

A Review of Evolutionary Theories in Sustainability related to the Franchise System

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Abstract

The study aims behind this review is to explore and clarify the evolution of theories towards sustainability in the franchising industry system. This review examined four theories related to franchising prospectively, namely stakeholder management theory, seven levels of sustainability theory, the sustainable value framework theory and the blue ocean strategy theory. These four theories have been used by many researchers to help clarify the need for the advancement of sustainable management. None of those theories seem to have the unique features, benefits and opportunities to overcome issues of sustainability in the franchise system. However, these ideas and theories are changing from time to time to suit the needs and demand in the business world. On the other hand, from the franchise perspective, some researchers are claimed to have failed to develop the basis of management as the human ability is only limited to, the ability of managing the strategy, structure and system which are constantly changing over time. The author hope this article starts an exchange among franchisor and franchisee to better describe, create, and apply the related new idea to move toward the franchising industry as definitely, effectively, and urgently as possible. We learned that the biggest challenges towards sustainability on franchise system are the creation of a straightforward clear model, the work value of franchisor and franchisee to a different

operationally-wise and commercially-wise culture and the ability to focus on supporting the whole network.

Keywords: Franchisor, franchisee, franchising industry, sustainability, stakeholder management theory, seven levels of sustainability theory, the sustainable value framework theory and the blue ocean strategy theory.

1.0 INTRODUCTION

Franchising is one of the sorts of vital unions, inspite of diversification and synergistic collusions (Chirico, Ireland, & Sirmon, 2011). Franchising can be characterized as a legitimate business course of action in which the proprietor of an item, process or administration (franchisor) licenses another gathering (franchisee) to utilize it in return for some kind of installment (Dada, Watson, & Kirby, 2015). An franchise contract as a legitimately restricting blueprint between two self-sufficient firms, whereby the franchisee pays the franchisor for the benefit to offer the franchisor's item as well as the benefit to use this trademark at a given place and for a particular time and situation (Sanny, 2014).

According to Naisbitt (1996), in his book 'Megatrends' shows the importance and the role of the franchise business with states 'Franchising are the single most successful marketing concept forever.' This entry was open to the development of franchise business that can serve as a catalyst for business growth, particularly in the retail sector. However, the idea of starting a franchise business is based on a marketing concept that has been used extensively since 1850's where European countries and the United States is a pioneering business franchise (Mendelsohn, 2004).

The paper starts with a concise of the review, evolution dominant theories in sustainability in franchising industry. This review adds to the writing by investigating these with regards to franchised organization. The discoveries from an arrangement theory are then introduced. At last the consequences of the discoveries are discussed (Watson, 2008).

In the modern business world, franchising is thought to be a financially imperative type of enterprise (Shane, 1996). Before further discussion on the primary subject on the idea of sustainability towards franchising industry. It is necessary to an understanding of the business concept is described as an element inseparable between franchisor and franchisee It is seen in a franchise system in that it makes new employments and affects the financial improvement (Hizam and Li, 2014). For new franchisors to develop promptly, the generally more noteworthy utilization of franchising will support their survival (Shane, 1996). Then again, for private ventures or small businesses, franchising is additionally one of the alternatives to limit the threats of independent business management (Abdullah, Alwi, Lee and Ho, 2008; Hou, Hsu, and Wu, 2009).

Concurring, Trompenaars and Woolliams (2009) sustainability can be characterized as how much an association is fit for making long haul riches by accommodating its most critical situations, made between the five segments which are from shareholder returns and money related execution , worker advancement and learning, corporate adequacy and effectiveness, fulfillment of the customer and commitment to society.

Gallopín (2003) contends that the essential point with respect to the idea of sustainability is not to make changes, yet rather to divert the damage to the sources of reestablishment that can help the system to recoup from the "unavoidable unsettling impacts" that it is introduced to. When looking at about the sustainability related to a system, for example, in franchising industry, it is essential to make it clear if the awareness is about the "sustainability of the system itself" or "sustainability of the output(s) of the system", as both not by any stretch of the imagination mean the same, and the recommendations can be distinguishing. Gallopín (2003) likewise expresses, that sustainable advancement suggests change, and it is not a state like sustainability, rather it is a strategy of advance that can upgrade the system economically. This change of the system can be to upgrade the system, to improve the end result or to enrich both (Eswarlal and Vallesi, 2014).

So, in this paper, research has been done towards evolution theories in sustainability in franchising industry. It also discussed in each theory and the relationship process between the franchisor and franchisee commitment in the franchising system as . From the various theories , we have chosen Four (4) theories related to sustainability which are the stakeholders management theory, seven level of sustainability theory, the sustainable value framework theory, and the blue ocean strategy theory . Finally, we suggest directions for future research and consider the implication of our study related to franchising system.

2.0 PROBLEM STATEMENT

The impact of franchisor issue and disappointment on franchisees has emitted an impression of being possibly serious on a franchise sustainability establishment and the normal proportion of franchisors to franchisees. It is collectively, predicts that this reality will be replicated many circumstances over. The impact of franchisor disappointment is aggravated by the non appearance of security that the franchisee has the franchisee understanding, statute, guidelines, and control. Notwithstanding the way that the impact of franchisor frustration can be outrageous and legitimate security for the franchisee's business. The franchisee can now and again execute some wary strategies to avoid or decrease the full effect of an approaching or genuine franchisor disappointment (Buchan, Frazer, Qu, and Nicholls, 2015).

The franchisee could execute to remain sustained some defensive techniques to avoid the full impact of coming or real franchisor disappointment. For example, a number of franchisees at the time of the franchisor disappointment is consistently an under-representation of franchisees impacted by the mistake a similar number of may have adequately left the system. Disappointed at the nonappearance of franchisor support, slow stock deliveries, or distinctive

issues symptomatic of the moving toward business disappointment of the franchisor. For instance, a committed top management does not "keep going forever," and the issue of sustaining change devolves to the specialist structure. Moreover, franchisees and in addition their expert advisors (i.e., legal advisor, accountant, and franchise consultant) will be not able to anticipate the future dissolvability of the franchisor (Aitkin, 2012; Smith and Sharicz, 2011).

The co-dependency way of the franchisor – franchisee connections involves a sharing of knowledge and burdens (Grunhagen and Dorsch, 2003). The nature of advantages and burdens shared amongst franchisor and franchisee would lead to conflict or collaboration and further decided the apparent value or quality of the relationship. The distinctions in recognition and estimation of the relationship would influence the productivity of the franchise system to be sustained (Maritz and Nieman, 2008). Observational research has demonstrated that the view of franchisee would likewise influence the franchise execution (Hodge, Oppewal, and Terawatanavong, 2013; Buchan, 2015).

The franchisee could implement to remain sustained some cautious systems to maintain a strategic distance from the full impact of coming or real franchisor disappointment. Such as, the amount of franchises at the time of the franchisor disappointment is regularly an under representation of franchises influenced by the disappointment the same number of could have effectively left the system, frustrated at the nonappearance of franchisor support, moderate stock deliveries, or distinctive issues indicative of the moving toward business disappointment of the franchisor. For instance, a submitted beat direction does not "keep going forever" and the issue of managing change decays to the expert structure. Furthermore, franchises as well as their expert advisors (i.e., lawyer, accountant, and franchise specialists) will be unable to anticipate the future dissolvability of the franchisor. (Aitkin, 2012; Smith & Sharicz, 2011)

3.0 LITERATURE REVIEW

Sustainability involves the change of work patterns that are constantly associated and reliably adhered to, with the whole vital being to point of confinement vacillation in operations (Gilson, Mathieu, Shalley and Ruddy, 2005). Besides researchers, Cox and Mason (2007) and Kaufmann and Eroglu (1999) analyzed the attributes of business format franchising, the significance of sustainability to the system, and the sustainability modification strain of the franchise system. The procedure of how to sustain product and service is fundamental to the accomplishment of the franchise system (Cox and Mason, 2007), making the system through image consistency, quality control, and cost minimization (Kaufmann and Eroglu, 1999). The franchise business plan of action improves efficiencies, and warrants economies of scale and degree in advancing, obtaining, and product development (Michael and Combs, 2008) that engage both the franchisor and the franchisee in fulfilling cost minimization (Kaufmann and Eroglu, 1999). In like manner, the units in a chain share an average character and work under a trademark (Bradach, 1997).

Franchise operations , then show brand name capital that gives extensive instructive motivating force to clients, and a bit of the more gainful franchise chains is seen as the unpredictable way of their image name (Norton, 1988). 'In case franchisees stray from the structure's standard model in a journey for their own particular self-interest this will impel to trademark decay and quality incapacitating' (Cox and Mason, 2007). Franchisee consistency to the institutionalized structure is along these lines, essential to the support and progress of the franchising system's preferred image (Kaufmann and Eroglu, 1998 ; Dada, Watson, and Kirby, 201

3.1 EVOLUTION OF THEORIES IN SUSTAINABILITY

Evolution dominant theories identified with sustainability appear to be such a term (Smith & Sharicz, 2011). While, from its foundations of "sustain" and "ability," the term appears to have come to by and large signify "the ability to keep up," in a previous couple of decades, it has likely regularly been connected to a kind of human societal advancement practical improvement. Sustainability in franchising industry may likewise mean the ability to persevere and adjust, provoking the topic of what existing conditions need to and ought to be kept up. Frequently, the term manageable improvement has been deciphered to signify "meeting the (human) needs of the present without trading off the capacity of future (human) eras to meet their own (human) needs" (Brundtland Commission, 1987).

However, this definition has been scrutinized on various fronts, including not being adequately particular about whose or which needs ought to be tended to most importantly (however incorporation of the world's poor in its advancement is a vital, repeating subject), and about what constitutes "needs" (versus "needs"), particularly amongst present and future (human) generation and amongst people and different species. (Starik & Kanashiro, 2013).

Four (4) challenging theories are reviewed and presented in this research to explain the evolution theories of sustainability related to franchising phenomenon; namely, stakeholder management theory, seven level sustainability theory, the sustainable value framework theory and the blue ocean strategy theory , as per Table 3.1 shown .

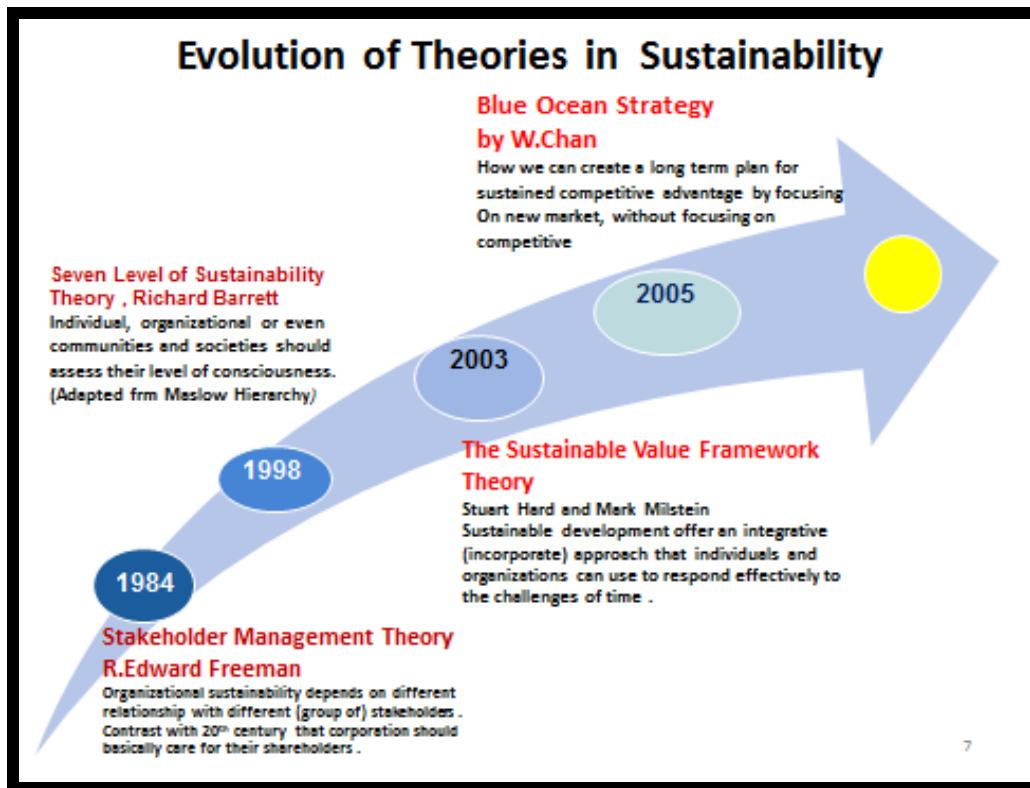


Table 3.1 Evolution of Theories in Sustainability

3.1.1 Stakeholder Management Theory

Stakeholder management theory, as developed by a researcher and professor of business administration R.Edward Freeman (1984), clarified that organizational sustainability depends of various relationships with various (groups of) partners for instance within franchisor and the franchise . These relationships give an impact by individuals and organizations, both positively and negatively (Harris, 2010). It differentiates the dominant perspective of the end of the twentieth century that organization should essentially support their shareholders .Stakeholder theory and management about value creation and exchange and how to sustain a business efficiently. Operational can be viewed as much value as possible, for whatever number stakeholders as would be prudent. Furthermore ,the stakeholder theory to deal with corporate sustainability considers the multi-guardian commitments of partnerships by perceiving that their duties go beyond the shareholder-management relationship (Gadenne, Mia, Sands, Winata, & Hooi, 2012).

In this theory, the organization partner connections are commonly independent. As per Fassin (2009), the model proposed by Freeman (1984) may have been inspired by a gadget-drawn from human science, the sociogram, which imagines the repeat of participation's between individual or groups. The model outline was affected by the conventional capitalist

organizational production model in which the organization is associated just with four groups: the suppliers, representatives, and shareholders giving the fundamental resources that the organization changes into items or organizations for the fourth groups, that is, the clients. In light of current circumstances, Freeman (1984) moreover included distinctive groups influenced by organization activities and saw the relationship as the point of convergence of a movement of reliant connections (Wagner, Alves and Raposo, 2011).

In this manner, the theory of Freeman (1984) came against a circumstance of rising care with regards to the centrality of business to society and nearby the beginnings of the globalization of business sectors and the change of information technologies and methods for correspondence took after by the later expanding of social pressures associated with governments, trade unions, political groups and communities in general. Stakeholder management theory reached in time to illuminate and sustain organization should act by taking into consideration the effects of partners for the extent of businesses (Mainardes, Alves, and Raposo, 2011)

3.1.2 Seven Level of Sustainability Theory

Seven Level of Sustainability theory, as developed by researcher and author Richard Barrett (1998), clarified that the world doesn't show enough leadership to make the business environment more sustainable. Barrett holds, that improved consciousness of this challenge will help to change the world for the better (Barrett, 2006). Barrett suggested that individuals, organization, or even communities and societies, should assess the degree of dysfunction in a system, the alignment of values in the group and the resonance among shareholders as shown in Figure 3.2

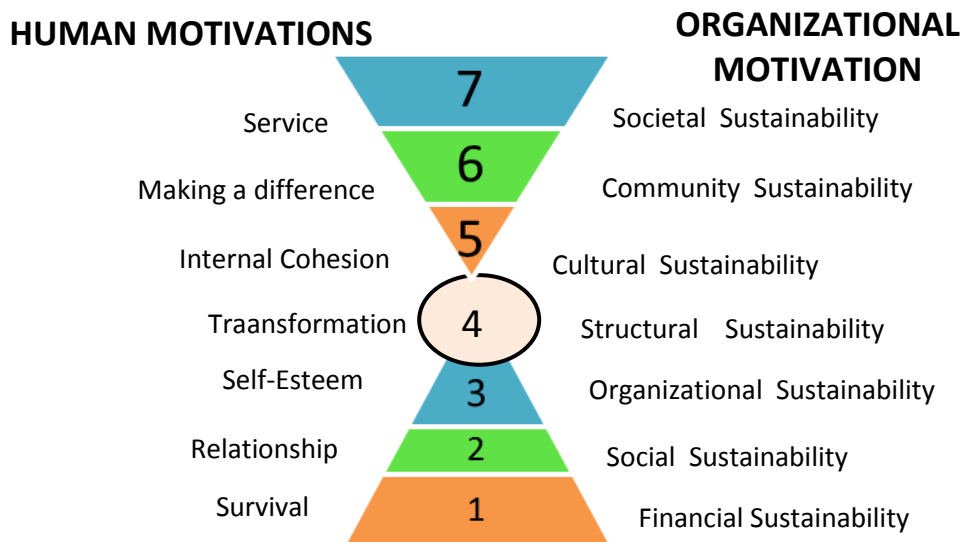


Figure 3.2 Barrett Model-The seven Level of Sustainability

Source : Richard Barrett (1998)

The value of the Barrett model arguable lies in trying the operationalize sustainability in a comprehensive and appealing way. This allows a large audience for structural work on becoming more sustainable to test its applicability fairly easily.

3.1.3 The Sustainable Value Framework Theory

Management Professors Stuart Hart and Mark Milstein observe that the most managers frame sustainable development not as a multidimensional opportunity, but rather as a one-dimensional nuisance. They argue that the global challenges associated with sustainable development are not one-dimensional but multifaceted, just as the creation of shareholder value requires performance multiple-dimensions. They identify the drivers that trigger change, propose strategies to deal with these drivers, and provide aspirational outcomes of these strategies that contribute to a more sustainable while simultaneously driving shareholder value. (Hart & Milstein, 2003).

Hart and Milstein, (2003) recommended a three-step approach to sustainable value, the first is diagnosed; Assess the degree of a company's involvement and determine if there is a balanced commitment evident. Second; opportunity assessment, exploration of unconventional, long-term activities to make use of plentiful opportunities for innovation and value creation. Thirdly; implementation which translates activities into discrete projects and business experiment (Hart and Milstein, 2003) that enable the evaluation of a narrowing of the most promising projects.

Furthermore, as franchisor is increasingly becoming process experts in the franchising industry, they may also be better equipped for improving the sustainability of such processes. This would thus suggest that franchisors that are able to leverage such knowledge, while simultaneously adopting a proactive stance on improving franchisees sustainability, will be better placed to achieve key franchise status. This will require that the franchisor is able to convincingly demonstrate how their product, service or process will improve the sustainability of a franchise's process because a franchisor inability to demonstrate customer value will be a key barrier to the adoption of sustainable innovations (Patala, Jalkala, Kernén, Tuominen & Soukk, 2016).

In franchising industry, the close connection and interaction was required amongst franchisor and franchisee with a specific end goal to decide the system, monetary and social effects of the franchisor product and service item (Dienes, Sassen, & Fischer, 2016). Distinguishing franchisee's key qualities, picking reasonable indicators to signify to those qualities, surveying the benchmark estimations of the indicators, and evaluating the estimation of an item amid its life cycle can't be accomplished in segregation from the franchisor, rather, close collaboration is required. The franchisor can turn this collaboration into competitive advantage and take the initiative in helping the franchisee issues of sustainability (Schaltegger, Lüdeke-Freund, & Hansen, 2016; Patala et al., 2016).

The model particularly recommends that, by seeking after techniques that meet the drivers of today and tomorrow, both franchisor, and franchisee, the corporate result will incorporate; innovation and repositioning, a development course, cost and risk reduction and improved reputation and legitimacy. Sustainability issues can't be settled in segregation inside firms, they require participation along supply chains. (Patala et al., 2016) . Only very few companies seem to exploit the full range of sustainable business opportunities available . more research and evidence is therefore needed to prove that the model indeed works sustainably (Broman & Robèrt, 2015)

3.1.4 The Blue Ocean Strategy Theory

Kim and Mauborgne developed their Blue Ocean Strategy in 2005, expanding on a prior new location that likewise investigates the knowledge that an association ought to make a new request in an uncontested market space, or a 'blue ocean', where the opposition is unessential. In the blue ocean, associations invent and catch new demand, and offer clients a jump in esteem while additionally streamlining costs. (Kim and Mauborgne, 2009). The focal thought is to quit contending in stuffed ventures, so –called 'red ocean' the placement organizations attempt to beat adversaries or rival to snatch greater slices of existing demand .

However, blue ocean strategy requires more than a convincing value proposition. Sustainable achievement must be refined when an organization's value proposition is upheld by key internal and external individuals required in its execution and is supplemented by a solid profit suggestion. Consequently, to compare blue ocean strategy with a theory of promoting myopically coverings the all-encompassing approach expected to make a sustainable high-performance approach, including conquering authoritative obstacles, winning individuals' trust and assurance, and making the best possible motivating forces by means of a convincing people suggestion (Randall, 2015). Due to increasing supply over demand in the franchise business, battling for a market share in such franchising industries will not be enough to maintain superior performance either to franchisor or franchisee. Both parties are required to go beyond competing in established markets. To grab growth opportunities and achieve superior profitability, they are required to establish blue oceans (Malhotra & Seth, 2014).

Blue ocean strategy is about being first to get the client offering ideal by connecting sustainability to value. Organizations that mistakenly accept blue ocean strategy is about being first to market very frequently get their priorities wrong. They incidentally put speed before value. To maintain a strategic distance from this trap such as franchisor or franchisee needs to consistently drive home the idea that while speed is essential, considerably more, critical is connecting sustainability to value. Nonetheless, sustained to success requires continual innovation and improvement. (Randall, 2015 ; Berry & Morris, 2000).

4.0 RESEARCH GAP AND IMPLICATION FOR PRACTICE

There are various factors that need to be in place in order for the franchise industry to become a competitive and sustain. Furthermore, rapid growth of today's management world witnesses the emergence of various theories, ideas, techniques and approaches which are geared towards the improvisation of productivity and management excellence (Firdaus, Hussain, Norhasni, & Asaad, 2015).

However, these ideas and theories are changing from time to time to suit the needs and demand in the business world. On the other hand, from the franchise perspective, some researchers are claimed to have failed to develop the basis of management as the human ability is only limited to the ability of managing the strategy, structure and system which are constantly changing over time.

A research gap in this study to define as a topic or area for which missing or insufficient information limits the ability to reach a knowledge gap. In this issue related to sustainability to franchise industry, is to clarify and define **How** and **Why** to make sustain on franchising industry. A research gap such as; implement value-maximization (Cohen, 2014) and turning passion into profit or monetization and be consistence, persistence and consequence (Hassan, 2016).

Implement value-maximization advances the possibility of equity, equilibrium, and value. It implies getting things done in a proportionate way, keeping away from extremes, at a more otherworldly level, equilibrium, or grasping congruity in the universe. Strangely, the western management theory has made competitive advantage as the most indispensable thought in strategic management of a business (Fontaine and Ahmad, 2013). Competitive advantage can be described as the ability to create higher net revenue than the business' normal (Fontaine and Ahmad, 2013). Since the Western management theory focus at profit maximization, it concentrates more on independence, execution related and financial measure-based approach, as depicted by the Western thought (Abbasi, Rehman, and Bibi, 2010)

Furthermore, the monetization strategy demonstrates the value of operational efficiency by translating the indicators of physical resources or process performance into monetary unit (Patala et al., 2016)

5.0 CONCLUSION AND RECOMMENDATION

Generally, from the four theories that have been reviewed originated came from western ideas, particularly concentrate on development, economic, monetary terms, fulfill assets, expert and commercialization. Future research ought to center consideration around how to maintain and sustained practice can be legitimized, operation, exchange needs to earn added value "good and positive value" guarantee that all work is in good ethic and good moral. Moreover, we need to give consideration for the future research importance of Islamic work

value as an alternative concept and avoid in the franchising system from unlawful or implies unfair gains made in trade or business.

The conclusion of our analysis is that most likely none of them can clarify the full sustainability related on franchising industry, however every theories clarifies different parts of the sustainability issues, so they ought to be seen as complementary theories. This study aids the development of a theory in sustainability within the context of franchising. From the selected theories revealed some themes that led us to put forward a set of propositions which formed the basis of a theoretical model towards issues on sustainability. Nevertheless, future research could examine the impacts of the history and size of the system on the franchise phenomenon within the context of franchise firms. Consequently, this will ensure the sustainability in the franchising business require a reasonably drawn out extend of time. Because of good qualities, in the monetary and financial structure will transform into a strong explanation behind making the franchising system more bolstered and sustained in the future .

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