

Enhancing the franchisees' performance: A resource-based view

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Creating Job opportunities, performance and consequences of franchising, product and services, quality, consistency and customer awareness.

Abstract

Identifying the influential factors in business' performance, is an important cornerstone in business research, especially in entrepreneurial activities. Although, studying on franchise failure and success has received a lot attention among researchers, but lack of knowledge about affecting factor on franchisees' performance and consequences of franchising, as integral part of the franchise system, has made a gap in franchise literature. In studying the franchisees' performance, franchisees' failure should be separate from factors are due to franchisor's features. As far as resource-based view provides major theoretical explanation for variant performance of the firms, it sounds to be promising for analyzing the franchisee's performance. In franchising systems provided services by franchisor have a crucial role in franchisee's decisions for involving in franchise and performance. Therefore, this research is done to show, how provided services by franchisor through impact on product and services' quality, consistency and price and also customer awareness can influence on franchisee's performance.

Introduction

Franchising due to creating job opportunities, increasing GNP and families' income (European Commission, 2008) has a crucial role in economic development (Ramírez-Hurtado et al 2011). During the past decades, franchising has been the topic of bulk of many academic articles (Michael & Combs, 2008) and is growing fast in many countries in the world (Falbe & Welsh, 1998; Combs & Ketchen, 2003 ; Dada, et al 2010; and Ramírez-Hurtado, et al 2011). Franchising, today's, has turned into one of the most common way for doing business (Castrogiovanni & Justis, 1998) through which potential entrepreneurs (franchisees) run a new business (Ramírez-Hurtado, Guerrero-Casas, & Ronda'n-Catalunã, 2011) and established businesses expand their business and consider franchising as a growth strategy (Saraogi, 2009 and Combs & Ketchen, 2003). Also franchising is used as a market entry mode for internalization. There were more than 158,625 franchises with approximately \$ 209 billion turn over in the service industry in the United States. Franchising also has created about 4,145,613 jobs in the United States in 2004(Ramírez-Hurtado, Guerrero-Casas, & Ronda'n-Catalunã, 2011). In UK, there are 809 active franchise systems with 34200 franchised outlets in the UK that has more than £ 12.2 million annual turnover (Dada, Watson, & Kirby, 2010).

In retail and service business, in which production and consumption of services are done at the same time and close to customer(Michael & Combs, 2008) franchising is quite common (Ramírez-Hurtado et al, 2011) , where business needs to develop outlets in different geographic place (Combs, Michael, & Castrogiovanni, 2004). According to Michael (1996) considerable parts of the sale in services industry such as restaurants (46%of sales), tax preparation (67% of sales), specialty food retailing (55%), printing and copying (71%), and lodging (39%) are in result of franchising. Franchising because of increasing impacts on business studies has been subjects of the wide variety of several disciplines (Dant & Kaufmann, 2003) include: economic, strategic, marketing, entrepreneurship and law. In economics, structure of contract is discussed; in Strategic, franchising is an organizational form; franchising in marketing is an important distribution channel; in entrepreneurship, it is a way for run a new business and at last contractual clause and legal issues between franchisees, and franchisor is studied in law. (Combs, Michael, & Castrogiovanni, 2004)

Franchising as a collaborative business (Ramírez-Hurtado, Rondán-Cataluña, et al , 2011) due to separated organizational units, standardization across the units and joint ownership is different from other kinds of partnership. (Castrogiovanni & Justis, 1998) .In franchising, potential entrepreneurs (franchisees) purchase the right of using a franchisor trademark; operational system and business format (Michael & Combs, 2008) within a specific region and period. (Combs & Ketchen, 2003; Brookes & Altinay, 2011 ; Gauzente & Dumoulin, 2012) and according to Rubin (1978):

“A franchise agreement is a contract between two (legal) firms, the franchisor and the franchisee. The franchisor is a parent company that has developed some product or services for sale; the franchisee is a firm that is set up to market this product or services in particular location. The franchisee pays a certain sum of money for the right to market this product” (Rubin, 1978, p.224).

In this relationship, franchisee get the benefit from proven brand and tested product and services, and franchisor will be able to transfer risk and cost of the entry to the new market to franchisee and also get the benefit of initial fee and royalty. (Gauzente & Dumoulin, 2012 and Brookes & Altinay, 2011)

Identifying the influential factors in business' failure and success, is an important cornerstone in business research, especially entrepreneurial activities. Although, studying on franchise failure has received a lot attention among researchers (Michael & Combs, 2008) but there is lack of study about investigation of franchisors-related factors in franchisees' failure and success (Michael & Combs, 2008). In spite of importance of franchisee in the franchise system, there is no knowledge of the contribution factor to franchisee performance. Lack of knowledge about affecting factor on franchisees' performance, as integral part of the franchise system, and consequences of franchising, has made a gap in franchise literature (Combs, Michael, and Castrogiovanni 2004).

Understanding about influential factors on franchisees performance, in one hand helps franchisor to adopt more supportive strategy and on the other hand, will help franchisees to select the proper franchise. (Michael & Combs, 2008) According to Olavarrieta and Friedmann (1999) there are five major theoretical explanation for variant performance of firms include (1) the Bain-Mason tradition of industrial organization, (2) the Chicago Revisionist school of industrial organization, (3) the Austrian school of economics, (4) the resource-based view of the firm, and (5) the emerging evolutionary strategy perspective. (Harris & Ogbonna, 2001)

According to (Schiefer & Hartmann, 2008) firm resources have major share in explaining the variation in performance in food industry. In studying the franchisees' performance, franchisees' failure should be separate from factors are due to franchisor's features. (Michael & Combs, 2008) Provided services by franchisor will have a crucial role in franchisee's decisions for involving in franchise and performance (Bucknell, 1990; Falbe & Welsh, 1998; Hing, 1996; Mendelsohn, 1990; Peterson & Dant, 1990; Piedmont & Whitehead, 1990; Roh, 1998). So that resource-based view seems to be promising for analyzing the franchisee's performance. Therefore, this research is going to study, how provided services by franchisor, according to resource-based view, can influence on franchisee's performance.

Theoretical background

Resource based view

Firms have a competitive advantage when use unique value creating strategy that is not implemented by its competitors simultaneously (Barney, 1991). There are two main factors which influence on firm's competitive advantage: industry level e.g. five influential forces from industry structure of porter view; and firm level factors such as competencies, organizational capabilities, assets and resources (Harris & Ogbonna, 2001). In changing environment, resource-based view should have the pivotal role in firm's strategies (Barney, 1986 and Grant ,1991) and firm should acquire more strategic resources and consider them as a resource in create and developing the competitive advantage (Wu, 2010). In resource-based view, firm's valuable resources, which are rare, inimitable and non-substitutable can lead competitive advantage (Barney, 1991) and create barriers to rivals for competing.

Firm resources include all assets, capabilities, organizational process, firm features, etc, which enable a firm to implement their strategies (Barney, 1991). According to Wernerfelt (1984) resources in firms are tangible assets like physical resources; and intangible assets such as brand names, business know how, skilled personnel. Barney (1991) , as well provide a classification of resources entail the physical resources, such as raw material and firm's equipment; human capital resource like training and individual experience; and organisational capital such as formal and informal planning and coordination system.

According to resource-based view, more strategic resources offered by franchisors will help franchisees' competitiveness and their greater performance (Choo, Mazzarol, & Soutar, 2007). There are five major factors that impact on franchisee's performance include: system quality, brand name, local environment, and communication and franchise activities. Some of these factors, e.g. Franchisor training and support, Franchisor adaptation to market, product quality and Prompt and courteous service, are related to franchisor conditions, some depend on franchisee characteristics, e.g. being visible, franchisee high quality standard, community involvement, and some other are in result of their relation (Falbe and Welsh, 1998).

Provided services

In traditional thought, more offered services by franchisor will lead to less complain and franchisee should be better off with additional services. But understanding the influential factor in enhancing effectiveness and omit the unnecessary services will lead to franchisee satisfactory and system competitiveness.(Kaufmann & Dant, 1998). Because of unique responsibilities between franchisor and franchisee, this kind of inter firm cooperation is different from others like joint venture, coalition and, etc. (Combs, Michael, & Castrogiovanni, 2004). In the one hand, franchisor usually decides about standards, potential franchisee, outlet locations, managing trade mark, and coordinates activities such as purchasing(Caves & Murphy, 1976). Franchisees, in another hand, are responsible to establish regional outlets, setting local policy such as price, hours, and staffing, and manage the routine in the outlet (Combs, Michael, & Castrogiovanni, 2004).

The franchisor has a key role in development of the trademark. The franchisor always, monitor the franchised unit for quality, provide concentrated national advertising and present training and managerial services to franchisees.(Brickley & Dark, 1987). According to Hollensen (2007), franchisor offer services that contain trademarks/trade names; copyright; designs; patents; trade secrets; business know-how; geographic exclusivity; design of the store; market research for the area; location selection. Franchisor in this relationship is responsible for promotion of the product and trade mark, set the quality regulars, (Kaufmann & Stanworth, 1995) and enhancing the value of a chain (Michael, 1998).

Morrison (1996) have implied to promotion and advertising; training, technical and day-to-day support, and work hours are expected as franchisors functions in franchising system. (Morrison, 1996). According to Grünhagen and et.al (2008) , franchisor responsibilities to franchisees entail the Franchisee training, field visits, internet services, staff training, newsletter, software ordering, telephone assistance, national conference, market analysis, franchise council, point of service, insurance offer and centralized booking (Grünhagen, DiPietro, Stassen, & Frazer, 2008).

Hing (1995) has divided franchisors services to franchisee into two main parts, initial support services and ongoing support services. Initial services include the Initial training, Help with site selection, Help with facility design, Help with purchasing necessary equipment, Help with rising business finance; as well, ongoing support services include the Operations manual, Ongoing training; Help with purchasing supplies; Help with national marketing; Help with local marketing; Help with accounting; Help with employee training; Advice, consultation and field visits; Management services at head office; Performance monitoring; and Access to franchisee advisory council.

Similar to Hing (1995) , Roh and Yon (2009) have referred to two stages in providing services for franchisee include the pre-opening stage and ongoing support stage. Pre-opening services are meeting with franchisee and explain the franchisee and franchisors right responsibilities in franchising system, financial obligations, renewal, and learning. In this stage, franchisor will teach the basic skills and management training to franchisees. Franchisees also before run an outlet will learn how to do daily operations in another successful outlet. According to Roh and Yon (2009) categorize ongoing support to franchisees into three major part include central purchasing, congeniality and business assistance.

Table 1: Provided services by franchisors

Authors	Provided services
(Caves & Murphy, 1976)	Set standards, helping in outlet locations, managing trade mark , and coordinates activities such as purchasing
(Brikley and Drak , 1987)	monitor the quality, provide concentrated national advertising and present training and managerial services to franchisees
(Hollensen , 2007).	trademarks/trade names; copyright; designs; patents; trade secrets; business know-how; geographic exclusivity; design of the store; market research for the area; location selection
(Kaufmann & Stanworth, 1995)	promotion of the product and trade mark , set the quality standards
(Comba and Ketchen , 2003)	promotion of the product and trade mark , set the quality standards
(Michael, 1998)	enhancing value of chain
(Kimberley and Morrison,1996)	promotion and advertising, training, technical and day-to-day support, and work hours are expected as franchisors functions in franchising system
(Grünhagen et.al ,2008)	Franchisee training , field visits , internet services , staff training , newsletter , software ordering, telephone assistance , national conference, market analysis , franchise council , point of service , insurance offer, centralized booking
(Hing ,1995 and 1996)	initial support services and ongoing support services Initial services include the initial training, help with site selection, help with facility design, help with purchasing necessary equipment, help with raising business finance ; as well , ongoing services include the operations manual, ongoing training; help with purchasing supplies; help with national marketing; help with local marketing; help with accounting; help with employee training; advice, consultation and field visits; management services at head office; performance monitoring; and access to franchisee advisory council.
Roh and Yon (2009)	pre-opening stage and ongoing support stage Pre-opening services include meeting with franchisee, explaining the cooperation conditions include financial issues, renewal, termination and dispute resolutions. As well learning the basic skills and management training and knowing about daily operations in another successful outlet Ongoing services include central purchasing, congeniality (communication) for improving the strategies, problem solving and promoting the innovation, and reducing the conflicts. At last , business assistance such as for improving the brand , offering the new marketing analysis, target market analysis, sales forecast and analysis, new product development and product improvement

Methodology

Qualitative studies are more likely to be better when greater depth in a wider variety of situations happened. (Cope, 2005) Strategy of inquiry in this research is the case study. Case study approach can convey an alternative to quantitative franchising research (Dada, Watson, & Kirby, 2010) , which make it difficult to study it in detail.(Saraogi, 2009). According to Yin (2003) when we want to investigate a contemporary phenomenon in real-life context and there are no clear boundaries between phenomenon and context a case study will be used. (Yin, 2003, p13). Case study produces “context-dependent knowledge” for developing a phenomenon (Gauzente & Dumoulin, 2012)

In case of new phenomena like franchising, case research conveys better methodology for research (Perrigot, Kacker, Basset, & Cliquet, 2012). According to previous literature more qualitative methods are needed in franchising studies (Elango and Fried, 1997; Gauzente, 2002, Dada et.al, 2010). According to Eisenhardt (1989), although it is impossible to know how many cases are sufficient in a qualitative study, selecting between 4 and 10 cases usually works well (Eisenhardt, 1989). According to this, authors in franchising studies have followed this recommendation for case selection (for example, Dada et al, 2011; Choo et al, 2007; and Merrilees and Frazer, 2006). There for in regard to the replication approach (Yin, 2003; Eisenhardt, 1989), six franchisee from two different franchise system in Iran were purposely selected (Patton, 2002) in this study.

According to Yin (2003), a case study includes both single and multiple case studies; and in order to provide richer qualitative data, multiple case studies are preferred. As far as, provided services in franchise systems are different, to provide better understanding about the role of provided services in franchisee performance in each system, six cases from two franchise system in Iran were purposely selected. Several data collection methods have been done in this research. For gathering data, semi-structured interviews and observations were used to be able to provide more elaborated and detailed data. According to Dada, Watson, & Kirby (2010) at least two respondents from each firm in the franchise agreement were interviewed (1999) First, to get familiarity with the cases; within-case analysis was made (Eisenhardt, 1989; Yin, 2003) then the cross cases' analysis has been made (Yin, 2003). Collected data was grouped in codes, (according to both predominant coding based on literature and also emerging coding) (Creswell, 2009), and after that became related to each other in similar themes.

This study was based in Iran as developing countries. Studying the franchising system in Iran has been selected for several reasons. First, although, doing business in the franchise system is increasing during recent years in Iran, but franchising as a way of doing business, is at the growth stage, and there is some knowledge about how business can be done in this way and there is no research about franchising from franchisee point of view. Second, potential franchisees' knowledge about running business in franchise agreement is limited, and it has made some problems in their decision making. Third, there is no association or council about franchisee in Iran to help them for evaluating franchise opportunities. Finally, however, according to literature, provided services by franchisor have crucial influence on franchisee success and failure, but potential franchisees in Iran think success or failure of them back to popularity of brand name and their media advertisement. So, there is no criteria and measurement that help franchisees to evaluate franchising offers. Franchisee often considers provided service as a measure for estimating the initial fee, not as contribution factors in their performance. According to literature, provided services to franchisees included wide range of services, so in this study first of all we studied which services can lead to better performance in food industry. After finding the important factor in franchisees' performance we, this research we tried to find how does provided services by franchisor enhance franchisee's performance.

Cases description

Shila restaurant chain

Shila is a franchise in restaurant industry in Iran that is established in 2001. It has 18 franchised out. Four major services are offered in Shila's chains include Hotdog, Berger and Sandwich, Pizza and Appetizer, also soft drinking. Parent company in Shila's chain has set some standards in location design, supplying the product, pricing, customer services, quality and health, and human capital. According to organizational value in Shila, they committed their outlets committed to clients' rights, high quality in their product and services, healthy cooking methods, qualified staff knowledge and behavior. High quality of raw material, cooking the food in healthy way and without oil, use to fresh vegetable and use of food grade for packaging the product are distinctive offered services in Shila's chain. Provided services by parent company to outlets include: doing business under the Shila brand and trade mark, helping in location design according to standards, initial training, helping in planning and local advertisement, offering the operational manual, supplying the raw material and equipment, continues quality control, customer relation services and getting the feedback for continues improvement, annual seminar and

sharing the best practices' experiments. In this research, three more successful franchisees were selected for interview and more studying.

Icepack Iranian

Icepack Iranian as the first proven and well established franchise in food industry in Iran is found in 2001 after its founder introduces a new product of ice cream, which is named Icepack with copyright for the company. Icepack spread more than 100 outlets less than six months after the running. At the moment, it has 280 franchised outlets in Iran and other countries. Although, main product of this chain is a special kind of ice cream with several tastes, some other products such as milkshake, fruit juice, coffee, donate and popcorn, also, is offered in Icepack outlets. Parent company in Icepack chains is responsible for provide all raw materials include ice cream, glass, pipe and package; brand promotion, supplying the equipments, initial training, helping in planning and local advertisement, offering the operational manual, concentrate accounting, quality control and customer relation management. All raw materials in Icepack are made by companies, which are working under the control of the parent company. Icepack as an ice cream has a copyright for its formula, and no other companies are allowed to copy and produce it, in fact, Icepack has been established as a unique product different from other kinds of ice creams. Three successful franchised outlet form Icepack Iranian were selected to have more elaborated view.

Finding

According to the previous studies and empirical data more important services which was offered from franchisor to franchisees, has been recognized (table 2). According to Barney’s categorization about types of resources According to data gathered from franchisee these services was divided into 4 major categories that have important impact on franchisees’ performance. These groups include supplying, training, intellectual properties and business know how in which supplying is considered physical resources; training is considered human capital resources; and intellectual properties and business know how are entailed in organizational capital resources. After finding and categorization of services into four categories we asked some more question to know how these services influence their performance.

Table 2: Categorization of franchisors offered services

Categorization of franchisors offered services according to Barney (1991) and Wernerfelt (1984)
Training (as human capital and intangible resources)
Initial training
Ongoing training
Operational assistance
Annual conference and seminar
Learning the basic skill
Supplying (as Physical and tangible resource)
Central purchasing of raw material
Purchasing the equipments
Intellectual properties (as organizational and intangible resources)
Brand promotion
Registered patent
New product development
New technology
Business know how (as organizational and intangible resources)
Transferring the tacit knowledge
Managerial advice
Problem solving

Supplying the raw material and equipment

According to resource-based view, bundle of valuable resources of firms is the foundation of firm’s competitive advantage (Wernerfelt, 1984). Firms for gaining competitive advantage should possess valuable, rare, inimitable, and non-substitutable resources (Barney, 1980). Strategic sourcing has turned

into one of the most important issues for increasing firm's efficiency, effectiveness and has a vital role in their competitive strategies (Ryder & Fearne, 2003). For having effective production, franchisor usually gives specific resources and input to franchisee (Monroy & Alzola, 2005).

Demanding for convenience (frozen) food has been increased in the recent year in food industry and raw material because of major role in cost and quality in the food sector is becoming more strategic (Ryder & Fearne, 2003). Consistent quality has been considered as an important criterion for consumers to trust a firm (Kaufman & Erouglo, 1998). Maintaining the standard consistency and increasing the quality of service or product in franchising, permit the franchisor image continuity and stability across the markets (Preble & Hoffman, 1998 and Kaufman & Erouglo, 1998). Franchisors provide the value to franchisees by offering a consistency of products or services during the time (Baucus, Baucus, & Sherrie, 1993). According to the literature maintaining and improving the quality of products and services is broadly discussed as a major source of competitive advantage for the firms (Morgan & Piercy, 1996). Maintaining and improvement of quality in product and services by decreasing the cost and price sensitivity, and raising the market lead to competitive advantage (Morgan & Piercy, 1996). The data gathered from this research appear to support the importance of the role of concentrated supplying the raw materials by franchisor in creating and developing the consistency in quality of services and product when one of the franchisee said.

"Purchasing from approved supplier or providing the raw material from parent companies help franchised out let us to have more consistent products."

Or another franchisee who said:

"Central Quality control by franchisor, help us to be ensure from quality of raw material and also franchisees do not need to do it and this help franchisee in saving the money and time".

Regarding to the importance of consistency in product and services in food industry, as well, the importance of quality in firms for gaining the competitive advantage (Kuratko, Goodale, & Hornsb, 2001) we, put forward:

P1: Providing the raw materials by franchisors, as physical and tangible resources, cause consistency in quality of products and offered services, and more likely it will lead to franchisee's better performance.

Parent company in franchising could provide materials at a lower cost than franchisees (Cho, 2004) economies of scales in result of central purchasing in the franchise system help small franchisee to take the advantage of large business and lead to their competitive advantage (Kaufman & Eroglu, 1998; and Chiou, Hsieh, & Yang, 2004). Central purchasing in franchising by reducing the uncertainty and earn the benefit of economies of scale help franchisees. (Michael, 1996; Combs, Ketchen, & Hoover, 2004; Kaufman & Erouglo, 1998 and Watson & Stanworth, 2006). The data also support this when one franchisee said:

"Purchasing raw materials from the parent company and sometimes central purchasing from franchising partner decrease the cost of raw material for our firm.

Or another who said:

"... if we want to buy raw material by own self, cost of it will be significantly different with when we purchase it from parent company or other firms, which are advised by franchisor."

So, we therefore put forward:

P2: Providing the raw materials by franchisors, as physical and tangible resources, through the take advantage of economies of scale, more likely will lead to franchisee's greater performance.

Training

Human resource and its practice can create competitive advantage for firms. Training as one of the important human-resource practices in organization, affects the firm's performance, and in log

term impact on firm's competitiveness. (Ordóñez de Pablos & Lytras, 2008). As far as knowledge and learning in each organization can be considered as a source of competitive advantage, by training human resources knowledge can be transmitted to firm's employee and can have a clear role on performance and competitiveness. (Kamya, Ntayi, Ahiauzu, 2011, Minguela-Rata, López-Sánchez, & Guez-Benavides, 2009) .

Franchisors always offer the franchisees programs of training.(Michael & Combs, 2008). The training program in franchising includes the training about production system, marketing, and organizational culture, as well as business management techniques(Dicke, 1992) . Training in a franchise system include initial training, that equipped franchisee with requisite knowledge about the business and how to do it; and ongoing training in which franchisee will be known with new knowledge about the business (Hing, 1995). The data gathered emphasized on importance of training in franchisees' performance when one franchisee said:

"... For me as a person without any experience, initial training has had an important role in my success. ... some times by sharing the knowledge in annual meeting that is held by franchisor we know about latest product and method of marketing in other success franchised outlets."

Or others who said

" by initial training about how to do business, actually you have a shortcut way for doing business exactly about your business. ... although there are a lot of workshop and short time course about how to do a business, but none of them are exactly about your business. ..."

"... Beside, as an independent business most of the time you have no enough time to take part in the training program but in the franchise system, you are more interesting to have training that has been planned according to your business ... in this way you can keep yourself updated."

We there for put forward:

P3: Training program offered by franchisor, as human capital and intangible asset, by generation and accumulation of firm- specific human capital enhance franchisee's performance.

Intellectual property:

Intellectual property, including knowledge-based intangible assets, that are protected by patents, trademarks, copyrights, or trade secrets, as an organizational resources play an important role in firms' success and affect the firms competitive advantage (Martin & mykytyn, 2010) .

Franchisees in a franchise system will be able to get the benefit from franchisor investment in brand (Michael & Combs, 2008). Use of a proven brand is considered as an important source of firm's competitive advantage and will help franchisees to attract customers (Perrigot, Kacker, Basset, & Cliquet, 2012). Creating the brand equity need a cumulative process over time at new franchisee can take advantage of it without spending time and money(Perrigot, Kacker, Basset, & Cliquet, 2012) Franchisees, also, by utilization of the proven brand are able to overcome a potential problem for new business. The brand name will reduce demand uncertainty for franchisees (Watson & Stanworth, 2006). The gathered data show the role of brand equity in franchisee's performance:

"... if we were independent business, we had to spend a lot of money for brand promotion. In fact, as a small business it is so difficult to have a well-known brand"

"... for promote the brand in our local market we just use provided format of advertising by franchisor, in another word we do not need to spend so much money for advertising, and only we try to remind our customer that we are a franchised out let with same product and quality"

"...considerable part of our first customer came to our outlet because of the brand-name ..."

“... doing a business under the established brand solve market entry problems”

We there for put forward:

P4: *Doing business under the proven brand, as organizational and intangible resource, by reducing uncertainty and cost of entrance problems to the new market, and increasing brand awareness, will lead to franchisee's better performance.*

Another form of intellectual properties refers to the patent. According to Martin and Mykytyn (2010) patenting firm will have better performance than their competitors. Patent of the firms makes a barrier for other to competition (Porter, 1980) and franchised outlets will be able to utilize this opportunity and take advantage of it to have greater performance than rivals. Many companies try to spend a lot of time and money in new technology, method and product to reach to competitive advantage. (Mykytyn et al,2002). But possibility of utilization of franchisors patents will give an opportunity to have a competitive edge. According to resource-based view, introducing a new product due to unique historical conditions and also unique formula of a product because of causal ambiguity can help firms to competitive advantage (Barney, 1991). The right of the utilization of franchisors patents gives a possibility to franchisees to reach the competitive advantage

“... no firms are allowed to produce Icepack except a franchised outlet in Icepack chain, this gives us great opportunity to have better performance than others”

“... although Icepack is a kind of ice cream, but it has turned into unique product, and it is served just in Icepack outlets”

“... souse of the sandwich has the important role in taste; however, now we use another company's product but surely knowing about what material and how they are combined would be an advantage for each company”

We there for put forward:

P5: *Franchisors' patents, as organizational and intangible resources, by creating a distinction and increasing the efficiency can lead to franchisees' greater performance.*

Business Know how

Previous research has implied the importance of knowledge to management(Simonin, 1997). Scholars distinct between two types of knowledge include experienced based knowledge and theoretical knowledge (Nahapiet & Ghoshal, 1998). They distinguish know how, which concerns well practiced and declarative knowledge, which concerns facts. (Nahapiet & Ghoshal, 1998). Some knowledge will always remain tacit and can be transfer to the others through the transforming the business know how (Simonin, 1997). According to Reed & DeFillippi (1990) tacitness is an important factor that makes resource inimitable in resource-based view(Reed & DeFillippi, 1990). For example unique formulation of franchisor operation as tacit knowledge in organization will have positive effects on franchisee and whole franchise system (Moore, 2003). According to resource-based view (Barney, 1991), established know-how is a source of competitive advantage (Hoffman, Preble, 2003). According to Simonin (1997) *“The required business know-how is a combination of knowledge and several different skills, and it should provide the learners with an overall view of the functioning of a business organization as a whole.”* Business know-how is related to past collaborative experience (Simonin, 1997) . Importance of business know-how was emphasized among franchisees when they said:

“During the annual seminar which is held by franchisor we learn from successful franchisee experience to how we can enhance our performance”

“... before running our outlet we worked in some more successful outlet to learn how to do our business, in fact, in this way we are able to know how to do the operations and how to have more effective advertising, ”

“... One of the most important factors in fast food success is how to manage customer relationships, actually, managing the customer relationship in each industry is very different, surely use of franchisors experience help you to handle it easily”

“There is something that you will not be learnt in any course and education. Sometimes just an advice from franchisor will change your business conditions.”

“We (franchisees) have collaborative cooperation in the franchise chain, because we do not consider each other as rival... this help us to use other's experience”

“Whenever we are faced the slump on sale, franchisor's and other franchisee's experiences help us”

We there for put forward:

P6: *Transferring business know-how by franchisor and franchise chain, as organizational and tangible resources, can lead to franchisee's greater performance.*

However, according to literature, location selection (Preble & Hoffman, 1998) and store design (Pettijohn, Charles, & Pettijohn, 1997) for customer play a vital role in food sector firms and have direct effect on their performance and competitiveness. But we did not find any significance effect of them in greater franchisee performance. Although they believed it is important, but they thought they could do these without franchisor assistance.

Conclusion, implication and future study

According to Simonin (1997) business success and failures are resulted in three major elements include resources, capacity and competency. Difference between firms' performance can be justified according to differences among their resources in resource base view (Hatch & Jeffrey, 2004 and Wu, 2010). According to Elango and Fried (1997) franchising is in result of combination of franchisee and franchisor's resources, and it deserve to study franchising based on resource-based view According to resource-based view, resource selection in a firm is influenced by internal and external factors (Oliver, 1997). In franchising relation, franchisor is responsible for providing services to franchisees. This research studies according to resource-based view, how provided services by franchisor can influence on franchisees' performance.

Acquiring the competitive resources is important in business performance and success (Ireland et al., 2003; Michael, 2009). Offered services to franchisee include the wide range of service such as training, brand promotion, assistance, operational guide and, etc. Quality and cost of product and services are two important factors in a franchised outlet (Ramírez-Hurtado, Rondán-Cataluña, et al , 2011). Another influential factor in food industry is pricing of the services and product. (Rodríguez, Caballer, & Guadalajara, 2011) . Training practices introduced by any organisation have a positive influence on firm's performance (del Valle & Castillo, 2009 and Michael & Combs, 2008). Franchisee's performance, also, are enhanced by economies of scale gained through collective purchasing, brand promotion, and business know how (Litz & Stewart, 1998 and Watson & Stanworth, 2006). As well as, franchisors try to according to new technological developments, provide the knowledge, create a customer database, and help franchisees to recruit competent employees.

Due to deficient studies in a franchise system from franchisee's point of view, in this work the influential services provided by franchisors are identified. Knowing about important factors in franchisee's performance will help potential franchisee for selection proper franchisor. Firm competitive advantage depends on their strategic resource, and quality and quantity of those resources. (Icksoo, 2009) Therefore by knowing how provided services enhance franchisees performance, they will be able to have more real expectance from franchisor, and also it will help them to facilitate a successful and long relationship. Although firms' attributes may constitute the main source of competitive advantage, (Schiefer & Hartmann, 2008), other influential factor such as the industry level factor have a crucial role on firms' performance and competitive advantage. (Schiefer & Hartmann, 2008). This research just studied the firm-level factors, especially role of franchisors services, on franchisees performance and

further research is needed to study industry level factor, franchisees' attributes. Furthermore, according to limitation of a case study in generalization, this research can be undertaken in other industries.

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