirmed that the future success of a franchisor will, to a great extent, depend on a systematic selection procedure to appoint good potential franchisees. The Franchising Taskforce (2020) identified the erroneous selection of franchisees as one of the principal causes of franchise failure in Australia. Watson *et al.*, (2016) investigated perceptions of the franchisee selection procedure, affirming that it was perceived as one of the most important operative problems for franchisors. Concretely, they found that a franchisee selection system had both a positive and a significant relation with cooperation within the franchise. Clarkin & Swavely (2006) maintained that the careful selection of appropriate franchisees

played a vital role in the maintenance of good franchisor-franchisee relations, essential for the growth of the franchising system. Dada & Watson (2012) found that the recruitment of franchisees had a significant impact on the quality of franchise relations. An important problem at an international level is the search for and the selection of suitable franchisees beyond international frontiers (Jell-Ojober & Windsperger, 2017).

The attraction of effective franchisees is one of the most critical tasks that the franchisor faces (Watson *et al.,* 2016), as harmonious franchising relations maintain a delicate balance between the autonomy afforded to franchisees and the control that the franchisor exercises (Dada, 2018). Franchisors depend on their franchisees as an important source of income and as a means of making their brand grow through the exploitation of an established business concept. An effective selection procedure applied to each franchisee candidate can therefore bring important results, because not all potential franchisees are equally capable, nor are they all generally willing to act in the interests of the brand (Michael & Combs, 2008). While effective franchisees can lead to the success of the franchise, unsuitable franchisees can disrupt the franchise network (Clarkin & Swavely, 2006). The franchisee selection procedure of a franchisor is therefore one of the main aspects that influences the survival of the franchise, at least during the first two years of its life (Lafontaine *et al*., 2019).

Nevertheless, the degree of conflict in the franchisor-franchisee relationship prevails in any system of franchises, because the franchisee has different behaviors, approaches, and expectations during the relationship. The formation of unrealistic expectations increases the potential for conflict in the relation (Xu & Cao, 2019). An essential challenge for a franchisor is to coordinate the franchising system in such a way as to minimize any underlying potential for opportunistic behavior and contractual conflict (Tikoo, 2005). In practice, good faith is very important to the resolution of conflicts between franchisor and franchisee (Perrigot *et al.,* 2019); franchisors should select franchisees that are compatible with their entrepreneurial

spirit, paying attention to pertinent characteristics (Evanschitzky *et al.,* 2016; Perrigot *et al.,* 2011). The aforementioned authors sustained that when a franchisor selects a franchisee with acceptable characteristics, that franchisee will be less likely to shirk cooperation and engage in opportunistic practices. The experienced selection-procedure capabilities of some franchisors imply a notable competitive advantage (Watson *et al.,* 2016) that differentiates the leading franchisor chains from the rest (Alon & Elango, 2018).

The selection of franchisees has been studied through different disciplines. For example, franchisee personalities and behavior in collaborative and successful franchisor-franchisee business relationships have been analyzed in the field of psychology (Badrinarayanan *et al.,* 2016; Dahlstrom & Nygaard, 2016; Lee *et al.,* 2016), and future franchisees with entrepreneurial values have been identified in the context of business administration (Watson *et al.,* 2016). Ever since Clarkin & Swavely (2006) pointed out that little was known about how franchisors evaluate the characteristics of the franchisees (see Ramírez-Hurtado *et al*., 2011a, for a review), a line of research has been emerging on the characteristics required for proper selection of franchisee applicants (Blass & Ketchen, 2014; Dada *et al.,* 2015; Short *et al.,* 2018). In much of that research, franchisee profiles are defined for the franchisors that are based on the experience, the skills, and the personal attributes of the franchisee (Gaul, 2014; Lee & Choi, 2017).

Clarkin & Swavely (2006) highlighted attitudes and personality as important criteria for franchisee selection. Ramírez-Hurtado *et al*. (2011b) underlined the loyalty of the franchisee toward the franchisor, management capability, and a willingness for hard work as the principal attributes of the franchisee profile that the franchisor takes into account when selecting its franchisees. In contrast, experience and especially financial requirements -which merely prescribe required minimums- were of less importance in the selection procedure (Mellewigt *et al.,* 2011). Detecting the degree of loyalty of the potential franchisee towards the franchisor

before the start of the relation is quite complicated, because signs of loyalty are only detected when the business relationship between both parties has progressed. Contrary to the line argued by Ketchen *et al.*, (2011), Dada *et al*. (2015) suggested that franchisors value and actively seek out entrepreneurial business features in franchisee selection procedures: ambition, independence, creativity, and a capability to assume risks. However, a franchisee must also be prepared to accept a certain level of control. Thus, Short *et al*. (2018) concluded that US military veterans are potentially valuable franchisees for any franchisor, because military service trains people, so that they can work efficiently and even creatively within the established parameters of command and control (Blass & Ketchen, 2014) and they can often be more capable at balancing the divergent responsibilities of the franchise than people with no military training. They have learnt to follow orders and to act on instructions from higher ranking members and to work within a formalized hierarchical structure during their military service, which is likely to be mirrored in other power-based relations that include the franchisor-franchisee relationship.

In the franchisee selection procedure, the franchisor will previously have communicated the important elements of the specific franchise business format and its values when they seek to differentiate their franchise opportunity, in the same way as firms differentiate their products for certain consumer groups (Zachary *et al.*, 2011). Thus Ramírez-Hurtado & Rondán-Cataluña (2013) grouped franchisors according to their preferences with regard to the franchisee profile. They concluded that franchise chains have defined requirements and thresholds for franchisee selection, in which respect there are differences between franchising groups and chains.

Franchisors will usually use a multichannel strategy to attract applications from potential franchisees (Perrigot *et al.*, 2011) that encompasses both offline communication tools -booths at franchise exhibitions, advertisements in the specialized press, specialized recruiting agencies- and online communication tools -franchisor websites, specialized websites, social

media. Early studies reported that franchisors commonly use websites to recruit new franchisees: 83.5% of franchisors use their websites to attract franchisee applicants in the United States (Young *et al.*, 2004), 86.1% in Australia (Rao & Frazer, 2006), and 85.61% in France (El Akremi *et al.*, 2012).

According to Lopez-Fernandez & Perrigot (2018), there are numerous advantages for recruiting through websites compared to other more traditional methods that can serve as complements or substitutes for website recruitment. First, the websites are easily accessible to a range of potential franchisee applicants freely browsing the Internet. Second, websites are a dynamic and an effective means of providing information, because franchisors control the message, and website construction is relatively inexpensive. Third, Internet recruitment amounts to a tenth of the cost of traditional methods, and recruitment and selection time can be reduced by 25%. Fourth, through their websites, franchisors can recruit on their own. This option is preferable when franchisors believe that external recruiting companies have neither the knowledge nor the incentives to attract the most suitable franchisee applicants. Fifth, the Internet also simplifies comparisons for franchisee applicants, which can lead to more informed decision-making. Finally, recruitment via the Internet is focused on attracting applicants rather than selecting the best ones. Franchisors may therefore minimize both time and effort when selecting applicants, by designing their websites in a way that will attract franchisee applicant with particular profiles.

Recruiting franchisee applicants through websites can also present some difficulties (Lopez-Fernandez & Perrigot, 2018). First, there are some limitations associated with website communication, because it is often one-way, remote, and asynchronous, with no immediate interaction between franchisor and franchisee applicants. Second, recruiting franchisee applicants through websites may be inappropriate for certain profiles of franchisee applicants: foreign applicants unfamiliar with the brand and single-unit franchisees already part of the

chain who are working to become multi-unit franchisees. However, if franchisors misrepresent the information, one drawback to this unilateral control is the ex-post conflictual exchanges that can ensue.

The Website is a valuable tool (Helal *et al.,* 2018) through which franchisors can communicate information to their potential franchisees (Kacker & Perrigot, 2016) and it plays an important role in attracting new applications (Perrigot *et al.,* 2011; Zachary *et al.,* 2011). There is some literature on the content of websites dealing with recruiting franchisee applicants (for example, Kacker & Perrigot, 2016; Perrigot *et al.,* 2016; Zachary *et al.,* 2011).

In summary, the franchisee is key to the survival of a franchise chain and successful business performance. Consequently, selecting future franchisees is an immensely important decision for the franchisor, who should rely on a selection procedure, to increase the likelihood of making the right choice, based on the objective evaluation of franchisee applicants.

3. Methodology

We applied AHP methodology to achieve our objective of designing a model for the objective evaluation of franchisee applicants, with a view towards a professional selection procedure that will increase the chances of selecting the most appropriate franchisee applicants for the chain.

The assessment of franchisee applicants can be interpreted as a multiple-criteria decision problem that simultaneously involves multiple and even conflicting criteria. Faced with such a complex problem, a correct definition of the problem will lead to informed -and therefore better- decision-making. An expert approach was considered, specifically AHP methodology (Saaty, 1980, 1990) that is based on expert opinions incorporated in a multicriteria decision-making model, designed to resolve complex decision-making problems. Various prioritization methodologies have been used in franchise research (see Khan *et al.,* 2016), among which AHP methodology has been used for different franchising-related purposes (Lee, 2019): (1) to

analyze the factors that motivate the unemployed to apply to food franchise chains in Korea during a period of economic recession (Choi & Lee, 2017); (2) to prioritize the factors for selecting the best place to locate a store (Yoon *et al.,* 2017; Lee & Myoung, 2015); (3) to prioritize the key success factors of a franchise chain (Chien *et al.,* 2016); (4) to find out what the consumer values when selecting a franchise chain in a specific sector, and to determine which factors they take into account in their selection (Soo & Soo, 2015, 2016; Kim *et al.,* 2016; Min, 2010); (5) to analyze the level of importance that exists between the indicators that were previously defined for a system of performance measurement (Neuenfeldt *et al.,* 2015); (6) to conduct Strengths, Weaknesses, Opportunities and Threats (SWOT) analyses of franchise business models (Lee, 2019); and, (7) to establish a model for screening and selecting prospective franchisees (Lee, 2012; Hsu & Chen, 2007).

3.1. Analytic Hierarchy Process (AHP)

Normally, the simultaneous assignment of relative levels of importance (weights) to different criteria is difficult. However, a degree of consensus emerges between individuals with expertise in a topic when they coincide over the identification of certain important aspects after having completed a pairwise comparison of the criteria. The capabilities are essential when applying AHP that is used to deconstruct a complex problem into several simpler problems for pairwise comparison.

Saaty (1980) described the following steps for applying the AHP:

1: Define the problem and determine its goal: in our case the selection of the most appropriate franchisee for an experienced franchisor.

2: Structure the hierarchy of the problem into different levels.

3: Construct the set of pairwise comparison matrices for each of the levels.

4: Calculate the different weights of each variable using the matrices built under step 3.

5: Having completed all the pairwise comparisons, check the consistency of the answers.

We describe these points in finer detail below.

3.1.1. Definition of the problem and its hierarchical structure at different levels

In so far as we are concerned, the objective is to optimize the franchisee selection procedure, for the selection of the most suitable franchisee. It is a complex process, with multiple factors to consider, which can be divided into simpler problems or smaller evaluation areas with which to assess a franchisee applicant. The structure of the hierarchical model solves the aforementioned situation. It refers to the decomposition of the problem to be resolved into a hierarchy where the sub-problems are more easily understood, each one of which can be independently analyzed. In our case, the problem to be examined is the selection of potential franchisees for a franchise chain. This problem can in turn be divided into smaller problems, for example, by evaluating different characteristics of the applicants.

In accordance with the above, we applied the structure of the hierarchical model to our problem at different levels. The first step, therefore, for the construction of our model will fundamentally consist of determining the variables that the franchisor will evaluate in their applicants. To do so, drawing from the work of Lopez-Fernandez & Perrigot (2018), and Clarkin & Swavely (2006), we compiled a list of the requirements that franchisors had published on their websites for franchisee applicants. This list of the requirements was compiled in June 2019 when we conducted a detailed analysis of the websites of all 92 franchises registered with the Spanish Franchise Association that acts as a guarantor of franchise brand quality, since membership of this Association requires compliance with quality indicators. These 92 franchises are distributed across the following sectors: Food (42%), health & wellness (13%), services (30%) and retail (15%). We took no account of financial aspects, on the assumption that a franchisee applicant has to declare compliance with a minimum number of financial requirements (*i.e.*, initial investment and entry fees) when submitting an application, which in some chains is sufficient in itself for selection.

For a detailed analysis of the content of the websites, we applied the methodology followed in Lopez-Fernandez & Perrigot (2018), obtaining the type of information that could be of interest to franchisee applicants. As may be observed in Table 1, the requirements that future applicants have to meet form part of the so-called rhetoric of entrepreneurial orientation (Short et al., 2018). Those requirements were also the principal factors under consideration when formulating our model for the evaluation of each applicant.

[Insert Table 1]

A total of 11 different variables were selected, in order to evaluate the applicants. As with Watson *et al*. (2005), we grouped the variables into three different human-resources evaluation criteria: capabilities, attitudes, and knowledge and previous experience of the applicant (see Table 1).

The following Figure 1 shows the hierarchical structure of the problem that is proposed.

[Insert Figure 1]

In the next step, the franchisor will have to specify the preferences or the priorities in terms of how each factor contributes to the decision-making process for the selection of a future franchisee.

3.1.2. Pairwise comparison matrices, assignment of weights to the variables and consistency of the answers

Once the hierarchical structure has been defined, the criteria of each group at the same hierarchical level and the direct pairwise comparison of the alternatives to the criteria of the lower level are compared. Pairwise comparison matrices are used for this purpose and, among other alternatives, the scale proposed by Saaty (1980), which takes a value of between 1 and 9, where 1 indicates equal importance and 9 indicates that one criterion is of far greater importance than the other, and the values 2 to 8 represent levels of importance graded by their

intensity. The underlying idea is that the human brain is particularly well designed to compare two criteria or alternatives with each other, but less so when it has to make joint comparisons.

Subsequently, the 11 variables presented in Figure 1 were agreed upon and validated with the collaboration of the franchisors. A questionnaire with all possible pairwise comparisons was sent to each of the 92 franchisors whose websites had been studied for the development of the model. Figure 2 shows an example of the pairwise comparisons for questions relating to knowledge and previous experience.

[Insert Figure 2]

Consequently, we received a total of 29 different forms, one for each franchisor involved in the AHP process. Saaty (1990) suggested two approximations, in order to combine the different results. In the first method, the comparisons are added in pairs, a geometric mean is calculated, and then the weights are derived. In the second method, the weights are individually derived and then an arithmetic mean of all the weights is calculated.

Saaty (1990) likewise remarked that when the individuals have the same experience, the second approach will yield better results. In this case, the franchisors were not shown to have the same experience, so the first approach that applies a geometric mean was followed, in which the weights were individually calculated.

The consistency of the answers was also checked following the methodology proposed by Saaty (1980) who proposed the calculation of a measure that yields an approximation of the reliability of the pairwise comparisons. This measure is in some ways strict and depends on the number of variables used in the comparisons. Only 14 forms passed the consistency index test to obtain the weights and any inconsistent forms were discarded. Table 2 shows the estimated weights according to the answers that were provided.

[Insert Table 2]

In Table 2, each variable and its weight are shown alongside the Applicant evaluation criterion and the relative weight of that criterion in relation to the overall model. The weight of each Application evaluation criterion is obtained by adding the weights relating to the variables that constitute each criterion.

In relation to the data that were collected, the franchisor values the knowledge and/or previous experience of the applicants very highly, assessing both capabilities and attitudes in approximately the same way. Among all the variables that were selected, the belief of the applicant in the product, business concept and franchisor brand was the variable with the highest relative weight, closely followed by friendliness/respect for the client, the location where the franchised store will be opened, and motivation. Even though the selected variables describe general aspects that can apply to franchisors regardless of their sector, the variable "interest in a healthy lifestyle" appears especially applicable to certain sectors. An evaluation of the utility of the proposed model is now necessary to test its attributes.

4. AHP application and model backtesting

The proposed model is intended to serve as a tool with which a hierarchy or ranking of the applicants can be established to form part of an existing franchise chain, so the tests should be oriented towards validating whether the ranking of the model is correct.

To do so, different franchisors were asked to use the proposed model to evaluate their franchisees. In accordance with Kacker *et al*. (2016) who affirmed that the performance of the franchising business is a measure of the effectiveness of its selection procedure, the franchisors chose the following: three highest-performing franchisees and three other franchisees with the weakest performance. The franchisor, for reasons of confidentiality, had difficulty completing the information needed by the model on the franchisees that had been selected and were operational. Despite those difficulties, two franchise chains were willing to cooperate: one from the beauty sector and another from the textile sector, the names of which are not revealed for

reasons of confidentiality. The first is a franchise brand with over 11 years of experience that is established in 13 countries with a total of over 1,000 stores. The franchise brand from the textile sector has been in existence for over 15 years, is established in 17 countries, and has a total of over 200 outlets. In Spain, the textile sector had the largest number of franchise chains amounting to 249 in 2019 and the beauty sector occupied third place in the same year. In addition, this last-mentioned sector is important, because of the number of stores and the employment it generates, behind only the Food Industry and Hospitality and Catering.

Following the hierarchical structure of the problem -see Figure 1-, the person responsible for the selection of future applicants of the franchise brand evaluated each variable in accordance with the model. Following the conventional methodology of Saaty (1980) when different alternatives are evaluated, each alternative should be evaluated with respect to the others that are linked to each variable, until a weighting or score for each alternative is reached. In that way, the alternative with the highest score or importance will be chosen. Given our experience with the use of this type of methodology, we decided that each applicant should simply be scored on a scale of 1 to 10 in relation to each variable, where 1 is a very low score and 10 is the highest (the simulator of the model that was designed as part of this research can be accessed via the following link: https://newsoutlook.shinyapps.io/FranchiseeEvaluationModel/).

In that way, the score for each of the three evaluation criteria (capabilities, attitudes, and knowledge and experience of applicants) can be obtained from the sum of the product of each variable according to its own weight. The final score of the model is obtained through the sum of the scores for each of the three criteria.

In the case of the beauty sector franchise chain, the franchisor selected one of its former franchisee applicants (now franchised); specifically, the third weakest performing franchise,

according to the franchisor. The franchisor had evaluated the variables relating to the capabilities of that franchisee during the selection procedure.

Tables 3, 4, and 5 show how the score of this franchisor is obtained with the model. Thus, Table 3 displays the valuation and weighted importance of the variables under the criterion capabilities for calculation of the score.

[Insert Table 3]

According to the information in the above Table, the first criterion of evaluation would be calculated as follows:

$$Score_{capabilities} = 0.5339\ x\ 7.0 + \ 0.4661\ x\ 7.0 = 7.0$$

The process would be the same for the other evaluation criteria. In what follows, the scores are shown by applicant under the criterion of attitudes, as in Table 4

[Insert Table 4]

Thus, the calculation of the score for this criterion would be:

$$Score_{attitudes} = 0.4595\ x\ 4.0 + \ 0.3682\ x\ 3.0 + 0.1723\ x\ 5.0 = 3.8$$

And finally, the scores and the score for the criterion of knowledge and experience of the applicant are shown in Table 5.

[Insert Table 5]

$$Score_{knowledge\ /\ exp.} = 0.2236\ x\ 5.0 + \cdots + 0.1612\ x\ 4.0 = 4.2$$

In view of the results, the applicant can be said to present weaknesses with regard to attitudes, knowledge, and previous experience, and has a good score for capabilities.

The score or final marks were obtained by weighting the scores of each criterion by the weight or importance of each one:

$$Score_{final} = 0.2187\ x\ 7.0 + 0.2810\ x\ 3.8 + 0.5004\ x\ 4.2 = 4.7$$

The applicant in this case had quite a low score: 4.7 out of 10.

The results of the other applicants evaluated with the model are shown in Table 6

[Insert Table 6]

In Table 6, it can be seen that the franchisor evaluated the attitudes and capabilities of the three highest-performing franchisees more highly than their knowledge and experience. These results are no different from past results in the literature. Thus, entrepreneurial attitude has been identified in the literature as one of the most important characteristics when selecting the most appropriate candidate (Clarkin & Swavely, 2006; Gaul, 2015; Olm *et al.,* 1988) The scores of the model were also related with the potential of the future franchisees to perform well. It can also be observed that the highest performers were not those with the highest scores for capabilities, attitudes, and knowledge and experience, as only attitude stood out. In the three weakest performing franchisees, the franchisor surprisingly valued their capabilities much more in relation to the public and, nevertheless, their attitudes scored low. In the same way as Clarkin & Swavely (2006) and Gaul (2015) had confirmed, attitude was found to be a high-performance-related variable. The highest-performing franchisor had better scores for attitude and the weakest performing franchisees had worse scores. With regard to knowledge and experience, these capabilities were not so very necessary for franchisees to perform well, because they were neither predominant among the highest-performing franchisees nor among the weakest-performing franchisees. As we mentioned earlier, Mellewigt *et al.* (2011) stated that experience was one of the least important requirements in the selection procedure. Finally, it was observed that the weakest performing franchisee was not the one with the worst scores for capabilities, attitudes, and knowledge and experience.

The model was also tested on a franchise chain within the textiles sector, specifically connected with marketing and distribution of children's fashion clothing, which has also undergone enormous international expansion.

As with the earlier example, the franchisor had to evaluate six franchisees as if they were applicants -the three highest-performing franchisees and the three weakest-performing

franchisees- against all the variables in the model. The score in each of the evaluation criteria and, subsequently, the final scores of the model were obtained. The results of the model for the applicants that were selected by the franchisor can be seen in Table 7.

[Insert Table 7]

The results were very similar, but even more marked than those from the beauty sector, with higher evaluations for the attitudes of the three highest-performing franchisees than for their capabilities, and knowledge and experience. That same pattern repeated itself in the case of the franchisees that were selected due to their weak performance, although the scores were much lower than they were for the highest-performing franchisees. Even though a franchisor initially evaluates attitudes and capabilities positively, it appears relevant that a minimally sound knowledge base is also necessary, so that a franchise chain can eventually perform well. It can be seen that the final score of the model is correlated or holds some relation with the future performance of a franchisee.

5. Conclusions, entrepreneurial implications and limitations

The failure rate of a franchising business depends in large measure on the performance of its franchisees. Firstly, this performance depends on an effective selection of the franchisees and, subsequently, on the governance mechanisms that throughout the course of the business relationship are applied to guarantee the performance of the franchisee. Our review of the literature on franchisors and their franchisee selection procedures has led us to conclude that most of it has been focused on an analysis *a posteriori* of how the selection procedure was completed. Our goal has been to design an objective evaluation model that the franchisor can apply to the franchisee selection procedure for the professionalization of the franchisee selection procedure in the interests of selecting the most promising franchisees from among the various applicants.

The evaluation model that has been proposed prioritize the variables related to the commercial attributes of the franchisees (respect towards the client and public relations), as Lee (2012) previously highlighted, using the same methodology. Then the model highlights the variables related to their attitudes (belief in the business concept, the products and the brand, and motivation), and thirdly, it takes account of the variable related to franchisee knowledge of the best location, in the same way as Lee (2012).

The results of applying the model to the highest-performing and the weakest-performing franchisees selected from both a service-sector brand and a textile-sector brand has led us to conclude that 'attitude' is the most important criterion, more so than capabilities, and knowledge and experience, in the evaluation and subsequent selection of a franchisee applicant. This conclusion mirrors the results of various authors such as Clarkin & Swavely (2006) and Michael & Combs (2008). When selecting franchisees, a franchisor has to consider their attitudes for the franchise chain to perform well. In other words, the franchisor has to seek out applicants and select franchisees who will believe in its business concept and in its brand, who are motivated to balance personal interests with the business interests of the franchisor. Assessing the attitude of franchisee applicants will help the franchisor to select franchisees who will be less likely to enter into future conflict at the outset of their relationship, which might otherwise increase both supervision and litigation costs (Sadeh & Kacker, 2020).

This conclusion differs from the franchisee profiles based on experience, skills and personal characteristics that both Dada *et al*. (2015) and Short *et al*. (2018) described following their analyses of franchisees after their selection.

However, the selection of an applicant on the basis of attitude alone will of course never be sufficient in itself for the outlet to perform well, because it appears that high performance is neither related with the capabilities, nor the knowledge, nor the attitudes of the franchisee, but with a combination of all three.

5.1. Research limitations and practical implications

Among the main limitations of our research is the limited participation of the franchisors in the construction of the model that influences its robustness. However, participation has not been an obstacle to developing the proposed model, which has been tested in a real environment with franchisees from two franchises. Redefining the model with the participation of a greater number of franchisors and testing it in a real environment with franchisees of a greater number of franchises is an avenue for future research.

Considering the variables of the proposed model in its selection procedure, a franchisor could use the simulator that we have presented in the above-mentioned hyperlink. The model consists of generic or common variables in entrepreneurship, facilitating its application in most cases. The generic variables could also be substituted for others that are specific to its sector or chain, maintaining the same weighting system intact. Finally, if the franchisor applied other variables, then the steps outlined in this paper could be replicated with those variables to customize the model.

Franchisors could use this methodology based on their own experience, selecting some additional variables and removing others, until it is adapted to their own needs. Our attempt to model this complex process will nevertheless require future research and improvement.

Among the principal practical implications, we would highlight the availability of an objective evaluation model for the selection of franchisee applicants, to mitigate the problem of franchise failures, due to the erroneous selection of franchisees.

Finally, this study has contributed to the objectification and the professionalization of franchisee selection procedures, through the design of an objective evaluation model with specific variables and weights, so that a franchisor may select its franchisees in a professional and objective manner.

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Table 1

Principal variables for the formulation of the applicant evaluation model.

ID_ question	Variable	Evaluation criterion
P1	Friendliness/respect for the client	Capabilities
P2	Liking for public relations	
P3	Belief in the product, business concept, and brand	Attitude
P4	Motivation	
P5	Interest in a healthy lifestyle	
P6	Best location	Knowledge and previous experience
P7	Entrepreneurial knowledge and commercial vision	
P8	Experience in the sector	
P9	Management capability	
P10	Capacity for work	
P11	Entrepreneurial spirit	

Table 2

Weighted importance of variables included in the model

Applicant evaluation criterion	**ID_ Question**	**Variable**	**Weight in the criterion**	**Relative weight**
Capabilities (21.87%)	P1	Friendliness / respect for the client	53.39%	11.68%
	P2	Liking for public relations	46.61%	10.19%
Attitudes (28.10%)	P3	Belief in product, business concept, and brand	45.95%	12.92%
	P4	Motivation	36.82%	10.34%
	P5	Interest in healthy lifestyle	17.23%	4.84%
Knowledge and experience (50.04%)	P6	Best location	22.36%	11.19%
	P7	Entrepreneurial knowledge and commercial vision	13.79%	6.90%
	P8	Experience in the sector	14.14%	7.08%
	P9	Management capability	15.83%	7.92%
	P10	Capacity for work	17.76%	8,89%
	P11	Entrepreneurial spirit	16.12%	9.07%

Table 3

Valuation and weighted importance of variables in the criterion Capabilities for calculation of the score.

Question	Variable	Weight	Valuation
P1	Friendliness / respect for the client	53.39%	7.0
P2	A liking for public relations	46.61%	7.0

Table 4

Valuation and weighted importance of variables in the criterion Attitudes for calculation of the score.

Question	Variable	Weight	Valuation
P3	Belief in product, business concept, and brand	45.95%	4.0
P4	Motivation	36.82%	3.0
P5	Interest in healthy lifestyle	17.23%	5.0

Table 5

Valuation and weighted importance of variables in the criterion Knowledge and Experience for calculation of the score.

Question	Variable	Weight	Valuation
P6	Best location	22.36%	5.0
P7	Entrepreneurial knowledge and commercial vision	13.79%	4.0
P8	Experience in the sector	14.14%	5.0
P9	Management capability	15.83%	3.0
P10	Capacity for work	17.76%	4.0
P11	Entrepreneurial spirit	16.12%	4.0

Table 6

Evaluation of franchisee applicants as per the model (beauty-sector brand).

Franchise	Capabilities	Attitudes	Knowledge	Final Score
High-performance 1	8.6	9.0	7.9	8.5
High-performance 2	8.7	8.0	7.9	8.4
High-performance 3	8.2	8.0	8.0	8.1
Low-performance 1	5.0	3.5	4.7	4.7
Low-performance 2	6.3	4.5	4.7	6.5
Low-performance 3	7.3	5.5	5.7	6.6

Table 7

Evaluation of franchisee applicants to as per the model (textile-sector brand).

Franchise	Capabilities	Attitudes	Knowledge	Final Score
High-performance 1	8.5	8.9	7.9	8.6
High-performance 2	7.6	8.0	7.2	7.7
High-performance 3	7.5	8.5	5.3	7.5
Low-performance 1	4.1	5.4	2.8	4.5
Low-performance 2	5.7	6.1	2.0	5.0
Low-performance 3	6,2	7.2	2.8	5.9

Figure 1.

Hierarchical structure of the problem at different levels

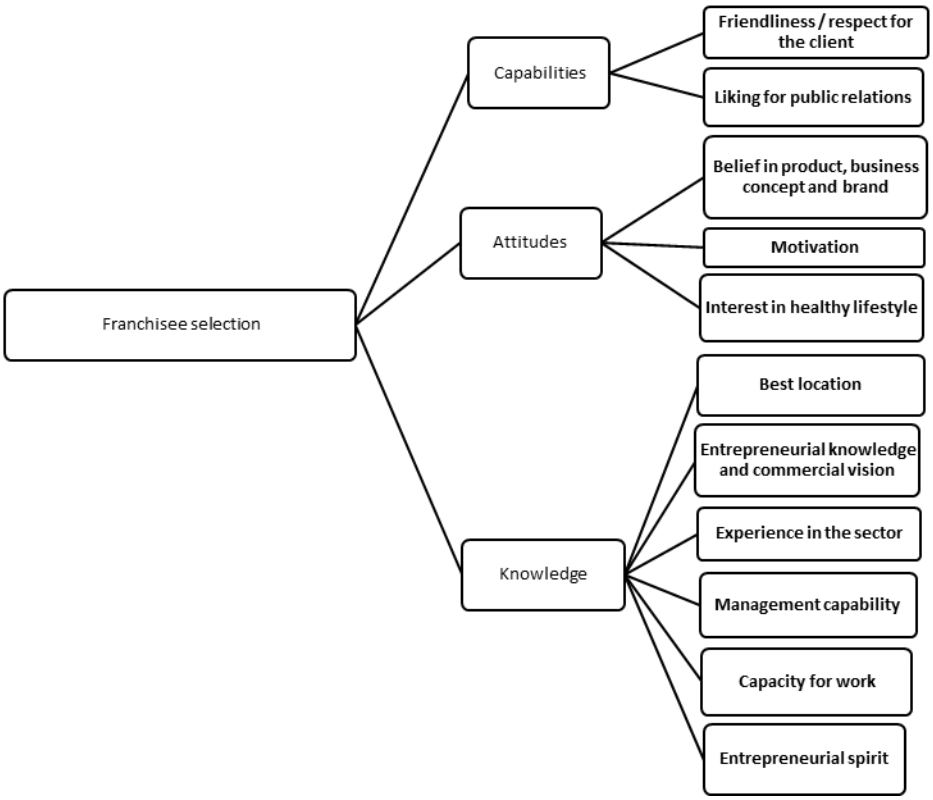


Figure 2

Example of the questionnaire sent to each franchisor in the model development

