Survival of Franchising Networks
in France from 1992 to 2002

<mark>Etude de la survie des réseaux de franchise en France entre 1992 et 2002</mark>

Rozenn PERRIGOT
Gérard CLIQUET

Abstract

Franchising network performance can be measured through different indicators. In this paper, it is chosen to focus on the survival as a criterion of performance: the longer the network life, the best performing the franchise network is. But which elements can be considered as determinants of network survival? According to the population ecology theory, in a general perspective, organizations fitting environmental criteria are positively selected and survive, while others either fail or change to match environmental requirements (Aldrich, 1979). The organizations fitting the environment are, by definition, flexible. In the case if franchising, the flexibility can be reflected by plural form organizational form (Bradach, 1997; 1998).

This research therefore focuses on the link between plural form network management and survival. A descriptive analysis of the franchising network failures in France is first exposed in order to complete the works already made on the US and GB markets (Shane, 1996; Lafontaine and Shaw, 1998; Stanworth *et al.*, 1996; 1998; Price, 1996). Then, the hypothesis to test is that plural form networks, being flexible and so fitting their environment, survive longer than predominantly franchised or company-owned networks. An amount of 952 franchising networks have been studied in the French market over the period: 1992-2002.

The paper is composed of three sections. After having presented the topic of this paper in introduction, the first section presents the literature about survival and plural form networks. The population ecology theory is here used to explain the concept of survival. The second section exposes in details the survival analysis methodology. In the third section, the application dealing with franchising network survival in the French context between 1992 and 2002 is exposed in some details. The results are also explained.

The low rate of survival established from US and British databases by previous researchers has been confirmed in the sense that, also in France, over 952 franchising networks studied during the period 1992-2002, only 42.13% survived.
And the hypothesis of Shane (1996) concerning the possible approximation between the number of network failures and the number of new franchised organization creations has

been also verified: the number of network disappearances (551) is close to this of network appearances (612).

Traduction : Des recherches antérieures ont montré que le taux de survie des franchiseurs aux USA et en Angleterre était faible. Notre étude a confirmé qu'en France, le taux de survie des franchiseurs était du même niveau. Ainsi sur 952 réseaux de franchise étudiés entre 1992-2002, seulement 42.13 % ont survécu.
Par ailleurs l'hypothèse de Shane (1996) concernant le rapprochement entre le nombre de réseaux qui disparaissent et le nombre de réseaux qui se créent a été aussi vérifiée : le nombre de disparitions de réseaux (551) est proche du nombre de nouveaux réseaux (612).

As far as plural form superiority in terms of survival is concerned, it is observed that the network disappearance hazard decreases of 23.6% for plural form networks compared to predominantly franchised (and/or company-owned) networks. Finally, the conclusion sums up the results, describes implications at several levels: theoretical, methodological and managerial, presents the limits of this work and proposed some tracks for future research at two stages: the various possible applications of survival analysis in the franchising research and the concept of plural form networks with the advantages linked to this organizational form.

Keywords

Survival, plural form, longitudinal study, France.