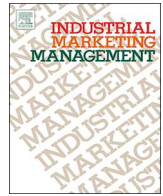




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Research paper

## A capabilities perspective on membership management in franchise networks

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## ABSTRACT

This study explores the membership management process in a franchise network. Via an in-depth case study of a German tire retail franchising network, we develop a four-stage process model of membership management in such a network, and find that the different membership management stages of selection, integration, stewardship and evaluation are based on a variety of underlying routines, such as bonding, embracing and assessing. We conceptualize the synergistic interplay of these routines as the franchise network's membership management capability, explaining how the franchisor effectively manages its diverse set of members over time. Our findings bridge research on franchising, and organizational as well as inter-organizational management capabilities, to contribute towards a more holistic understanding of how franchise networks, as collectives of organizations, are maintained and managed.

### 1. Introduction

A franchise network is “a network of legally independent organizations that jointly exploit a common asset – the franchisor's plan for the provision of a product or service to end customers” (Shane, Shankar, & Aravindakshan, 2006, p.774). As such, it can be interpreted as a specific case in point of an alliance network (Albers, 2017; Brookes & Altinay, 2011). The number of franchise networks has increased significantly in recent decades; they currently shape and characterize many industries, such as the retail, restaurant and lodging industries. Studies show that franchising is a very common business arrangement across the globe (Choo, 2005; Ketchen, Short, & Combs, 2011; Ramirez-Hurtado et al., 2011). Franchising allows high growth rates and fast market coverage (Baucus, Baucus, & Human, 1996; Combs, Ketchen, Shook, & Short, 2011; Combs, Ketchen, & Short, 2011). Compared to firm-owned outlets, scholars found that franchising provides several advantages for the franchisor, such as faster resource access, lower monitoring costs and more highly motivated franchisees compared to firm managers (Combs, Ketchen, & Short, 2011; Oxenfeldt & Kelly, 1969; Shane, 1996).

The opportunities arising from franchising, however, come at some risks. Several studies report high franchisor failure rates (Frazer, Weaven, Giddings, & Grace, 2012; Lafontaine & Shaw, 1998; Michael &

Combs, 2008; Shane, 1996; Stanworth, Purdy, Price, & Zafiris, 1998). These are, inter alia, explained by difficulties in setting up distinct management tasks throughout the whole membership management process (Hoffman & Preble, 1991; Shane, 1998; Shane, 2001; Shane & Foo, 1999). Surprisingly, only a few contributions have considered the specificities of the franchisor-franchisee relationship *after* the formation phase (Blut, Backhaus, Heußler, Woisetschläger, & Evanschitzky, 2011; Grünhagen & Dorsch, 2003). The entire process of membership management that is characterized by the constant juggling of the franchisor's interest in uniformity across franchisees and the franchisee's desire to maintain as much autonomy as possible (Dada & Watson, 2012; Fulop, 2000) along different stages of their membership, is as yet, largely unexplored (Altinay, 2007; Brookes & Altinay, 2011).

This is surprising, in particular because research has highlighted that, while highly important, such crucial issues as designing effective franchising contracts (Gorovaia & Windsperger, 2018; Hajdini & Windsperger, 2019), or selecting the right franchisees (Jambulingan & Nevin, 1999; Tatham, Douglass, & Bush, 1972), are rarely sufficient to ensure a smooth functioning of the franchise network. Indeed, during the further development of the business partnership, franchisors are faced with problems such as opportunistic behavior (El Akremi, Mignonac, & Perrigot, 2011) or poor results of franchisees (Barthélemy, 2008; Gassenheimer, Baucus, & Baucus, 1996). From the franchisees'

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viewpoint, problems such as the non-provision of timely and meaningful information promised during the pre-entry phase cause conflict between the franchisor and its franchisees (Frazer et al., 2012), and a franchisor's rigid and unilateral communication processes predominantly aiming at adherence to the franchisor's standards can be perceived as oppressive (Frazer et al., 2012).

To address such challenges during the membership management process, a holistic, integrative understanding of effective membership management across the different phases of membership development is necessary to guide management practice in franchising. We address this, answering the following research question: “How does a franchisor ensure an effective membership management process of the franchise network?” To answer this question, we adopt a systematic combining approach, suitable for organizational process research (Orton, 1997), applied to organizational studies (e.g., Bechky & Okhuysen, 2011; Martin & Eisenhardt, 2010), that implies “researchers cycle back and forth between process theory and process data to produce process knowledge” (Orton, 1997, p.419).

More specifically, we start from the state-of-the-art of the franchising membership management literature. Given the scarcity of franchising studies adopting a process view (Altinay, 2007; Brookes & Altinay, 2011) that has been effectively leveraged in the related alliance management literature (Arino & De la Torre, 1998; Sarkar et al., 2009; Schilke & Goerzen, 2010), we extend our theoretical foundations to include recent findings from that literature. In particular, we probe into the literature on alliance management capability, which in turn is heavily informed by the dynamic capabilities approach (e.g. Ambrosini & Bowman, 2009; Helfat et al., 2007), to inform our theorizing on franchisor capabilities in the process of membership management.

Our theorizing is grounded in a qualitative field study on membership management in the German tire retail industry. We use a single in-depth case study of a leading franchising network in that industry to investigate its membership management process. Such a case study approach is useful when the phenomenon of interest is little understood and dynamic elements need to be integrated in the research (Altinay & Brookes, 2012). In addition, qualitative research allows for “illustrating the real life complexities of organizational practices by providing rich data and by going beyond description to seek connections and explanations; that is going beyond just ‘what is’ to suggest ‘why’ it is” (p.283).

Our iterative, systematic combining approach results in a four-stage process model of membership management in franchising networks in which the franchisor leverages different routines to manage its franchisees. We conceive of this membership management process as a bundle of stable patterns of collective activity (Zollo & Winter, 2002), or a higher order systematic organizational practice (Benner, 2009), i.e. a distinct capability of the franchisor. We discuss in how far this membership management capability can be seen as an ordinary rather than a dynamic capability of the franchisor, set out in how far the introduction of a capability perspective to membership management enriches the franchising literature, and how it informs management practice. Overall we connect, integrate and extend the existing franchising, intra-organizational and inter-organizational capability literatures.

This study responds to calls for process examinations (Brookes & Altinay, 2011; Combs et al., 2011) and more in-depth studies using primary data (Clarkin & Swavelly, 2006; Combs & Ketchen, 2003) in franchising research. The conceptualization of membership management as a capability and its underlying routines offers an empirically grounded, theoretically sound, and practically useful way of integrating the different stages of membership management of a franchise network and thus responds to persistent calls in the franchising literature for such integration (Altinay, 2007; Brookes & Altinay, 2011).

The paper is organized as follows: First, we overview findings on membership management in franchising, after which we delve into the strategy literature to carve out our understanding of the capability

construct in general, and more specifically, the alliance management capability construct. Second, we present the case context and our methodology. Third, the findings of the in-depth case analysis of a German tire retail franchise network are presented. Fourth, we develop a capability-based model of membership management in franchise networks integrating the variety of identified routine bundles into what we suggest constitutes a membership management capability. Fifth, before we end with a brief conclusion, we discuss our results and suggest directions for future research and implications for franchise network management.

## 2. Theoretical overview

### 2.1. Membership management in franchising networks

The franchising literature indicates three critical management tasks for franchisors along the franchising lifecycle: Partner selection, management of tensions and evaluation of members (Blut et al., 2011; Frazer, 2001; Grünhagen & Dorsch, 2003; Kalnins & Mayer, 2004; Shane et al., 2006). Partner selection has gained frequent attention in the literature on inter-organizational cooperation in general (Cummings & Holmberg, 2012; Geringer, 1991) and in franchising specifically (Altinay & Okumus, 2010; Brookes & Altinay, 2011; Clarkin & Swavelly, 2006; Jambulingan & Nevin, 1999; Tatham et al., 1972). Both the franchisor and the prospective franchisee develop partner selection criteria. For example, the franchisee expects high franchisor information provision (Frazer et al., 2012), and the franchisor searches for franchisees with in-depth local market knowledge (Brookes & Altinay, 2011).

Prospective franchisees base their decision to join a specific franchise network by evaluating the advantages they expect to obtain from that particular network. Investment potential is perceived as highly important for the franchisee, and an in-depth due diligence analysis is put forward as an effective franchisor evaluation tool (Frazer et al., 2012). For franchisees, selecting a franchisor / franchisee network with a positive reputation is thus pivotal to secure sufficient return from the franchise relationship. From the franchisor's point of view, identifying and selecting the right franchisee is one of the most important parts of the membership management process (Altinay & Okumus, 2010; Jambulingan & Nevin, 1999; Ramírez-Hurtado, Rondán-Cataluña, Guerrero Casas, & Berbel-Pineda, 2011; Watson, 2008). It turns out that even superior franchising management cannot make up for poor initial franchisee partner selection; poor partner selection often causes continuing problems (Jambulingan & Nevin, 1999) such as unrealistic high expectations about the added monetary value of the franchising agreement, or the information they will receive from the franchisor during the franchising contract (Frazer et al., 2012).

Franchisors use task- and partner-related criteria in selecting the “right” franchisee (Vaishnav & Altinay, 2009). Task-related criteria range from the franchisee's input resources, such as its financial resources, and technology and managerial capabilities, to its outputs, such as whether the franchisee has complementary products (Das & He, 2006; Geringer, 1991). Partner-related criteria refer to the organization's mission, vision, values and processes, such as whether the franchisor believes that there is a strategic goal fit between the franchisor and the prospective franchisee. Also the franchisee's commitment and trustworthiness and whether the organization employs an open communication style have been listed as selection criteria (Das & He, 2006; Geringer, 1991). Partner-related criteria receive, in comparison to task-related criteria, most attention during the initial stages of the decision-making process, because the franchisor considers them as a means for the franchisee to be able to meet the required tasks in the future (Altinay, 2006).

Next to studies about partner selection in franchising networks, management of tensions between the franchisor and its franchisees has been put forward as an important membership management task

(Frazer et al., 2012). Tensions in the franchisor-franchisee relationship appear especially due to the franchisor's tendency to favor uniformity across all franchisees (standardization), while the latter aim to safeguard as much autonomy as possible (Dada & Watson, 2012; Fulop, 2000). To address and avoid (potential) tensions, open communication and transparent conflict management systems advantageous for both parties have been put forward (Frazer et al., 2012). Given that tensions emerge both during the pre-, and the post-stages of the signing of the legally enforceable franchise contract (Altinay & Brookes, 2012),<sup>1</sup> management of tensions is inherently part of the partner selection phase, as well as the management process *after* contract signing.

In addition, franchising lifecycle models show that the relationship between a franchisor and its franchisees changes over time (Blut et al., 2011; Hunt, 1973; Oxenfeldt & Kelly, 1969), indicating that franchisors must allow for a flexible and adaptive management process. For example, Blut et al. (2011) show that by undertaking training and consultations provided by the franchisor, and by learning on-the-job, franchisees can acquire deeper insights into how the business works and thus develop confidence in their increased skills and market knowledge. Although this is advantageous for franchisee performance, it does require changes in the franchisor's management to avoid opportunistic behavior. More specifically, formerly inexperienced franchisees who appreciate the support of the franchisor at the beginning of the relationship, might gradually start behaving in a more self-reliant manner, searching for opportunities to enhance self-determination and autonomy in decision-making (Kaufmann & Eroglu, 1999; Peterson & Dant, 1990). As a result, the risk of opportunistic behavior increases, which is harmful for network homogeneity and performance (Barthélemy, 2008).

Finally, also evaluation of franchisee members has been put forward as a critical franchisor membership management task. Indeed, franchisors are expected to reward well-performing franchisees in order to strengthen their affiliation to the network. This is oftentimes done by granting them additional outlets, i.e. multi-unit franchising (Gomez, Gonzalez, & Vazquez, 2010; Kaufmann & Dant, 1996). With knowledge about a franchisee's performance and behavior in the past, the franchisor can anticipate the benefits they will gain from allowing the franchisee to operate a further outlet. To identify potential multi-unit franchisees among the network members, relational (motivation and personnel fit) and performance assessment is indispensable.

Overall, the literature points out a franchisor's crucial membership management tasks, but treats them in a rather fragmented fashion. This is unfortunate, as interlinkages between these tasks in seemingly disparate membership stages remain opaque. For example, Altinay, Brookes, Yeung, and Aktas (2014), stress the importance of establishing and maintaining trust during a franchise partnership. Even though they highlight the importance of trust building during the pre-partnership stage, they do not probe into its specificities for franchisee selection.

The alliance literature provides some help in this respect: It offers the overarching construct of alliance management capability (that branches out to individual capabilities firms might possess in e.g. partner firm identification, analysis, management or monitoring) as a means to ensure trust-building (Wang & Rajagopalan, 2015). In addition, knowledge transfer between alliance partners (Goerzen & Beamish, 2005) and superior alliance performance (Schilke & Goerzen, 2010) have been put forward as benefits resulting from alliance management capability.

Such insights, however, have only partially been acknowledged in the franchising literature even though the interdependencies and recurrent themes across the different membership management tasks of a franchisor hint towards the benefits of an integrative, relational capability such as the alliance management capability. The only

franchising study that we are aware of to engage with the alliance management capability construct is Gillis et al. (2020), which focuses on the standardization–adaptation tension between a franchisor and its franchisees. We broaden this up, and consider the alliance management capability as a construct also relevant for other membership management tasks,<sup>2</sup> such as member selection, integration and evaluation. To examine this further, we now turn to the alliance management literature to explore how an alliance management capability can enrich our understanding of a franchisor's membership management process.

## 2.2. Alliance management capability

Capabilities are high-level routines (Winter, 2003), or combinations (Parmigiani & Howard-Grenville, 2011) of synergistically combined organizational routines (Peng, Schroeder, & Shah, 2008). They generate observable, significant and goal-directed outcomes arising from their conscious development and use (Dosi, Faillo, & Marengo, 2008; Dutta, Zbaracki, & Bergen, 2003). Two major types of capabilities exist: Ordinary capabilities, and dynamic capabilities (Ambrosini & Bowman, 2009; Winter, 2003; Zollo & Winter, 2002). Whereas both are bundles of routines, ordinary capabilities target an effective dealing with the status quo in terms of scale and scope of the business (Schilke, Hu and Helfat, 2018), while dynamic capabilities are routines that are directed towards strategic change (Schilke, Hu and Helfat, 2018). As such, the latter are “learned and stable pattern[s] of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness” (Zollo & Winter, 2002, p.340).

Dynamic capabilities in particular have received significant attention in explaining competitive advantage (Helfat & Peteraf, 2009) and have been introduced to the study of cooperative inter-organizational relationships (e.g., Heimeriks, Duysters, & Vanhaverbeke, 2007; Kale, Dyer, & Singh, 2002; Schilke & Goerzen, 2010; Sluyts, Matthyssens, Martens, & Streukens, 2011). A firm's alliance management capability is often conceptualized as a dynamic capability (Helfat et al., 2007; Schilke, 2014; Schilke & Goerzen, 2010), as it allows the firm to provide effective timely responses to a changing environment (Helfat et al., 2007; Teece, Pisano, & Shuen, 1990). Given that a firm's alliance management capability results in the ability to productively manage alliances, it is expected to positively impact the firm's performance (Rothaermel & Deeds, 2006). Overall, the argument suggests that firms gain a competitive advantage over their rivals through their alliance management capability (Ireland, Hitt, & Vaidyanath, 2002) as this capability comprises critical management tasks “such as the ability to select the right partners and the ability to build social capital and trust-based relationships” (Wang & Rajagopalan, 2015, p.237).

To develop and maintain an alliance management capability, a dedicated, central organizational unit that coordinates and supports the operations, is critical (Heimeriks & Duysters, 2007; Helfat et al., 2007; Kale et al., 2002). As explained by Schilke and Goerzen (2010), the firm's inter-organizational coordination, learning, sensing and transformation routines lie at the basis of its alliance management capability. More specifically, inter-organizational coordination routines identifying interdependencies between alliance members (Bamford & Ernst, 2002), searching for synergies among them (Hoffmann, 2005), allocating the firm's limited resources to each alliance partner, and trying to reduce conflicts (Parise & Casher, 2003) underscore the firm's alliance management capability (Schilke & Goerzen, 2010). In addition, routines effectively transferring knowledge from one alliance partner to the other are considered as key advantages of strategic alliances (Goerzen & Beamish, 2005) because they result in inter-organizational

<sup>1</sup> Please note that we refer to the moment of signing the legal document only, and not to the contract negotiation process.

<sup>2</sup> Please note that we argue that the membership management process consists of several *stages* (e.g., selection, integration, etc.). The main *task* of the franchisor is to ensure effective functioning of each stage and across stages.

learning. Further, [Schilke and Goerzen \(2010\)](#) discuss that sensing routines “enable the organization to understand the environment and to identify market requirements and new opportunities for gaining resources” (p.1197). Finally, they refer to [Doz \(1996\)](#) arguing that an immediate perfect fit between alliance partners is very unlikely. For this, continuous interaction and adaptation – and thus transformation – is required.

This wealth of findings on the effective management of inter-organizational relations, especially with regard to the role of different types of routines and (potentially dynamic) capabilities, seems to have only marginally found its way into the study of franchise networks ([Gillis et al., 2020](#)). Franchise networks can be conceived as multi-partner alliance settings with one lead partner (i.e. the franchisor). These networks have to deal with a multitude of different and potentially fluctuating members (i.e. franchisees) in a changing environment over time ([Ahuja, Soda, & Zaheer, 2012](#); [Albers, Schweiger, & Gibb, 2015](#); [Zhang & Guler, 2020](#)).

Based on their broad definition of a franchising specific alliance management capability as “the main cognitive, behavioral, and organizational routines that enable a franchisor to achieve both standardization and adaptation in working with franchisees”, [Gillis et al. \(2020, p. 5\)](#) progress understanding in explaining the role of effectively managing the standardization – adaptation balance as one component of the franchise management process. We follow their work, where we position a franchisor's alliance management capability as a broad array of organizational routines to ensure smooth alliance functioning ([Schilke & Goerzen, 2010](#)).

Although we follow [Gillis et al.'s \(2020\)](#) broad definition of franchise management capabilities as including cognitive, behavioral and organizational routines, we argue that their concentration on one specific management task (i.e. balancing the standardization–adaptation tension) sidelines other core member management tasks such as member selection, integration and evaluation. Conceptually, [Gillis et al. \(2020\)](#), convolute divergent interpretations of alliance management capability as a dynamic ([Schilke & Goerzen, 2010](#)) versus ordinary ([Schreiner, Kale, & Corsten, 2009](#)) capability – an, in our eyes, important differentiation with implications regarding the understanding of the franchise network's adaptability and long-term effectiveness. To examine this further, we take up a broader view of the membership management process in our empirical study and try to identify and specify the process' constituting tasks and routines, and, as it emerges, also their varying degrees of dynamism. While doing so, we allow for a differentiated discussion of the franchise membership management capability as a candidate for a dynamic alliance management capability.

### 3. Research design

#### 3.1. Context and case selection

The German tire retail industry is dominated by retail networks – e.g., more than 85% out of 2009 tire retailers are members of a retail network ([BRV e.V., 2018](#)). In 2018, 43% of the 4880 outlets in the German market were operated by franchising networks. Basically, two types of networks exist: Manufacturer-led franchise networks and horizontal networks of independent retailers ([BRV e.V., 2018](#)). Our focus here is on the manufacturer-led networks, which are either organized as pure or mixed franchise networks (that is, a mix of franchisees and equity-owned outlets).

This study examines the membership management process of a large franchise network within the German tire industry, which we refer to as “GT-FRAN” (= German Tire FRANchise network) for reasons of confidentiality. Being organized as a franchise network, GT-FRAN works as a distribution channel of a multinational tire manufacturer, referred to as “MTF” (= Multinational Tire Manufacturer). Even though GT-FRAN is an autonomous legal entity, it stays in close communication with

MTF.

GT-FRAN numbers over 200 retailers operating more than 400 outlets. It provides tires and repair operations to service-oriented customers within the upper price segment, and is led by two chief executive officers (CEOs). The channel manager (CM) is responsible for developing the channel strategy, monitoring the channel's diverse activities, supervising the regional managers (RMs), and directly reporting to one of the CEOs. The RMs are in charge of supporting various retailers within their dedicated geographic area by providing consulting services. One of the RMs is also appointed as an expansion manager (EM), being responsible for planning future steps in the new franchisee acquisition process and network development. Two other RMs are responsible for a pool of affiliated retailers who are not yet franchisees of GT-FRAN, but who are using a selected proportion of its services. It is the intention of GT-FRAN's management to develop the businesses of retailers in this pool so that they can – if they meet the entry criteria – join the franchise network. The shared services staff develop and manage different services, such as marketing, IT and training. The full service portfolio is only provided to current franchisees of GT-FRAN. Franchisees elect the Retailer Advisory Board, which represents the interests of franchisees towards GT-FRAN.

GT-FRAN is an especially suitable case study to investigate the membership management processes in a franchise network for at least three reasons. First, it operates a large, well-established, and successful franchise concept that allows for the examination of established membership management processes and structures. Second, GT-FRAN has pursued an extensive growth strategy over the last years, and has managed to recruit a large number of new members without substantial member exits. This stability of its existing member base and influx of new members suggests that GT-FRAN effectively manages its member base. Even though it exhibits a successful growth history, it is not satisfied with its market coverage and still wants to expand further. Third, GT-FRAN needs to fend off the enticements of rival networks, as pounding of members is currently very common in the industry. This competitive setting poses an extra challenge to a franchise network's member management process and thus suggests that GT-FRAN has developed an especially effective membership management process. This is also visible from a major franchise network threat we were able to follow-up closely. In 2012, MTF was responsible for quality, delivery and pricing mistakes,<sup>3</sup> leading to dissatisfaction and threats of contract termination by franchisees. Due to these difficulties, GT-FRAN was forced to review and adapt its approach in dealing with its franchise partners, i.e. its members. GT-FRAN implemented working groups for specific topics (such as IT, pricing, marketing, customer management) during which franchisees could share their operational experiences. They also developed an internal collaboration platform ensuring that customer demands could always be acted upon, e.g. during peak periods. GT-FRAN also reviewed its entire internal communication process and started with a monthly newsletter allowing them to inform their franchisees about external market and internal network changes.

#### 3.2. Data collection

Our interest in the franchising networks in the German tire industry began in an interview with the managing director of the German tire industry association which was scheduled primarily for a different research project in this industry context. We gained an overview of the German tire retailing industry, its characteristics and its key players. To

<sup>3</sup> GT-FRAN received poor quality products from MTF. As a result, GT-FRAN's franchisees suffered customer losses, and/or were confronted with customer dissatisfaction. Furthermore, at a certain moment, MTF was responsible for stock outs. Because the franchise contract between GT-FRAN and its franchisees did not allow franchisees to compensate for this by selling other tire brands, franchisees suffered turnover losses.

further investigate the franchising networks relation to and handling of franchisors we executed an interview with a staff member of GT-FRAN; i.e., a Regional Manager (RM), then two additional pilot interviews with GT-FRAN's CEO and again with the managing director of the German tire industry.

After this pilot phase, we engaged into further data collection: In addition to the four pilot interviews, we conducted 18 in-depth interviews with GT-FRAN staff members and franchisees.<sup>4</sup> We were granted full access to interviewees in the headquarters and to current franchisees, plus additional data sources such as organization and industry documents, as well as invitations to organizational and industry events. The full dataset thus comprises multiple sources, such as semi-structured interviews, non-participant observations, internal documents, press releases, magazine and newspaper articles and industry reports. These different sources were examined within the provisions of triangulation to draw a detailed picture of the membership management processes within GT-FRAN (Yin, 2003). The data collection and analysis occurred in an iterative manner, “with analysis guiding data collection” (Strauss & Corbin, 1998).

### 3.2.1. Semi-structured interviews

The four pilot interviews were conducted between March and September 2012, 18 interviews were held between November 2012 and August 2013, resulting in a total of 22 interviews (see Table 1).<sup>5</sup> For example, in November 2012, we conducted in-depth interviews with the CEO and CM of GT-FRAN. These interviews were aimed to get in-depth knowledge about the organization. All interviewees (pilot and follow-up interviewees) belonged to one of three groups: Managers/employees of GT-FRAN (called “GT-FRAN Staff”, see Table 1), franchisees of GT-FRAN (called “Franchisee”, see Table 1) and the managing director of the industry association (called “Informant”, see Table 1). For all interviewees, a maximum variance strategy was used to select interviewees and capture all relevant factors and views considering different hierarchies, functions and franchisee statuses (Patton, 1990).

More specifically, after the pilot interviews, we conducted interviews with six employees of GT-FRAN in order to get a broader understanding of the organizational structures, mechanisms and processes, as well as the pursued strategy. We interviewed one CEO, the CM and four RMs. The latter include the current and former EM, as well as a responsible RM for retailers in the potential member pool. Then, to approach appropriate franchisees for this study, we discussed a list of interviewee candidates with the RMs. Franchisees were included based on topic knowledge and topic variety. Together with the RMs, we identified knowledgeable interviewees and ensured that we covered different perspectives on the phenomenon in question (Eisenhardt & Graebner, 2007).

Following this approach, a heterogeneous set of franchisees was compiled along three dimensions: Duration of membership, franchisee size, and franchisee geographic location in Germany. Furthermore, we specifically searched for franchisees who had switched from another network to GT-FRAN, who were enticed by other networks, who were considering leaving GT-FRAN, or who had already terminated their franchise contract or had left GT-FRAN.<sup>6</sup> As such, we were able to not only receive input from “success stories” within the franchise network,

<sup>4</sup> Please note that one of the interviews was conducted with two interviewees simultaneously. See Table 1; interviewees n° 16 and 17 were interviewed during the same interview.

<sup>5</sup> The authors thank two other researchers for their support during the data collection and their feedback throughout the data analysis process, which strengthened the accuracy of the study.

<sup>6</sup> Of the eleven franchisees we interviewed, no less than ten had been enticed by other networks. Three were negotiating with another network at the moment the interview took place. One franchisee who preferred GT-FRAN over another network (and thus switched to GT-FRAN) was also among the interviewees.

but also to gain in-depth insights about problems within the membership management process, which often lied at the basis of problems between GT-FRAN and its franchisees.

The interviews were semi-structured and varied in duration from 50 to 130 minutes; on average, they lasted 90 minutes. All the interviews, except for two pilot interviews, were tape recorded and transcribed verbatim to ensure reliability (Eisenhardt, 1989). A semi-structured questionnaire with general and individualized questions for each interviewee guided us through the interviews (see Appendix A for the semi-structured questionnaire used for GT-FRAN's staff members; and Appendix B for the semi-structured questionnaire used for GT-FRAN's franchisees). For all interviews, at least two researchers were present. The semi-structured, partly individualized questionnaire design enabled us to gather information about aspects we considered to be relevant for our purposes; however, we encouraged the interview partners to address any issues they regarded as important and frequently asked follow-up questions to elicit in-depth information (Charmaz, 2006; Strauss & Corbin, 1998).

### 3.2.2. Observations

In addition to the interview data, we participated in and took notes at four events: Two tire industry fairs (one in 2012, and one in 2014), one annual regional meeting in 2013, and one meeting of GT-FRAN's Retailer Advisory Council, also organized in 2013. More specifically, three researchers attended the industry fairs, three attended the regional meeting, and two participated in the retailer Advisory Council. The industry fairs provided an in-depth understanding of the industry structure, the market players and the stakeholders. The annual regional meeting is a two-day event organized to ease the communication between the franchisor's employees, its franchisees and employees of the manufacturer. Attending these meetings allowed us to gain an understanding of the interaction between the franchisor organization and its franchisees. For each day, we recorded our insights from the regional meeting in field notes (Bernard, 1995).

Finally, attending the Retailer Advisory Council helped us to understand the franchisees' viewpoints on GT-FRAN's membership management. To ensure that we were able to capture all relevant informal information, we also attended the evening event, allowing us to be involved in small talks and to grasp the spirit, atmosphere and informal aspects of membership management. Thanks to our participation in the fairs, annual regional meeting, and Retailer Advisory Council, we were able to gain profound insights into participants' perceptions of GT-FRAN's membership management, as well as its internal processes. We used this data to review, scrutinize and contrast it with the detailed information obtained through the in-depth interviews.

### 3.2.3. Internal and external documents

To complement the dataset we used internal and external secondary data. GT-FRAN provided the first internal acquisition process manual from 2003, as well as the latest revised version from 2009. In these documents, the general procedures, responsibilities and behavioral aspects in acquiring new franchisees are explained step by step. Furthermore, we were able to include a sample of the franchise contract as well as network brochures, presentations, press releases, and industry reports from the German tire retailer association. The Internet, magazines and other data sources, such as the monthly industry magazine “*Neue Reifenzeitung*”, provided further information about the German tire market, rival networks and about GT-FRAN. This set of data was incorporated into the analysis after an initial understanding of GT-FRAN, its structures and operations was constructed. The gathered information supported the category building with additional details which ensured accuracy.

## 3.3. Data analysis

We employed the systematic combining methodology to analyze the

**Table 1**  
Chronology of data collection.

No.	Interviewee	Data Code	Duration	Date
1	Managing director industry association (pilot)	Informant1 (I)	130 min	March 12, 2012
2	RM (pilot)	GT-FRAN Staff8	60 min	June 12, 2012
3	Managing director industry association (pilot)	Informant1 (II)	120 min	July 12, 2012
4	CEO/CM (pilot)	GT-FRAN Staff1	120 min	September 12, 2012
5	CEO	GT-FRAN Staff2	110 min	November 12, 2012
6	CM	GT-FRAN Staff3	90 min	November 12, 2012
7	EM	GT-FRAN Staff4	120 min	November 12, 2012
8	RM	GT-FRAN Staff5	90 min	November 12, 2012
9	RM	GT-FRAN Staff6	90 min	December 12, 2012
10	RM	GT-FRAN Staff7	70 min	December 12, 2012
11	Franchisee	Franchisee1	60 min	December 12, 2012
12	Franchisee	Franchisee2	100 min	January 13, 2013
13	Franchisee	Franchisee3	60 min	January 13, 2013
14	Franchisee	Franchisee4	80 min	January 13, 2013
15	Franchisee	Franchisee5	90 min	January 13, 2013
16	Franchisee	Franchisee6a	70 min	January 13, 2013
17	Franchisee	Franchisee6b	70 min	January 13, 2013
18	Franchisee	Franchisee7	60 min	January 13, 2013
19	Franchisee	Franchisee8	50 min	February 13, 2013
20	Franchisee	Franchisee9	90 min	March 13, 2013
21	Franchisee	Franchisee10	70 min	March 13, 2013
22	Franchisee	Franchisee11	80 min	August 13, 2013

rich dataset and to generate and extend theory (Dubois & Gadde, 2002). By applying the constant comparison technique (that is, simultaneous collection and analysis of data), complemented by theory insights, this approach allows for the uncovering of relationships in the data, linking them to themes, and conceptualizing them into a theoretical model (Glaser & Strauss, 1967). It is “a process where theoretical framework, empirical fieldwork, and case analysis evolve simultaneously” (Dubois & Gadde, 2002, p.554). Following Charmaz’s (2006) approach of pursuing specific themes in interviews, we studied the data while staying open-minded to new ideas. To assure both control and flexibility during the data analysis we returned back to the data, if appropriate, in order to identify potential gaps and try to close them through the available information in the database. We used the qualitative software package Atlas.ti 6.2 for analysis.

According to Langley (1999) and Orton (1997), this approach is particularly suitable for understanding processes, and is thus appropriate for gaining an in-depth understanding of the membership management process used by GT-FRAN. Indeed, Orton (1997) explains that process data and process theory are combined in an iterative manner, allowing for the emergence of process knowledge. We adopted a single case study design for the empirical study, allowing us to get a deep and holistic understanding of the phenomenon under investigation (that is, the membership management process in franchising) (Yin, 2003). In particular for process research, where dynamic elements need to be added to the research, this approach is suitable (Yin, 2003). By adopting this approach, we follow previous studies in franchising (e.g., Altinay, 2007; Altinay & Brookes, 2012; Doherty, 2009; Doherty & Alexander, 2004).

The analysis of the 395 pages of interview transcripts, the field notes and the secondary data progressed in three rounds. In the initial round, we coded the interview transcriptions line by line according to what appeared important. This “open-coding” practice created a set of about 300 codes. Then, we executed several rounds of reading through the interview transcripts and challenging the emerged categories with different data sources. This resulted in a re-coding of transcripts, field notes and documents. The so emerging set of relevant codes were then grouped into first-order categories.

We continued the first-coding until the saturation point was reached. Recognizing the saturation point is a challenge for any qualitative researcher, “especially in the absence of explicit guidelines for determining data or theoretical saturation” (Bowen, 2008, p.137). Following Bowen (2008), we adopted a systematic coding procedure,

implying that we systematically compared newly gathered and coded data with previously collected and coded data. As such, we constantly checked whether “previously coded text [and] [...] newly created codes are relevant for developing and refining theoretical categories or central concepts” (Bowen, 2008, p.139). By adopting this systematic process, we were able to reach the saturation point for the coding narrative, making us confident that executing additional in-depth interviews or creating additional codes would not result into additional theoretical insights.

In the second round, the codes were grouped and assigned to larger themes. We moved to axial coding where relationships between categories on a conceptual level are revealed and existing literature is consulted to ground the developed themes (Strauss & Corbin, 1990). By executing this practice, we created more abstract, second-order themes. During the third round of analysis, we structured the themes to a more theoretical level; resulting in aggregated dimensions. The data structure presented in Fig. 1 demonstrates the outcome of this process. During the analytical process, memo writing was used to maintain a record (Strauss & Corbin, 1998). To ensure the plausibility of the interpretation, the data structure was constantly discussed among the research team. Additionally, we presented and discussed the findings at various seminars. This procedure is adopted from previous studies, such as those of Corley and Gioia (2004) and Kownatzki, Walter, Floyd, and Lechner (2013). Finally, an earlier draft of this paper was presented and discussed in a workshop with the top management team of GT-FRAN in June 2013. Their comments and suggestions were also included in the analysis.

#### 4. Findings

We identified four stages in GT-FRAN’s membership management process: Selection, integration, stewardship and evaluation. For each stage, specific routines, defined as underlying repetitive patterns of collective activity (Feldman, Pentland, D’Adderio, & Lazaric, 2016, p. 505), emerged from the data. Fig. 1 depicts the emergent data structure. The stages are visible in the aggregate dimensions; the distinct routines in the second-order themes. In what follows, we explain how GT-FRAN organizes, engages and acts within each of these stages to be effective in its membership management. Table 2 provides an overview of first-order categories, as well as representative quotes supporting the findings.

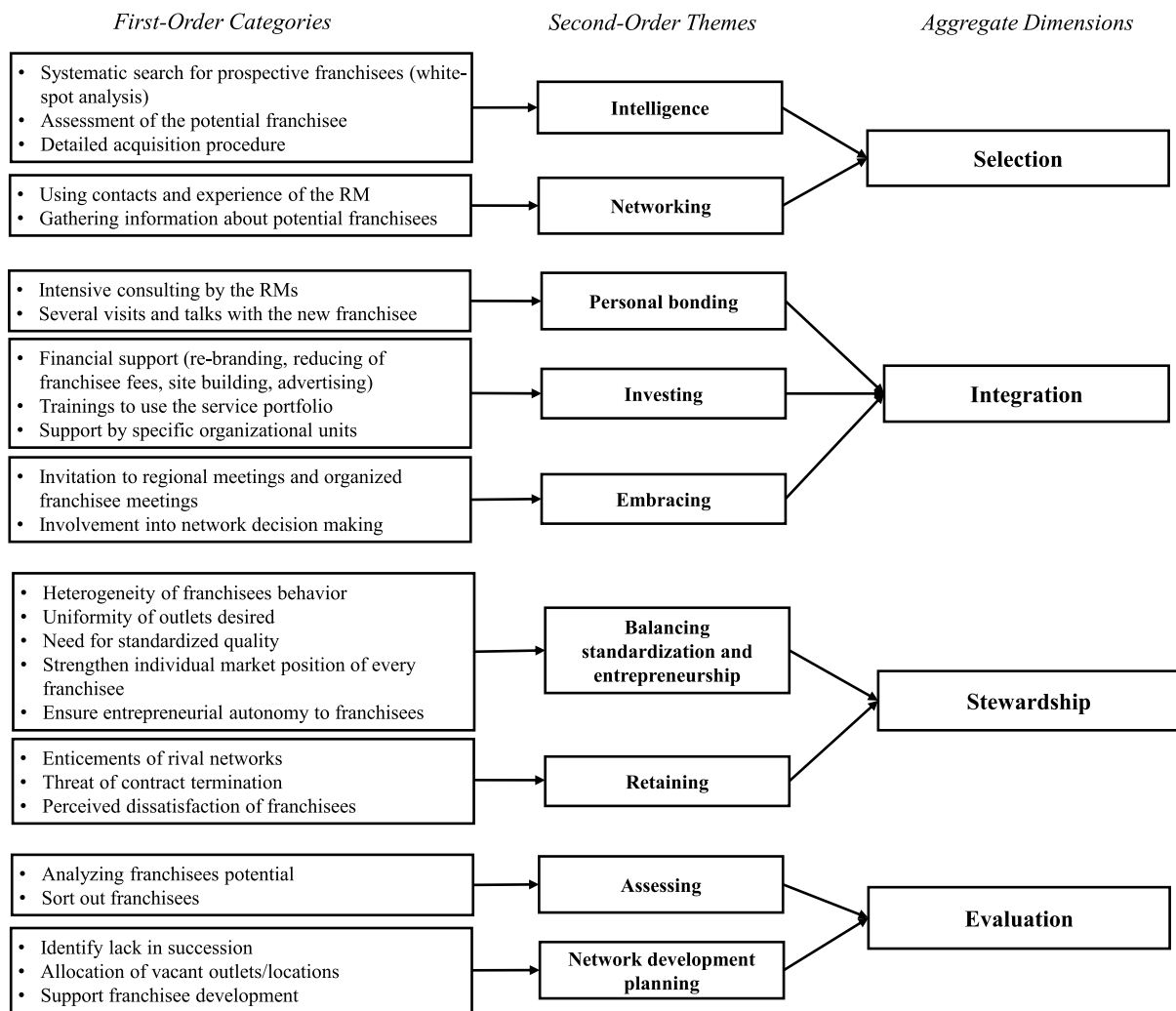


Fig. 1. Data structure.

#### 4.1. Selection

GT-FRAN's reason to select new franchisees is to increase market share and market coverage, as well as to enhance brand awareness and reputation. Our data shows that GT-FRAN developed two routines to attract new franchisees: Intelligence, meaning that the market and prospective franchisees are systematically analyzed, and networking, which involves the relational contacts of the RMs and their market experience, as well as information gathering from other stakeholders.

##### 4.1.1. Intelligence

GT-FRAN introduced a systematic acquisition procedure in 2003. For a good roll out of their acquisition strategy, they promoted one of the RMs to EM. Their strategy is as follows: Before defining the focus market, they assess the location's market potential and GT-FRAN's current market coverage. In case there is a territorial overlap between an existing franchisee partner and the prospect, the RM informs the nearby franchisee about the prospect. Informally, the franchisee can veto if he fears that the new partner would harm his business. Final decision power about the application, however, lies with GT-FRAN. GT-FRAN's marketanalysis portrayed that in particular in urban areas, GT-FRAN's presence is very high. In contrast, they also detected nine – mostly rural – areas with low market coverage (the so-called white spots):

“The white spot analysis is a tool to view regions. One can imagine this in the manner of Google Maps as a classic location analysis with up

to ten parameters encompassing competitor locations [...] We assume a start-up, thus starting from zero. If you can get 10% of the market you are very good. No one knows you. The results depend on your location. We evaluate this and estimate if we can establish ourselves there. This will be done precisely” (GT-FRAN Staff2).

GT-FRAN compiled a selection criteria handbook consisting of the minimum number of workplaces and hydraulic lifts, specific tire certifications and – most importantly – the current or expected sales volume of the manufacturer's tires. They ask a prospect to meet these requirements in order to become a franchisee. Besides the analysis of hard facts, GT-FRAN also evaluates the personal motivation of the potential franchisee. Likewise, the interviews revealed that franchisees choose the franchise network with the best fit, including business as well as personal aspects:

“The TireGold concept fitted with our philosophy and what we wanted to achieve” (Franchisee8).

##### 4.1.2. Networking

Many RMs have worked for GT-FRAN for several years (e.g., as an RM or in another capacity) and maintain many long-term relationships within the industry. Trusting relationships between a franchisee and his responsible RM support the constant flow of information:

“For 13 years I have been working in this region and I believe that I have my own network. I hear from our franchisees when a member of a rival network is unsatisfied with his network or when a free retailer is looking to join a network” (GT-FRAN Staff6).

**Table 2**  
Representative Quotes Illustrating Second-Order Themes.

First order categories	Second-order themes	Aggregate dimensions
Systematic search for prospective franchisees (whitespot analysis)	<p><b>Intelligence</b></p> <p>There is a so-called Dealer-Revenue-and-Sales statistics. We can see exactly, what tire retailers purchased at the manufactures. Even by name. So we know the retailer's address. You can see exactly what purchasing volume each retailer has. There you can have a look at the retailer's value. So if somebody is willing to change the cooperation or even signaling his will, then we can internally discuss: Well, by acquiring this retailer, we would have this or that value. (GT-FRAN Staff5)</p> <p>We systemized this, of course. We put white spots all over Germany, looked at every dealer once more, and matched it with information of MTF field staff, in the truck- as well as car-segment. We picked certain areas and clustered entire Germany. We built groups internally that cooperatively worked on these areas. (GT-FRAN Staff4)</p>	Selection
Assessment of the potential franchisee	<p>There is a handbook for requirements of GT-FRAN. It is written down, what minimum requirements members have to bring to the table. For example, you have to be a vehicle master craftsman as minimum requirement. You need at least three to four platforms. There are clear definitions: the room has to have a minimum size. We say, you have to buy at least 6000 tires from MTF. (GT-FRAN Staff4)</p>	
Detailed acquisition procedure	<p>This process helps to structure the practice of targeted acquisition of new retailers and the fulfillment of yearly objectives and standards by the partner as well as the complete integration of the new partner into GT-FRAN. (Acquisition process plan)</p> <p>We even have an ISO-process for that. With Flow-Charts. The RM gets into contact, writes a visit report, the conditions are then discussed internally. The retailer can be considered for acquisition. Further discussions follow. You take Shared Services with you to explain things. (GT-FRAN Staff3)</p>	
Using contacts and experience of the RM	<p><b>Networking</b></p> <p>So the RMs have to set up a personal network where they get these signs. This is, of course, very important – that's why experience and continuity is so important. (GT-FRAN Staff3)</p> <p>That I get back to retailers that I have gotten into contact with and try to convince them of GT-FRAN. (GT-FRAN Staff5)</p>	
Gathering information about potential franchisees through field staff of MTF	<p>Actually, the contact to GT-FRAN was there all the time. To MTF's field staff, naturally. Because we marketed the products (tires). (Franchisee5)</p> <p>That was done by MTF field staff. The fact that he then sent the respective persons. In the end, Mr. X (RM) came and acquired us. (Franchisee10)</p>	
Intensive consulting by the RMs	<p><b>Personal bonding</b></p> <p>I always get bits and pieces of feedback, what is the current status. Or you are taken into copy in an email when Mr. X (RM) works on any arguments for me. I have to admit, that has been quite transparent. This really is a process you are included in. (Franchisee3)</p> <p>The integration into the network worked via the RM. If there are any questions coming up they should be taken to the RM. In the beginning we were looked after quite intensively. (Franchisee5)</p>	Integration
Several site visits and talks with the new franchisee	<p>I have franchisees that I visit weekly. Or fortnightly, because there is fire in the hole and some things just have to be done. That is how it is in this phase. (GT-FRAN Staff4)</p> <p>You get incepted regarding the GT-FRAN-philosophy. For many it is quite a step from being self-responsible to: I'm now part of GT-FRAN – even regarding their feelings. In the end they have to live it. (GT-FRAN Staff2)</p>	
Financial support (re-branding, reducing of franchisee fees, site building, advertising)	<p><b>Investing</b></p> <p>If we introduce GT-FRAN here, that means we have to advertise, you have to have a CI, you have to have a proper sales room – that's how those things are done. Those are high amounts of money that are paid here. (GT-FRAN Staff1)</p> <p>But the re-labeling, I haven't paid for that. Also the new stickers for the cars – we didn't pay anything for that. (Franchisee9)</p>	
Trainings to use the service portfolio	<p>They also offer workshops, of course, on how to handle those things. For example, the tire-label last year, what that means and so on. (Franchisee8)</p> <p>Of course, all of our employees got trainings. That people are going to trainings, that is a prerequisite for everything to work out. (Franchisee10)</p>	
Support by specific organizational units	<p>There are loads of departments to support – cars, trucks, agricultural tractors, marketing, coaching for cars – even as of today, I couldn't tell how many there were. (Franchisee9)</p> <p>Yes, they have a lot of modules, there are many many things, where they support. (Franchisee3)</p>	
Invitation to regional meetings and organized franchisee meetings	<p><b>Embracing</b></p> <p>I was invited to a conference of GT-FRAN quite early. That was, as said before, amazing – I was totally overwhelmed. A round table meeting was directly, that was well done by Mr. X (RM). (Franchisee9)</p> <p>Exchange is important, of course, even between the retailers. So that you can just hear what is going on at the other's, what can you do. Do a brainstorming from time to time, sit at a round table meetings, that's what the regional conferences are always good for. Where new trends are shown, where you take a look into the future, what is about to happen, what do we have to prepare for? (Franchisee6a)</p>	Integration (cont'd)
Involvement into network decision making	<p>E.g. throughout the development of our new ERP program there were working groups where dealers were included in the development: We want to know: Are you able to work with that, is that practical for you? Sharply defined working groups also exist in other areas, because we need the input, because when we just start based on the headquarters opinion it is likely going to be dangerous. (GT-FRAN Staff2)</p> <p>We meet for to five times a year, have a big strategy meeting at a weekend in January. That's where the dealers are included heavily. (GT-FRAN Staff3)</p>	

(continued on next page)



Table 2 (continued)

First order categories	Second-order themes	Aggregate dimensions
Heterogeneity of franchisees behavior	<b>Balancing standardization and entrepreneurship</b> Today we are too much of a general store. (Franchisee2) They don't like it at all, they don't want to anyways. That I just create my own logo. But I don't care. Because I have to take care of my own company. (Franchisee4)	Stewardship
Uniformity of outlets desired	It's good if we have a brand recognition. That's the main challenge in the headquarters, to not allow other things to rise. A certain CI, a certain show room – that's where the RMs are taking care of. (Franchisee6a) When the customers enter, they should see uniform appearance. (Franchisee2) GT-FRAN can only work when it is homogeneous and that's where we put a lot of emphasis on. (GT-FRAN Staff3)	
Need for standardized quality	We have to implement a standardization, because otherwise you get problems regarding credibility of marketing slogans in the national appearance. (GT-FRAN Staff3) And if a colleague doesn't do it and there is a test from WDR (German TV and broadcasting corporation) or ADAC (German Automotive Association), and there is negative propaganda, then the whole network is jeopardized. Therefore it is important to have the same high standard each and everywhere. And that's where we are working on. (Franchisee6a)	
Strengthen individual market position for every franchisee	So, it's basically a question of conveying to the retailer locally what the headquarter thinks up as concept, yes, and to help the member to understand why we have come up with that and what his benefit is and to induce him to implement and apply those things, to his own advantage. (GT-FRAN Staff5) We are the guilty conscience, that we take care of them getting them out of the house and ensure that they really acquire some new customers locally. (GT-FRAN Staff4)	Stewardship (cont'd)
Ensure entrepreneurial autonomy to franchisees	I'm self-confident enough and have enough entrepreneurial autonomy to decide for myself. This is my company, and I'm one of those who work really self-confident and autonomous. (Franchisee4) I think that this is somehow the strength of the Premio-system. On the one hand, you have a national brand, but on the other hand you also have the possibility to appear as a family company in the local environment. (Franchisee6b) First and foremost it is about my company and the sympathy is lost quite fast, in case of my company being jeopardized. I know why, but I don't sympathize anymore. (Franchisee1)	
Enticements of rival networks	<b>Retaining</b> So they are all (rival networks) on track. At the moment they are perceived and felt to be on track a bit stronger. (GT-FRAN Staff6) So they made me a tangible offer, they offered clear five-digit amounts if I'm not labelling it GT-FRAN, but Y (name of rival franchise network) instead. (Franchisee7)	
Threat of contact termination	Appeal to the franchisees because of delivery problems of MTF: Dear members, please regain trust into GT-FRAN. This is important to remain a high-quality system. (Researcher memo, regional meeting) We don't want to afford to lose locations. There is always an image damage when we have to take off our GT-FRAN signs somewhere. To a certain extent, we lose our face by that. I don't want that. (GT-FRAN Staff4)	
Perceived dissatisfaction of franchisees	The RM is contacted in first place. Certainly, there are cases, where Mr. X (CM) is contacted directly or also Mr. Y (CEO), where he gets a call and people shouting out their frustration. (GT-FRAN Staff2) There is one who is in discussions (with rival franchise network). He is also very, very upset about GT-FRAN and that's where we have to show some improvements. I hope, that it is going to be the same next year that we will have a better performance. (GT-FRAN Staff4) Out of sheer frustration and that many ask themselves, I should take off the GT-FRAN sign and try it with someone else. (Franchisee2)	
Analyzing franchisees potential	<b>Assessing</b> On a regular basis we are looking at: how is our partner developing? We do our yearly general planning and marketing planning. (GT-FRAN Staff4) It is not only the retailer's decision, but we also have to know exactly, does this still fit? Every GT-FRAN member that attracts negative attention is dangerous for the whole network. (GT-FRAN Staff2)	Evaluation
Sort out franchisees	For us it is about building groups, analyze what is good and what is bad. (GT-FRAN Staff1) We already signed cancellations because the cooperation was not working well. That has always existed. (GT-FRAN Staff6) If now somebody, I think, if somebody works with only 10% share (sell-out of MTF tires), he will get the suggestion to leave GT-FRAN. (Franchisee10)	
Identify lack in succession	<b>Network development planning</b> GT-FRAN has to go out and speak about retailer locations that have a lack in succession with existing members and possible hand-overs. They have to put these locations in a good light. So there is no rival network X or Y who snatches up these locations. Because this is a sport out there at the moment. (Franchisee5) There is no lack in succession in the cooperation. But what can be done is done quite well by GT-FRAN, I think. And they know very early, there is a retailer who is going to hand over sometime and then they are quite fast in consulting and thinking about who could be the successor. (Franchisee6b)	
Allocation of vacant outlets/locations	And now I was questioned, if I'm interested to take over this and this and this location, because some retailers want to sell. (Franchisee4) The headquarters have supported us in the whole process. Especially Mr. X (RM) has supported us really well and really put some effort in the whole thing. Well, they always have been interested in keeping the second location in the network, of course. That's clear. It was also possible that the preceding family sells the location to a rivalling network. (Franchisee10)	

(continued on next page)

Table 2 (continued)

First order categories	Second-order themes	Aggregate dimensions
Support franchisee development	In case you already have one, yes, then you get the recommendation to do so, there is an expansion manager taking care of that. He asks, are you interested, have a look at this or that if a basic interest is there. Then you dig into the analysis of the numbers and go into the respective locations. (Franchisee6a) It works. Of course we have development goals. Every year we plan to develop X more. (GT-FRAN Staff2)	

These close relationships help to increase market knowledge and GT-FRAN's chances to acquire currently unsatisfied retailers being part of, e.g., another network. Due to such informal network contacts, they are easily detected and approached. Such an informal acquisition strategy, based on the RMs market knowledge seems to be more effective than the systematic approach:

“One has to realize that the personal knowledge about the regional market and its coverage by our RMs and field staff is of much higher value than any academic approach” (GT-FRAN Staff2).

GT-FRAN's franchisees also turn out to be valuable informants for selection activities. They often know whether a friendly retailer is unsatisfied with his current network or, if he is unaligned, intending to join a network:

“...I asked a retailer I am friends with why he doesn't join our network because he would receive a lot of advantages, and then I arranged the necessary contacts and meetings between him and GT-FRAN” (Franchisee4).

MTF's field staff (mostly sales agents) also support the selection of new franchisees. They have strong market knowledge and are informed if a retailer is searching for a franchise solution. Most often, the field staff and a retailer will already work together for several years, so trusting relationships are in place:

“The personal ties and contacts we had with the field staff of MTF were the main reason for us joining GT-FRAN... The field staff was like family for us” (Franchisee6).

## 4.2. Integration

When a membership contract is signed, the second stage – the integration of the franchisee into GT-FRAN – begins. In this stage, GT-FRAN aims to create a franchisee's affiliation towards the network based on reliable support services, financial support and relational activities. We identified three key routines: Personal bonding, investing and embracing.

### 4.2.1. Personal bonding

Intentionally reinforced by GT-FRAN, the RMs play a key role in integrating new franchisees into the network. The regional management team is structured in such a way that a RM is responsible for approximately 30 retailers, which allows for regular site visits. During these visits, the RM informs the retailer about any relevant news regarding the network or the tire industry. Through these frequent visits, they intend to develop close personal relationships, increasing each member's positive sentiment towards the network. Often, these relationships go beyond being simply a business relationship. The RM often knows the retailer's family, eats dinner with them, knows about their personal problems, and may even go on holiday with them:

“The emotional bonds with the RM were then transferred to the network” (Franchisee11).

“...The relationship with the RMs is very trusting, even more trusting than with the headquarters. We are consultants there and, if you do a good job as a consultant over the years, the relationship with the headquarters is less intensive as to the RMs. Thus, I believe, our reputation and force in integrating customers is priceless” (GT-FRAN Staff5).

### 4.2.2. Investing

GT-FRAN provides financial support to new franchisees to ensure that the business operations run as fast as possible. For instance, if the retailer has switched from another network to GT-FRAN, they finance the rebranding of the store. They might also remit the franchising fee for the first months. By financing a franchisee's start, GT-FRAN tries to ensure the new franchisee's affiliation and gratitude. The extent to which GT-FRAN makes upfront investments into a franchisee will depend upon the bargaining power and prospective value of the new franchisee:

“They managed the rebranding and new CI and paid for it. I did not pay for anything. And, they also released the franchise fee for the first year. That was great” (Franchisee10).

“Money flows in. And we are aware of it. If you want a new investment, you have to decide to do this. It is a negotiation of the individual firm. But, normally, it will be supported” (Franchisee2).

Besides the financial components of the integration stage, there is also a service component assisting the franchisees' assimilation into GT-FRAN. The franchisor offers a wide range of services facilitating the franchisees' incorporation and improving their daily business, such as training, IT support, marketing, consulting and product-related questions. Franchisees feel like they become a member of one of the leading and most professional franchise networks in the industry. GT-FRAN's high level of credibility, together with the support the franchisee receives from the franchisor's staff, create confidence in the performance power of GT-FRAN:

“...as I had to sit in a meeting I had been invited to for the first time, I was overwhelmed... Everything is so professional. There is an answer for everything... the staff are very professional; so that I can say, there is nothing to criticize them on. I can hardly believe that an improvement is possible” (Franchisee9).

### 4.2.3. Embracing

Twice a year, the network organizes regional meetings at three different locations in Germany. These two-day events are important for information sharing and personal discussions among franchisees, GT-FRAN, and MTF. New franchisees are immediately invited to attend the meetings and are being introduced to other franchisees. During the year, there are also regional round table meetings, where franchisees can meet and talk about current business-related issues. Round table meetings and regular regional meetings are organized to ensure a constant flow of information as well as to create loyalty to GT-FRAN:

“At the beginning, new franchisees will be served more strongly by the RM. Afterwards, they are onboard very quickly due to regional meetings” (GT-FRAN Staff2).

“Thus, the main tool of integration is the six-monthly regional meeting, for sure. There, you meet your colleagues, even those from other regions of the country. Moreover, regional regulars' tables were set up, which means meetings with six, seven or eight tire retailers at random intervals before the season starts, to discuss the main themes that are still fresh in everyone's minds” (Franchisee7).

## 4.3. Stewardship

The third stage - stewardship - is concerned with how GT-FRAN

secures value creation for itself and its franchisees. Therefore, GT-FRAN must standardize the corporate image while at the same time allowing for entrepreneurial autonomy to support the franchisees in their local market environments. Furthermore, GT-FRAN's management must react wherever franchisees are enticed by rival networks and, additionally, ensure that unsatisfied franchisees stay in the network. GT-FRAN developed the following routines to deal with these internal and external tensions: Balancing standardization and entrepreneurship, and retaining.

#### 4.3.1. Balancing standardization and entrepreneurship

During the interviews, we observed an ongoing discussion among the franchisees as to whether GT-FRAN should enlarge its standardization efforts or whether a more standardized approach would harm the entrepreneurial autonomy of the franchisees and increase dissatisfaction among them. Interestingly, several franchisees demanded more homogeneity in the network, as the following quotes indicate:

“Thus, whether the name is “GT-FRAN” or “Franchise Network X” makes no difference – unfortunately. The dream of every franchisor is to enter the branch such that every customer knows what he will get, like at McDonald's... This is the aim. But they [GT-FRAN] simply did not get this to work” (Franchisee4).

“But there will be several [franchisees] were you enter and think: ‘This will be a GT-FRAN outlet?’ Because there are retailers, legally independent, who want to do their own thing” (Franchisee2).

Meanwhile, at the same time, franchisees value the high entrepreneurial autonomy allowed by GT-FRAN compared to rival franchise networks:

“The great thing about GT-FRAN is that franchisees are relatively free and can do a bit to the right and left as well. I like that. Perhaps it's more streamlined at others [franchise networks]. E.g., at competitor A, I know that if I want to make another advertisement, competitor A needs to agree” (Franchisee3).

Therefore, it is the task of GT-FRAN's management to find the right balance between two contradictory requirements, as one franchisee explains:

“It is expected that our processes are uniform. If they want to go further [with the standardization], we will have problems for sure. This is because this would disagree with the self-image of individual retailers. They can standardize to a certain degree, but there are boundaries and underneath there is entrepreneurship” (Franchisee6).

#### 4.3.2. Retaining

Because GT-FRAN is competing in a dynamic environment where franchisees are interested in other networks as well, the network has established routines to retain existing members. The retention efforts begin in an ad hoc manner when franchisees indicate their unhappiness or when rival networks aggressively entice franchisees to pull them out of GT-FRAN's network. During the interview phase, GT-FRAN experienced serious problems due to the poor quality and logistical performance of MTF, leading to threats of membership terminations:

“We have had a lot of discussions at the moment... We briefly determined 27 retailers who threatened withdrawal or sanctions in stating their dissatisfaction. And we know them very well. Twenty seven is a number you have to take seriously. We conduct personal conversations. We stopped saying: ‘Everything will be better’. The retailer doesn't believe this. You have to indicate concrete actions” (GT-FRAN Staff2).

To retain these identified franchisees, GT-FRAN used the in-depth personal relationships of the RMs with the franchisees. Trust and a good relationship between the franchisee and his RM is of major importance in mitigating dissatisfaction:

“It is possible to influence [the franchisee] on an interpersonal level, because the personal relationship is good and you can say ‘Do it for me’, to put it rather tritely... And it [the personal relationship] is decisive when a crisis situation occurs... You created a basis of trust which can be burdened” (GT-FRAN Staff4).

“Yes, I hear it [the relevance of personal relationships] in retention talks. At the moment, I have a concrete case in city X where the contract termination is a real issue, and the franchisee said to me and my sales colleague from MTF: ‘Without you two, I would push that termination through’” (GT-FRAN Staff6).

#### 4.4. Evaluation

The last stage consists of a continuous evaluation of a member's contribution to the network. Franchisees are evaluated by their operational performance. Evaluating the franchisees is important to plan further network development, consider succession issues, and follow-up on franchisee development. To assess their member base and guide decision-making, GT-FRAN developed the following analytical routines: Assessing, and network development planning.

##### 4.4.1. Assessing

GT-FRAN constantly evaluates franchisee performance by benchmarking the franchisees against each other. Based on the benchmark analysis, GT-FRAN offers consulting services to the franchisee:

“We have point-of-sale data. They enable us to conduct business consulting. We can build groups and do benchmark analysis. If somebody [a retailer] says ‘My business is doing very well’, we can say ‘Well, you are not doing bad but you are spending too much money here’... or ‘You have too many employees or you need another one’ – we can benchmark everything” (GT-FRAN Staff2).

A critical aspect is the number of tires that the retailer purchases from MTF. Since GT-FRAN survives through tire sales, they expect that their franchisees purchase a certain percentage of tires from MTF. Franchisees who do not meet the expectations of GT-FRAN may be removed, as one of GT-FRAN's managers explains:

“...And this assessment tool is, of course, operated to disband franchisees from the network. This is an objective, too. We are looking at this [the performance] regularly. You cannot become a partner of GT-FRAN and then buy just 200 tires from MTF over three years. That doesn't work. Then, we say: ‘You should reconsider if you are at the right place here’” (GT-FRAN Staff2).

##### 4.4.2. Network development planning

GT-FRAN continuously searches for people with an entrepreneurial spirit. Sometimes, employees from GT-FRAN or MTF want a change in their career and become a franchisee of GT-FRAN. On the other hand, GT-FRAN tries to convince existing well-performing and trustfulness members to open-up an additional outlet (multi-unit franchising), especially when outlets are vacant due to franchisee retirement. To ensure that valuable locations are not sold to competitors, GT-FRAN tries to identify and convince nearby members to take over those outlets. This also further increases trust-building between the franchisor and its franchisee. However, opening up an additional outlet always means a big financial investment for the franchisee. Due to GT-FRAN's size and financial strength, it can support those franchisees through the provision of loans:

“Franchise networks have sufficient financial strength, so they can say: ‘Mr. X, we know that you want to retire. But before you sell your outlet to another network, let us talk. Perhaps there is a nearby franchisee of our network who can take it over with our support’” (Informant1).

“They [GT-FRAN] supported us during the entire process [taking over an additional outlet]. In particular, Mr. X [the responsible EM] has put a lot of effort into the whole story. Well, they [GT-FRAN] have their own interest in keeping the outlet as well. That's obvious. It could have been the case, too, that the former owner had sold it to a rival network X, for instance” (Franchisee10).

## 5. Towards a capability-based model of the membership management process in franchising networks

The aim of this study is to provide an explanatory model of a franchisor's membership management process within a franchise network. The dimensions emerging from our systematic combining approach provide four stages of membership management: Selection, integration, stewardship and evaluation. Each of these stages relies on distinct organizational routines, which as a bundle constitute the franchisor's capability of membership management (see Fig. 2). In what follows, we explain and contextualize our model along the four membership management stages, and – following our iterative approach – relate the case findings to theory.

### 5.1. Selection

The first stage – selection – is conducted in the pre-formation phase, before the legally binding franchising contract is signed.<sup>7,8</sup> It lays the foundations for the success of the franchise network since new franchisees enlarge the resources of the network which strengthen its competitiveness (Gillis, Combs, & Ketchen, 2014; Gorovaia & Windsperger, 2013). It is a detailed process of identifying prospective franchisees and checking their potential for adding value to the network. Studies on franchising have frequently highlighted partner selection as having a strong impact on franchising performance (Shane et al., 2006). For example, specifically for international franchising contracts, authors have explicitly referred to capabilities in their attempt to stress the repetitive, routine-based nature of the member selection process. An identification and explication of specific routines that undergird this selection process, however, is often omitted. For instance, based on a qualitative investigation, Choo (2005) explicitly refers to capabilities in franchisee selection, and suggests that they positively influence the performance of an international franchise network. The capability he describes, however, is limited to “franchisors must ensure that they endeavor to negotiate an effectively high franchise fee and restrictive performance schedule to control franchisee opportunistic behavior” (p. 168). Hence, despite such studies stressing the importance of partner selection, our knowledge on which routines constitute a franchisee selection capability, and how it relates to other capabilities along the membership management process is rather limited.

The alliance capability literature (Gulati, 1999; Simonin, 1997) supports the critical nature of partner identification and selection capabilities (i.e., our selection stage). Scholars introduced the term “alliance proactiveness” (Sarkar, Echambadi, & Harrison, 2001; Schilke & Goerzen, 2010) or “partnering proactiveness” (Sarkar, Aulakh, & Madhok, 2009) which is conceptually grounded in the sensing idea of

<sup>7</sup> Please note that we consider “contract signing” as the moment in which the legally binding contract is signed. It thus does not entail the contract negotiation process. Hence, the franchise contract is visualized separately from the selection process in Figure 2.

<sup>8</sup> We want to thank one of the anonymous reviewers for his/her valuable comment that contract negotiations lay the foundation of any cooperative relationship (Niederkofler, 1991). Even though a negotiation is indeed “a process of potentially opportunistic interaction by which two or more parties, with some apparent conflict, seek to do better through jointly decided action than they could otherwise” (Lax & Sebenius, 1986, p. 11), and a well-thought out negotiation strategy is thus undoubtedly instrumental for the smooth functioning of an alliance after contract signing, the franchisor's negotiation strategies fall beyond the scope of this study. Future researchers could however start from negotiation behavior studies, where – for example – authors such as Pruitt and Carnevale (1993) and Thomas (1976) argue that problem solving is an integrative dimension of a negotiation strategy, where value is created for both parties. One could probe into a franchisor's problem solving strategies, while unraveling how, in the long run, value is created for both parties.

dynamic capabilities theory (Teece, 2007). It describes routines enabling firms to effectively discover and take alliancing opportunities in order to improve their performance.

Relating this proactiveness idea to our franchising case, we reveal two routines comprising “selection”; the analytically-driven intelligence routine and the rather pragmatic networking routine (see Fig. 2). Intelligence implies actively and analytically-driven searching for and assessing of prospective franchisees, whereas networking is executed by information gathering through different “antennas” in the market. The franchisor uses complex analytical tools to search for motivated franchisees who meet the evaluation criteria to join the franchise network. Simultaneously, field staff, managers or even other franchisees are used to detect opportunities for new partnerships.

### 5.2. Integration

The second membership management stage – integration – starts after the franchisee has signed the franchising contract. This is an enormous reorientation for many franchisees, as described by GT-FRAN's CEO: “For most of them [franchisees], it is a sensible step from independence to: ‘Now I'm part of this franchise network’. Well, they have to live with this. This develops over time”. The franchisor thus faces two important management tasks. First, new franchisees need support, guidance and training to gain expertise in running their business (Blut et al., 2011; Watson & Johnson, 2010) as well as to internalize co-operative routines (Kale & Singh, 2007), and second, franchisees have to bond with the network to establish a feeling of affiliation. Strategic investment decisions involving financial resources, training or management consultations need to be made by the franchisor. Since franchisees differ in the amount of support needed individually, tailored solutions are required. This characterizes the investing routine. Through investments in training for new franchisees, the required human capital can be developed, which subsequently helps to foster and maintain the network's resource base (Michael & Combs, 2008).

The bonding routine comes about when relational ties are established via frequent communication and approaches, intended to affiliate the franchisee to the franchise network (Chiou, Hsieh, & Yang, 2004; Davies, Lassar, Manolis, Prince, & Winsor, 2011). The franchisee in return formulates unilateral expectations towards the network and establishes a psychological contract (Zuckerman & Kretovics, 2003). To ensure that the franchisee is able to form a positive and stable network affiliation, the franchisor stimulates and guides frequent interactions between its employees and its franchisees. Bonding as recurrent interaction on an interpersonal level is also reported as a key component of alliance management capability in the alliance literature (Schreiner et al., 2009). Through frequent interactions, personal relations and goodwill are developed (Lincoln & Miller, 1979). Our data shows that in challenging times – which was the case when MTF was responsible for, for example, delivery and quality problems (see above) – such personal relationships are of utmost importance to maintain the franchisees. Franchisees remain affiliated to a franchise network as long as the franchisor does not violate the established psychological contract. This is in line with Gillis et al.'s (2020) observation that trust building routines are essential elements of a franchise management capability.

Lastly, the embracing routine is valuable in fostering the integration of new members through the provision of frequent interaction possibilities, such as regional or local meetings between the franchisor and its franchisees, as well as involvement in decision-making. By participating in network meetings and talking to other members, new franchisees can learn the necessary skills and know-how to manage a business in this franchise network. As such, they gain valuable knowledge about network-specific structures, processes and routines. Thus, by connecting to inter-organizational learning literature (Kale & Singh, 2007; Kale, Singh, & Perlmutter, 2000; Schilke & Goerzen, 2010; Simonin, 1997), embracing can be interpreted as a routine supporting effective knowledge transfer from the franchisor to the franchisee at the

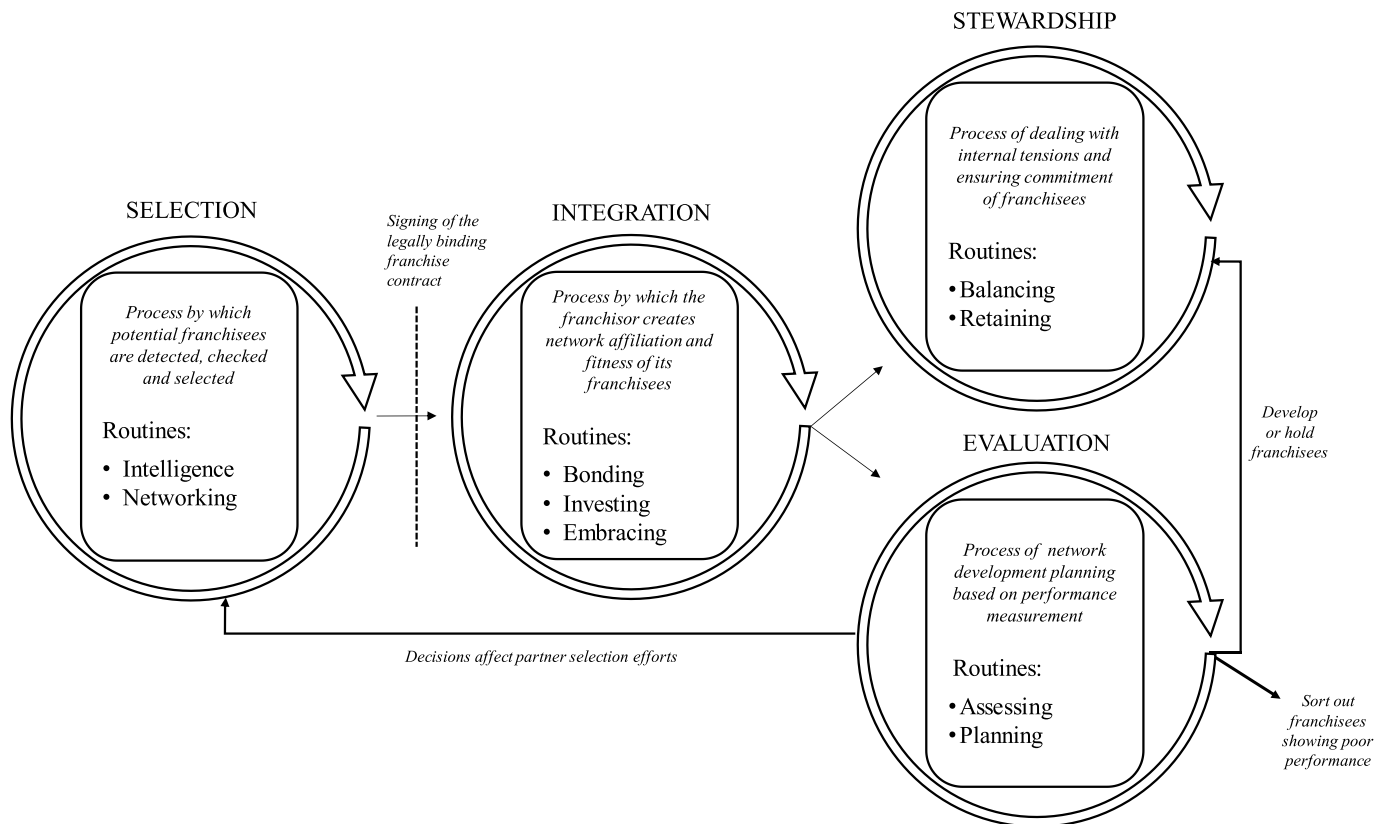


Fig. 2. A process model of capability-based membership management in franchise networks.

Please note that the negotiation process / the franchisor's negotiation strategy falls beyond the scope of this study, and is thus not included in this figure

beginning of the relationship.

### 5.3. Stewardship

When franchisees obtain the skills and know-how to operate their business without frequent support and guidance from the franchisor, the franchisor-franchisee relationship begins to change. At that moment, the third stage – stewardship – in membership management sets in. More specifically, the franchisee becomes more familiar with the structures, processes and behaviors of the franchise network, leading to an enhancement of self-confidence and an increased need for self-determination (Blut et al., 2011; Buchanan, 1992; Peterson & Dant, 1990). With growing familiarity with the network, usually correlated with increasing performance due to learning curve effects, the franchisees gauge their value to the franchisor.

During this phase, franchisees typically start to raise their expectations towards the franchisor. Additionally, franchisees start to demand more entrepreneurial freedom and autonomy, which contradicts the standardization efforts of the franchisor (Davies et al., 2011; Stanworth, 1995). Thanks to balancing routines the franchisor can manage the often growing tensions between the need for homogeneity of the entire franchise network and self-determination attempts of individual franchisees (Kaufmann & Eroglu, 1999). Tackling this issue involves strong communication, coordination and conflict management skills (Schreiner et al., 2009) or routines (Kale et al., 2000; Sarkar et al., 2009; Schilke, 2014; Schilke & Goerzen, 2010), as discussed in the alliance capability literature. By developing balancing routines, franchisors are able to counteract franchisees' declining levels of satisfaction (Blut et al., 2011; Gillis et al., 2020; Grünhagen & Dorsch, 2003).

A second essential franchisor routine found in the stewardship stage is retaining. It consists of identifying potentially dissatisfied franchisees and having the appropriate instruments to fend off enticements by

rivals. Retaining comprises governance (Aggarwal & Hsu, 2009) and monitoring routines (Choo, 2005; Fladmoe Lindquist, 1996; Shane, 1996). They serve as safeguards to detect enticements or diminishing satisfaction. Since franchisors invest in the integration process of franchisees, which then leads to a build-up of network-specific knowledge and skills, the loss of franchisees is always connected to a loss of resources and network-specific capital. Therefore, retaining routines ensure continued commitment of valuable franchisees are of great importance for the stability and resource endowment of the network.

### 5.4. Evaluation

In the last stage – evaluation – which is executed concurrently with stewardship, the franchisor measures the performance of each franchisee and plans franchise network development. Decisions about how to proceed with each franchisee are made within this stage. Franchisees may continue the current relationship situation, may be chosen to develop the partnership further (for instance, they might be granted to open an additional outlet, i.e., multi-unit franchising), or may be removed because of poor performance or harmful opportunistic behavior. In order to evaluate, assessing and network development planning routines are required. Assessing encompasses the continuous observation of franchisees' behavior as well as the measurement of key performance indicators in order to minimize free riding and opportunism by any franchisee (Barthélemy, 2008; Choo, 2005). Further, assessing routines also include possible business partnership termination decisions. Thanks to these routines, the franchisor knows when and how to end a relationship with a franchisee. Indeed, such exiting routines in inter-organizational cooperation are also described by Simonin (1997).

From a franchisor's perspective, expectations towards franchisee performance increase after the integration is completed. To secure further growth and development of the franchise network, the

franchisor needs franchisees who can cope with such rising requirements. To address increasing performance expectations, franchisees may take over vacant outlets or build new ones (multi-unit franchising). Doing so strengthens the existing partnership (Blut et al., 2011). The franchisor needs network development routines to be able to detect the franchisees with proven added value to the network, as well as future development potential.

## 6. Discussion

This study extends our understanding of the intra-network process of membership management in franchise organizations. More specifically, it suggests a four-stage process model of membership management in such a network, to find that the different membership management stages of selection, integration, stewardship and evaluation are based on a variety of underlying routines that provide various levels of dynamism and that jointly constitute the franchisor's membership management capability. In doing so, the study addresses frequent calls for more in-depth research on the dynamics of the franchisor-franchisee relationship, leveraging theories and approaches beyond the traditionally prominent agency theory (Baucus et al., 1996; Combs & Ketchen, 2003; Combs, Ketchen, & Short, 2011; Dant, 2008). Specifically, our study offers three main contributions.

First, we suggest that membership management is *usefully conceived as an integrated process from member selection to member evaluation*. Extant research has made inroads in our understanding of isolated stages in the membership management process. An overarching consideration of interdependencies or their acknowledgment is, to the best of our knowledge, still missing. This is surprising, in particular because the relationship between a franchisor and its franchisees changes over time, (Blut et al., 2011; Hunt, 1973; Oxenfeldt & Kelly, 1969) requiring adaptations in membership management as well. With our four-stage process model, we bridge the hitherto mostly disjunct contributions from the franchise literature on the different aspects of the franchise membership management process and explicitly show that the different stages cannot be managed in separate silos.

For example, the so prominently treated partner selection in franchising (Altinay & Okumus, 2010; Brookes & Altinay, 2011; Clarkin & Swavelly, 2006; Jambulingan & Nevin, 1999; Tatham et al., 1972) is closely linked to the other three identified stages of membership management: Partner selection criteria turn out to have an important impact on integration efforts, because depending on the franchisee's prior knowledge, the franchisor will need to provide more or less guidance during the integration phase. Evaluation criteria turn out to have an impact on selection as terminating many franchisee contracts automatically results in higher franchisee selection efforts. Also, although unsatisfactory franchisee performance evaluation can be related to the franchisee's financial results, they can also stem from a lack of integration of the franchisee in the network which in turn, could be a negative side effect of poor partner selection.

Indeed, poor partner selection, as well as poor partner integration, can cause permanent problems and is likely to increase costs (Altinay & Okumus, 2010; Blut et al., 2011; Brookes & Altinay, 2011; Clarkin & Swavelly, 2006; Jambulingan & Nevin, 1999). Franchisees familiar with the franchise network, its products and its routines, tend to develop self-interests and strive for more autonomy, potentially conflicting with the franchisor's interests of standardized rules and behavior (Blut et al., 2011; Grünhagen & Dorsch, 2003; Nathan, 1996). Coordination routines as deployed in the stewardship stage can help in minimizing such opportunistic behavior. All in all, we show that a focus on one of the membership management tasks (e.g. selection) is useful, but will benefit from a consideration of interlinkages to other tasks. A balanced view on membership management is thus crucial to ensure the smooth functioning of a franchise network.

Second, this in-depth case analysis of a franchise network suggests that *the membership management process is usefully considered as a set of*

*routines* that are deployed along the different stages of selecting, integrating, guiding and evaluating franchisees. More specifically, our franchising network exhibits effective *coordination* routines: It balances the tension between the individual members' need for autonomy and the network's collective benefits of more standardization and integration, as also depicted by Gillis et al. (2020). In addition, it has effective routines in place to coordinate tensions between members and counteract individuals' potential exit from the network. The network's intelligence and networking routines can be clearly associated with its attempt to *sense opportunities* both inside the network and in its environment. The construct of proactiveness from the alliance literature accurately captures these routines which are geared at identifying options to grow and stabilize the network via new member recruitment.

Most of our identified routines are *transformation* routines, which are needed to adapt or modify the network over the course of its life-cycle. This is not surprising, given our holistic focus on the membership management process that explicitly extends the traditional strong focus on member selection and recruitment in the franchising literature (Altinay & Okumus, 2010; Brookes & Altinay, 2011). With assessing, personal bonding, investing, embracing and network development planning routines, we locate five routines in this category. All of these routines aim at either immediately modifying the membership base or preparing an effective modification via changes in the membership (often as a consequence of preceding sensing processes). Assessing involves the evaluation of members and their individual guided and targeted development to their own benefit. Personal bonding, investing, embracing and network development delineate processes in which the franchisor systematically offers resources to its members to facilitate and improve their business operations to the collective benefit of the network.

The development of such routines shows that the network does not rely on ad-hoc problem solutions (Ritala, Heiman, & Hurmelinna-Laukkanen, 2016) or organizational improvisation (Crossan & Sorrenti, 1997), but rather on stable patterns of collective activity that have developed over time, and through which the franchisor (as the franchise network's lead actor) systematically deals with challenges and changes in its external (industry, macro-environment) as well as internal (members/franchisees) environments to maintain and improve the network's effectiveness. As such, following Zollo and Winter's (2002) understanding, we suggest these routines can reasonably be conceived of as a capability of membership management in franchise networks.

This leads to our third contribution: *Our routines and capability specification allows a closer examination of the adaptability of the membership management process, i.e. its degree of capability dynamism*. The routine classification above aligns with Schilke and Goerzen's (2010) conceptualization of alliance management capability as dynamic capability along the routine dimensions of coordination, sensing, and transformation (see Table 3). Learning routines, however, are absent in our network, raising doubts with regard to the adaptability of the membership management process over time. Learning routines that systematically accumulate experience, or reflect deliberate cognitive processes that articulate or codify knowledge based on past experiences, are key routines in creating and developing dynamic capabilities (Zollo and Winter, 2003).

Our identified membership management capability therefore exhibits essential features of a dynamic capability, yet seems to lack the key mechanism that ensures sustainable adaptation of the network to changing internal and external conditions over time. On the other hand, the set of routines that we identify are clearly not the result of deliberate planning, but have evolved over time and adapted to changing strategies, member configurations and external conditions in its industry. The membership management capability we observe here therefore certainly is adaptable, to some degree – which is plausible since a larger number of franchisees, or, more generally, a fluctuating number of franchisees where incoming and outgoing members

constantly trigger the deployment of our identified routines allows the franchisor to build up experience, i.e. to learn and improve its membership management process.

A parameterization of “dynamism” might be helpful to understand the configuration and working of this capability within the franchise network. With [Schreyoegg and Kliesch-Eberl \(2007\)](#) we suggest that some organizational processes can be regarded as being inherently static or dynamic: Coordinating and integrating of available existing resources can be considered as static, whereas learning and reconfiguring are dynamic processes. Adopting this perspective, we would for example, classify our retaining and balancing routines as static and our intelligence, networking and network development planning routines as dynamic. In this interpretation, our underlying routines would align on a continuum from static to dynamic, explaining both, the stability of the membership management process in the network, as well as its adaptability to changes in its internal and external environment ([Schilke et al., 2018](#)).

Overall, our routine identification and conceptualization of membership management as a franchisor capability, allows a differentiated assessment of the membership management process. We complement [Gillis et al., \(2020\)](#) who have pioneered the application of the alliance management capability construct for the franchise field, yet narrowed the focus of this capability to the balancing of standardization and integration for the purpose of their study. We reiterate the value of this construct for the franchising field and more particularly its fit to franchise networks, to detail the corresponding set of routines and their theoretical fit with constituting dimensions of relevant alliance routines. We also generate discussion on their degree of dynamism and subsequent adaptability to ensure the networks ongoing success in a volatile and changing industry environment. By bringing together the routines and various levels of dynamism that underpin these routines within a specific franchise task, our work assists the franchisor to better successful manage its membership to sustain competitiveness.

Overall, leveraging the routines and capabilities constructs, we bring together and reiterate previously scattered insights about membership management tasks such as franchisee selection, management of tensions and evaluation systematically along the four stages of the franchisor’s membership management process. The capabilities perspective introduced here has important implications for scholars and managers interested in the effectiveness and efficiency of franchising organizations.

6.1. Future research implications and limitations

The findings of our qualitative analysis open up at least five new avenues for further research.

First, even though our study probes into the capabilities necessary to ensure effective membership management, we do not provide insights about actual franchise network performance results. Indeed,

previous studies show that opportunistic franchisee behavior or poor performance results negatively impact the network’s performance ([Barthélemy, 2008](#); [El Akremi et al., 2011](#); [Gassenheimer et al., 1996](#)). Our study reveals routines able to avoid and/or detect such behavior (e.g., bonding in the integration phase, and assessing in the evaluation phase). We invite future researchers to examine whether such routines and their interplay indeed result in higher performance results.

Second, even though we explicitly acknowledge that the capability of membership management comprises four stages, each consisting of underlying routines, we were not able to probe into the learning mechanisms the lead actor (i.e., the franchisor) could adopt to ensure the continuing creation and evolution of membership management. As outlined above, [Zollo and Winter \(2002\)](#) explain that such learning mechanisms consist of experience accumulation, knowledge articulation and knowledge codification. We were not able to find corresponding routines, and hence do not provide details about their functioning.

However, our data implicitly portrays that thanks to experience accumulation, the franchisor can assess the franchisees’ added value for the network and decides on its further embedding in the franchisor network. Learning capabilities gained significant attention in the alliance literature ([Gulati, 1999](#); [Hitt, Dacin, Levitas, Arregle, & Borza, 2000](#); [Kale et al., 2000](#); [Kale & Singh, 2007](#)), and even though this has marginally been adopted in franchising literature where researchers started to acknowledge the importance of franchisor learning capabilities in performance studies ([Gorovaia & Windsperger, 2013](#)), further research is needed to explore and detail potential learning mechanisms in franchising networks. We urge future researchers to explore if and how such learning mechanisms contribute to the adaptability of franchisor’s capabilities, in a similar vein as [Brekaló, Albers, and Delfmann \(2013\)](#) examined in the logistics field.

Third, this research focuses on processes at the organizational level rather than on the work of the franchisor’s individual employees. As demonstrated in the findings, some regional managers act as direct contact person of the franchisee; as a communication channel, an information source, or as a consultant. Hence, they play a critical role in the process of transferring knowledge and information between the franchisor and its franchisees. Research on boundary spanners ([Allen, 1977](#)) and knowledge brokers ([Hargadon & Sutton, 1997](#)) has investigated the role of key individuals in such processes, and has been recently reiterated by alliance scholars ([Albers, Wohlgezogen, & Zajac, 2016](#)). Further studying the role of such individuals in cooperative multi-partner settings is thus a promising research area.

Fourth, it would be also interesting to investigate how the membership management process and its underlying routines emerge and develop in young franchise networks. One might assume that young franchise networks put their effort into selection and integration of franchisees, and then build up further capabilities to supervise and evaluate a growing member base. Longitudinal case studies may help to

**Table 3**  
Mapping of identified membership management routines and dimensions of dynamic capabilities and alliance management capability (as dynamic capability) based on [Schilke and Goerzen \(2010\)](#).

Constituting dimensions/routines of dynamic capabilities	Specification to alliance management context	Identified routines in the franchising network
Coordination	Interorganizational coordination and portfolio management	Balancing Retaining
Learning	Interorganizational learning: Knowledge transfer across organizational boundaries	– / –
Sensing	Alliance proactiveness: Identifying opportunities that arise from partnering	Intelligence Networking
Transformation	Routines to modify alliances over the course of the alliance process	Assessing Personal bonding Investing Embracing Network development planning

shed light on the development of capability-based processes in young franchising organizations. In addition, also the question what happens to the membership management process if the franchise network reaches its growth limits, is worth studying. Indeed, some studies suggest that franchise outlets will be retransferred into franchisor branches (Oxenfeldt & Kelly, 1969) leading to a reconfiguration of the resource base in the sense of dynamic capability literature (Teece, 2007). However, other studies show that franchisors have little motivation to turn their organization back into fully-owned chains (Lafontaine & Kaufmann, 1994; Martin, 1988). What happens with the franchisor's membership management process in such cases, is yet to be explored.

Fifth and finally, and going beyond the context presented, the findings invite further research into the competitive interaction between franchising networks and other forms of inter-organizational networks (Albers, 2017). The analysis of the empirical data indicates that inter-network competition for valuable members is an increasing and observable phenomenon in network-intensive industries, as already suggested by other scholars (Gimeno, 2004; Gomes-Casseres, 1994). Researchers could use existing findings of competitive dynamics theory (Miller & Chen, 2012) at the firm level to investigate the relevant tactics, actions and reactions to attract potential members at a network level of analysis.

All in all, this study contributes to the existing literature and facilitates new research avenues of inter-organizational and – particularly – franchising research. As any other study, it also has its limitations. More specifically, since the investigation is based on data from a single case within the German tire retail industry, there are limits to its generalizability (Eisenhardt & Graebner, 2007). In addition, we examined a specific franchising setting in which contextual variables may impact upon the findings. Thus, further research across other franchise settings and other industry sectors is needed to validate the findings (Dess, Ireland, & Hitt, 1990). Moreover, in order to provide a stronger base for theory building, additional case studies should be conducted (Yin, 2003).

## 6.2. Managerial implications

The findings presented have implications for the management of franchise networks, in particular guiding franchisors in their member management activities through a better understanding of the different stages of membership management and their interrelations. An integrative view as provided by the developed model supports coordination of the member base. Such a process view is necessary, because a franchisor has to manage franchisees at different stages of their membership, where different capabilities are necessary, and interdependency between conducted actions cannot be neglected.

Our empirical analysis supports earlier study results indicating that franchisors should be able to operate effective partner selection and market scanning (Altinay & Okumus, 2010; Brookes & Altinay, 2011), and sequentially build relational bonds with their franchisees. For example, intensive communication and the provision of detailed information to potential and new franchisees comprise an important management task (Watson & Johnson, 2010). In this context, the RMs have a dedicated role to fulfill. As they are the direct contact person, building up personal bonds and representing the franchisor in the eyes of the franchisee, these individuals should be selected thoroughly.

After the integration phase, franchisors need to cope with increasing heterogeneous franchise expectations while – at the same time – their own expectations regarding the performance of the entire network and the individual franchisee's expectations change as well. The study revealed that balancing the tension between standardization needs and autonomy for the franchisee is a crucial task for the franchisor. Providing entrepreneurial freedom framed within a standardized system seems to be the best way to satisfy franchisees and secure their retention to the network. For example, in order to persuade franchisees of the advantages of network standardization, franchisors have to be

capable to communicate how a consistent brand image will strengthen the individual market position of each franchisee.

## 7. Conclusion

Using a systematic combining approach, we explored the process of membership management in a German tire retail franchise network. The findings show a four-stage process comprising selection, integration, stewardship and evaluation, jointly explaining how the franchisor operates membership management. Based on the empirical analysis, we introduced a capability-based membership management model in which we position membership management as a capability based on bundles of underlying routines in each stage. The franchising and alliance management capability literature were consulted to build theoretical connections and grounding the results. The study provides an initial holistic approach to investigate the membership management process of franchising networks. Our findings both affirm and extend research on inter-organizational management capabilities, through our study of a specific form of a cooperation including multiple partners. Due to the exploratory nature of the study, further research is required and recommended to validate the results. In particular, additional investigations examining management capabilities in inter-organizational cooperation with multiple partners, such as multi-partner alliances, strategic networks, supply chain networks or consortia are encouraged.

## Appendix A. Semi-structured Questionnaire for GT-FRAN's Staff

### Block A: Personal Information

1. What is your actual job position and what are your main competencies and tasks?
2. When and why did you join the network?

### Block B: Structural and Organizational Design of the Network – Tasks and Responsibilities

3. How is the network managed? Which relations exist between the different network employees, franchisees, other stakeholder?
4. What services do you offer?
5. Can you describe how you supervise, coach or support franchisees?
6. Within which situations is the consulting especially intense? Can you exemplify a situation?
7. Is one of your responsibilities also the acquisition of franchisees?
8. Do you try to develop your franchisees?
9. How do you evaluate the franchisees?

### Block C: Market and Competition

10. What are your main competitors and how would you characterize their competitive behavior?
11. How does the regional competition influence your work?
12. How would you define the impact of other franchise networks on competition?
13. Can you describe the development of competition within this market over the last years/decades and did it become more intense over the years?
14. Are new competitors entering the market?

### Block D: Membership Competition in the German Tire Retailing Industry

15. Do franchise networks compete for franchisees?
16. If yes, can you describe the process/interaction?
17. What is the rationale for the growth strategy?
18. How are prospective franchisees selected?
19. What are the main advantages for the individual retailer belonging



to the franchisee network and which advantages arise for the franchise network as a whole by a high member count?

20. How do you integrate new franchisees into the organization?
21. Do other franchise networks try to convince your franchisees to leave GT-FRAN and join them instead?
22. How do you retain unsatisfied franchisees who are considering leaving the network?

## Appendix B. Semi-structured Questionnaire for GT-FRAN's Franchisees

### Block A: Personal and Business Information

1. Could please shortly describe your career path?
2. How and when did you became a tire retailer?
3. When and why did you join the GT-FRAN network?
4. Could you please describe your business?
5. What kind of services do you offer?

### Block B: Network Organization, Relations and Benefits

6. How is the network managed from your perspective?
7. Which relations do you have to GT-FRAN employees?
8. Do you hold relations to other franchisees as well?
9. Which GT-FRAN services do you request and how do you benefit from them?
10. What are the advantages of your GT-FRAN membership?
11. Do you experience competition in the GT-FRAN network?

### Block C: Market and Competition

12. What are your main competitors and how would you characterize their competitive behavior?
13. How does the regional competition influence your business?
14. How would you define the impact of other franchise networks on competition?
15. Can you describe the development of competition within this market over the last years/decades and did it become more intense over the years?
16. Are new competitors entering your market?

### Block D: Membership Competition in the German Tire Retailing Industry

17. Is it necessary to be member of a tire retailing network today?
18. Do franchise networks compete for franchisees?
19. What is the rationale for GT-FRAN growth strategy from your perspective?
20. Do other franchise networks try to convince you to leave GT-FRAN and join them instead?
21. Are you involved in retaining unsatisfied franchisee colleagues who are considering leaving the network?

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