

**An Investigation of Factors Affecting the Quality of the Relationship between
Franchisee and Franchisor and its Impact on Franchisee's Performance,
Satisfaction, and Commitment: A Study of the Restaurant Franchise System**

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Dissertation submitted to the Faculty of the
Virginia Polytechnic Institute and State University
In partial fulfillment of the requirement for the degree of

Doctor of Philosophy
In
Hospitality and Tourism Management

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April 23, 1999
Blacksburg, Virginia

Keywords: Franchising, Franchisee, Franchisor, Quality of the Relationship,
Foodservice Industry, Structural Equations Modeling

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(ABSTRACT)

The growth of franchising has been an important trend in the hospitality industry, since it was introduced into the restaurant sector by Howard Johnsons in the 1930s. In recent years, because of intense competition quick service restaurants have experienced significant external and internal pressures. Such pressures have caused disputes and abuses of the system and have affected external suppliers, customers, and suppliers, as well as franchisees within the franchise system. Because the franchisor-franchisee relationship has yet to be fully explored, knowledge of the factors that produce a high-quality relationship between franchisor and franchisee are critical to the advancement of knowledge in the hospitality industry.

Leader-Member Exchange (LMX) theory is offered of an effective theoretical model of antecedents that can predict the effectiveness the franchisor-franchisee relationship. This study presents a model based on a subset of the Leader-Member Exchange theory.

Using the survey responses of franchisees in the restaurant industry, this study identifies the key factor that affect the franchisee's commitment, the franchisee's satisfaction with purchasing or operating franchise outlets, the effects of the franchisor's brand name on the quality of the relationship, the franchisee's perception of the franchisor's support, the franchisee's motivation to become a franchisee, and the franchisee's performance.

The results of this study generally support the hypothesized model and provide strong support for the idea that the quality of the relationship between franchisee and franchisor plays a role in ensuring that the contractual relationship will lead to franchisee job satisfaction and financial success for both. The proposed model provides franchisors with valuable information for establishing an effective management strategy to improve the relationship between franchisor and franchisee and thus improve the rate of success of both franchisor and franchisee. Similarly, the model can assist both the franchisor and franchisee in understanding their policies in strategic terms and in integrating their different activities to provide the firm with the quality relationship required for maintaining advantage.

I like to dedicate this dissertation to my parents, Sun-Jae Lee and Sang-Shin Kim, for their support and love.

ACKNOWLEDGEMENTS

I am enormously indebted to Dr. Mahmood A. Khan, my committee chair, who provided guidance, patience, and support at every phase of the doctoral program. His effort and help have made my doctoral program more rewarding, both academically and personally. His contributions are gratefully acknowledged.

I would also like to express my appreciation for my committee members, Dr. Suzanne K. Murrmann, Dr. Pamela A. Weaver, Dr. Robert J. Harvey, and Dr. Yang-Hwe Huo, for their invaluable assistance throughout the dissertation process

My thanks also go to my colleagues whom I had the good fortune to know throughout my doctoral program.

Finally, but most importantly, I would like to thank my parents. The process of pursuing a doctoral degree began long before I actually entered a program. My parents have always stressed the importance of learning and exploration. Without their support and faith through the years, this process would never have begun.

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