Chapter 4
Sustainable Development Through Franchise Innovation in the Digital Economy

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ABSTRACT

Franchising has been popular as a strategy for businesses to grow and innovate. It is even more so in today's business need of developing digital solutions for sustainability. In responding to United Nations' Sustainable Development Goals, using franchise innovation to replicate proven sustainable solutions in other parts of the world is an effective approach to scaling up solutions to achieve Sustainable Development Goals. The essence of a successful franchise innovation lies in managing the good relationship between the franchisor and the franchisee. In this paper, we show that digital business solutions for sustainability play an important role in growing and nurturing such a good relationship. Specifically, we discuss that franchise innovation via Netchising, combining the digital power of the Internet for global demand-and-supply processes and the international franchising arrangement with local business solutions for sustainability, is an entrepreneurial approach to communities' development where economic and social aspects are mutually supportive.

INTRODUCTION

International franchising as a global growth strategy is gaining its popularity (Justis, & Judd, 2002; Thomas & Seid, 2000; Chen, & Justis, 2006). For example, the U.S. Commercial Service estimated that India has an estimated market size of $50.4 billion in the franchise industry and international franchising is a growing industry for U.S. franchises to expand in India (U.S. Commercial Service, 2018). In addition, Brazil has 1,643 franchising chains and 79,988 franchising units, ranking the Brazilian franchising market as the 6th largest in the world (in number of units) and the 4th largest (in number of franchise chains) (U.S. Commercial Service, 2018). The popularity of franchising continues to increase, as we witness an emergence of a new digital business model, Netchising, which is the combination the digital

power of the Internet for global demand-and-supply processes and the international franchising arrangement with local responsiveness (Chen, Justis, & Yang, 2004; Chen, Chen & Wu, 2006). For example, Entrepreneur magazine – well known for its Franchise 500 listing – in 2001 included Tech Businesses into its Franchise Zone that contains Internet Businesses, Tech Training, and Miscellaneous Tech Businesses. At the time of this writing, 33 companies are on its list (TBF, 2019).

In the 21st century, there is a need to develop digital business solutions for sustainability achieving the 17 sustainable development goals (SDGs) set by the United Nations in 2015 (UNSDG, 2015). For example, the Better Business, Better World (BBBW, 2019) shows that it makes good business sense for companies to pursue the SDGs to address the interconnections of global risks as indicated in the Global Risks Interconnections Map 2019 (World Economic Forum, 2019). New evaluation tools, such as The Chemical Sector SDG Roadmap (WBCSD, 2018) and Trucost – part of S&P Dow Jones Indices, a division of S&P Global (SB, 2018), help companies develop SDGs-aligned business strategies. Furthermore, Impact 2030 (IMPACT2030, 2019), a private sector led coalition, help companies align employee volunteer programs to meet the SDGs. Social franchising, i.e., using franchise innovation to replicate proven sustainable solutions where economic and social aspects become mutually supportive to enhance their impact on communities' development, is an effective entrepreneurial approach to scaling up solutions to achieve SDGs (Eggers, & Macmillan, 2013; Asemota, & Chahine, 2017; Samsudin, & Wahab, 2018).

In his best seller, *Business @ the Speed of Thought*, Bill Gates (1999) wrote: "Information Technology and business are becoming inextricably interwoven. I don't think anybody can talk meaningfully about one without talking about the other." (p. 6) Gates' point is quite true when one talks about digital business solutions using franchise innovation. Thus, to see how digital business solutions can be "meaningfully" used in franchise innovation for sustainable development, one needs to know how franchising really works and how to effectively engage in digital business management for franchise innovation (Eggers, & Macmillan, 2013). As a prelude to examining the chapter, we discuss how to build the franchisor-franchisee relationship in franchising for franchise innovation; how to develop digital business for franchise relationship management, how to harness information technologies to implement the digital business around the franchisee life cycle, how to align the digital business and media management implementation with application service providers, how to focus the attention to grow the franchisees at different stages of the franchisee life cycle; and how to go global through a "Flying High, Landing Soft" platform to leverage established social networks to reduce risks, using an illustrative example of making cities resilient to show how to advance SDGs through university-industry partnerships, and finally we conclude the chapter with some future trends.

FRANCHISE INNOVATION: MANAGING THE FRANCHISOR-FRANCHISEE RELATIONSHIPS

Franchising is "a business opportunity by which the owner (producer or distributor) of a service or a trademarked product grants exclusive rights to an individual for the local distribution and/or sale of the service or product, and in return receives a payment or royalty and conformance to quality standards. The individual or business granting the business rights is called the franchisor, and the individual or business granted the right to operate in accordance with the chosen method to produce or sell the product or service is called the franchisee." (Justis, & Judd, 2002, pp. 1-3) Developing a good relationship between the franchisor and the franchisee is the key for a successful franchise (Justis, & Judd, 2002).

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