Information Science and Technology in Franchising

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INTRODUCTION

Franchising involves with grating and receiving business rights. The one granting the business rights is called the *franchisor* and the one receiving the right to operate in accordance with the rules is called the *franchisee* (Justis & Judd, 2002). Information technology (IT) has been widely used in today's businesses. 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." Thus, to see how IT is used in franchising (Repack & Repack, 2010), one needs to know how franchising really works (Alkadi, Alkadi & Zhu, 2004). The objective of this article is to propose an attention-based IT infrastructure that is grounded in the information science of cultivating the relationship building between the franchisors and their franchisees which will ultimately lead to the success of the franchise organizations.

BACKGROUND

In addition to the popular growth strategy for many businesses, franchising has emerged over the years as a pathway to wealth creation for entrepreneurs (Justis & Vincent, 2001). This article first discusses the information science of franchising, including (1) the day-to-day operations at both the franchisor headquarters and the franchisee outlets; (2) the franchisor/franchisee relationship and the essential indicators needed to pertain and flourish the good relationship; and (3) the inevitability of collaborative learning and innovation, which leads us to the discussion of the working knowledge development among the franchisor and the fellow franchisees (Dickey, 2003). Second, we discuss that the proposed attention-based IT infrastructure will enable the knowledge sharing and dissemination between the franchisor and the franchisee (Dixon & Quinn, 2004); and suggest outsourcing the initial architectural stages of the IT infrastructure to trusted applications service providers.

UNDERSTANDING THE FRANCHISOR

In this section we examine the day-to-day operational activities at the franchisor headquarters. Figure 1 illustrates the interactions of the franchisor with all four of its entities: business units, prospective franchisees, suppliers, and government; as well as performing relevant activities (represented by rectangles): marketing its products and services, assisting in creating distinguished brand names indispensable in attracting new customers, selling to the franchisees, and handling the diversified financing quandaries.

The franchisor headquarters is required to provide both initial and ongoing support/service to all business units (Lindblom & Tikkanen, 2010). Business units here include company units, all of the start-up, established and mastered franchisees, and the co-branded units. Among the five different types of business units, the franchisor needs to have intense concentration on sup-

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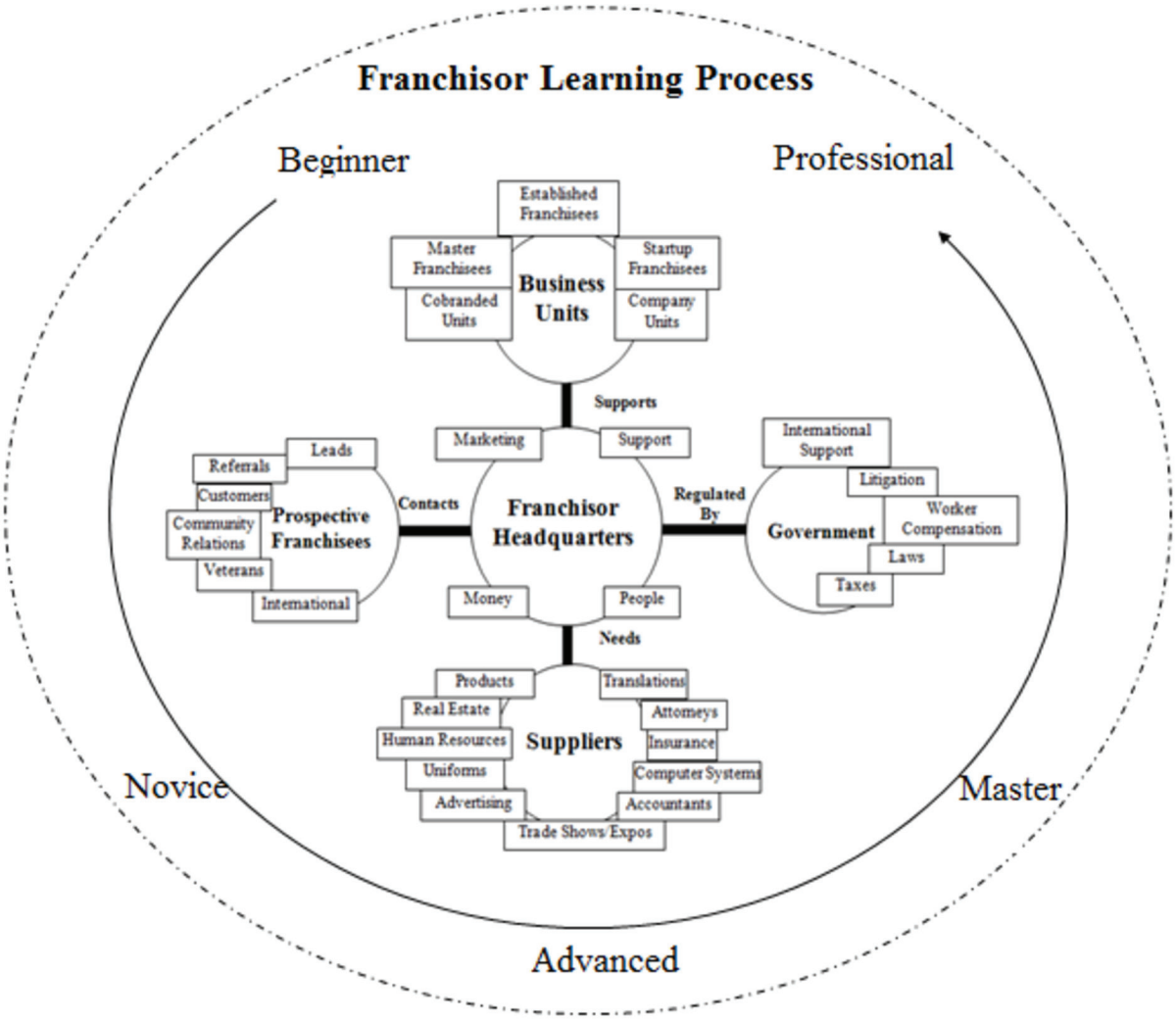
Figure 1. Understanding the franchisor



porting the start-up franchisees, since a good start is as efficient as the half way completion of any task. On the other hand, established and mastered franchisees are the ones in need of appealing incentives (e.g., having cobranded units) in order to encourage growth and expansion. Company units are typically used as role models for the franchisees. To expand the business, the franchisor ought to select and contact the prospective partners (franchisees). The partner selection process is crucial to the success of franchising and requires exceptional attention. Prospective franchisees can be contacted through: (1) leads from marketing channels; (2) referrals, such as satisfied customers; (3) consumers who feel affection to the product/service and would like to be in possession of the business; (4) community and media relationships; (5) public services, like recruiting veterans; and (6) international contacts generated from master franchisees. Franchise suppliers can be anywhere from products and goods distributors up to business service providers, such as real estate agents, human resources providers, uniform vendors, marketing and advertising agents, trade show and exposition organizers, accountants, information systems vendors, insurance providers, attorneys, translators, and many others. Franchisors also need to comply with regulations that govern the sales of the franchises and business transactions in the places where the business located. The overall legal landscape of franchising is complex which includes: (1) federal, state, and international taxes; (2) local, regional, and global laws; (3) insur-