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DOI	10.1504/EMJM.2023.10053015
Download date	2026-05-21 11:10:59
Link to Item	http://hdl.handle.net/20.500.14131/769

The critical success factors of restaurant franchisors in Lebanon

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Abstract: This research aims to determine the effect of selected organisational factors on the success of Lebanese restaurant franchisors. It will identify the critical success factors of Lebanese restaurants facilitating their expansion and growth. The research is based on a quantitative study that examines the dependency of franchise success on five specific factors studied in this research (preset and definitive franchisee selection criteria, internationalisation at a shorter length of time, years of experience in the food and beverage (F&B) and/or the franchise business, proportions of company owned outlets versus franchised outlet and short payback period on the return on investment (ROI) of the franchised outlet). Results revealed that success of franchising depends on a variety of factors some of which were already tackled in this research: internationalising at the right time, years of experience in the F&B and/or the franchise business, and proportions of company owned outlets versus franchised outlets.

Keywords: franchisors; franchise industry; Lebanese restaurants; internationalisation; Lebanon.

Reference to this paper should be made as follows: Daou, L., Nasr, N. and Azouri, M. (2023) 'The critical success factors of restaurant franchisors in Lebanon', *EuroMed J. Management*, Vol. 5, No. 2, pp.168–184.

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1 Introduction

In today's global business environment, franchising has turned into one form of managing businesses, serves as a primary method of facilitating brands expansion into the global markets, and is a one way of operating worldwide businesses. Franchising business model is extensively used in the retail and services sector and it represents a significant mechanism of growth and development in the food and beverage (F&B) sector making the franchising concept widely popular in the restaurant business for two main reasons: the ease of operation and its duplication specifically in the fast food and casual dining. Franchising sector is growing at a steady pace in Lebanon hence the need to research this topic within the context of Lebanon with special emphasis on the factors that generate existing franchisor success, specifically in the F&B sector. As far as we know, no previous research has been executed on the topic of franchise neither in the Lebanese market nor in the Middle East region in general.

Lebanese franchise businesses are governed by a highly dynamic and competitive environment and encountered with economic and political uncertainties. In this given business context, different Lebanese franchisors in the F&B industry had expanded locally and in foreign markets, while others failed to expand their restaurant chains and had to exit the market. Some Lebanese restaurant franchisors have achieved remarkable growth and have been successful in expanding into different countries despite Lebanon's continuous economic instability. However, other franchisors failed to manage properly their franchise branches and closed down their operations as a result. In light of this situation, the researchers perceive a need to understand the reasons behind the success and failure of the Lebanese restaurant franchise system to facilitate its expansion nationally and internationally. This research aims to determine the effect of selected

organisational factors on the success of Lebanese restaurant franchisors (Zor). By doing so, the research will be able to identify the critical success factors (CSF's) of Lebanese restaurant Zor or domestic franchisors, facilitating their expansion and growth. Based on previous scholars' findings it has been proven that these selected factors contribute to the success of business in other geographical areas such as Spain and the USA. Furthermore, this study will determine the various key factors that the management of a Lebanese franchised restaurant uses to overcome the challenges faced throughout their different growth phases.

In this research, the primary objective is to detect the basic factors that contribute to the success and minimise the risk of failure of a Lebanese franchised restaurant. The stated objective will be achieved by testing the relationship between franchise organisational factors and the success of franchisor. It will indicate whether this relationship has any significant impact on the success of restaurant franchisors. Furthermore, the study will also indicate whether those benefits of the franchise strategy help restaurant franchisors overcome the challenges while proposing possible actions to those barriers that impede the expansion of Lebanese restaurant franchisor.

To better meet these objectives, the study will be answering the following questions: *how do the franchise organisational factors, franchisee selection criteria, business internationalisation, years of business experience, number of own outlets vs. franchised outlets, and return on investment (ROI) of franchised unit, affect the success of the Lebanese restaurant franchisors?*

The paper will start with a literature review explaining the concept of franchising in the F&B sector followed by an overview of the franchises in the MENA as well as in Lebanon. Then the CSFs for franchises are discussed. The following part is the methodology where a description of the sample is provided and a detailed data collection method is explained. After this section, the results and discussion and the paper ends with a conclusion about the research that was conducted.

2 Literature review

2.1 Concept of franchising

Earlier definition by Norback and Norback (1982) referred to franchising as a license between the owner of the brand or trademark (franchisor) and the owner who operates it commonly known as the franchisee, where the latter is allowed to perform the selling of the products or services that are originally under the name of the brand or the franchisor's system. Mendelsohn (2004) defined franchising as model of both legal and marketing dependencies, also a method of distributing products and services without business categories limitations. It is considered a typical form of organisation where two distinct entities agree to develop and execute any business practice in a given industry (Beere, 2017). Comparatively, the International Franchise Association (IFA) which is the major worldwide franchise association, defines the franchise operation as "a contractual relationship between the franchisor and franchisee in which the franchisor offers or is obliged to maintain, a continuing interest in the business of the franchisee in such areas as know-how and training; wherein the franchisee operates under a common trade name, format, or procedure owned by or controlled by the franchisor, and in which the franchisee has made or will make a substantial capital investment in his business from his

own resources” (Khan, 2015). As a synthesis on the above definitions, franchise is a contractual right granted to two parties that are legally independent, being the franchisor (first party) and the franchisee (second party).

2.2 Franchising in F&B sector: the restaurant business

The business model of franchising is used mainly in the retail and services sector, it is “proving to represent a major instrument of growth in the modern hospitality services sector” (Lashley and Morrison, 2007). The concept of franchising is widely popular in the restaurant business for several reasons, two of which were predicted by Hoover et al. (2003):

- 1 restaurant chains possess little access to capital
- 2 the interest of franchisee in preserving their own investments (Khan, 2015).

Franchising helps in supporting the self-interests of restaurant managers and those of the corporations, which support the firm’s goals by reducing the monitoring of outlets and investing franchisee investments to derive success to the operational system of restaurant chains. By doing so, franchisors gain easier access to scarce capital resources and franchisee have the opportunity to invest in their own managed business with less risk involved. Since investing in a franchise business presents lower risks, numerous franchisees favour acquiring those businesses that include popular brand name, established successful concept, and well-known distribution system, developed training programs, efficient research and development series. Investing in a restaurant franchise represents less risk and more investment than in start-up (Johansson and Pedersen, 2018). In summary, Franchising is considered a successful strategy since it solves the problem of resource scarcity for the franchisor and presents a successful business model with low-risk investment for the franchisee, satisfying each party needs (Khan, 2015).

2.3 Franchise research context

2.3.1 MENA region franchise sector overview

The franchise sector is a fast-growing sector in the Middle East with a market value of USD 30 billion and an annual growth rate of 27%, whilst the percentage of the world food related franchises is of 23% (Hospitality News ME, 2017, 2018, 2019, 2020). The F&B sector, in particular fast food and quick service restaurants, is the largest beneficiary of the growing franchise economy in the MENA region. Since 2016, the top food companies’ portfolios were focused on particular concepts such as Lebanese, Italian and Café Bistros with new trends like street food and food trucks were introduced to the supply base. For the past 30 years, the region has been importing western concepts via franchise in compliance with investors and customers’ preferences of large investments and expenditure as well as high quality. Since 2017, the attitude of investors and consumers has changed towards foreign franchise vs. local ones developing in the market leading to new regional trend of the franchise sector (Hospitality News ME, 2017, 2018, 2019, 2020). Investors’ preferences have changed as local consumers began opting for local adapted concepts rather than large foreign franchise chains. They prefer to invest and develop a domestic franchise brand or buy a franchise brand from the region rather

than becoming a franchisee for a foreign brand. The region franchise sector is reaching a new level of growth with the expansion of home-grown F&B concepts that have developed over the past ten years, primary from Lebanon, UAE and KSA. Middle Eastern brands now possess the popularity and advantage to take the brands internationally and regionally to compete with American brands previously imported (Hospitality News ME, 2017, 2018, 2019, 2020). The GCC nations (KSA, UAE, Kuwait, Qatar, Bahrain and Oman) present prime opportunities for existing and potential franchisee and franchisors in the MENA, whereas Egypt is the leading franchising destination among African nations (Arab Business Review, 2016). Franchising in the MENA region has been explored by scholars in limited number of countries such as KSA, Kuwait, Tunisia, Egypt, Algeria and Morocco. As discussed by Alharbi (2014) and Chanut et al. (2015) in the MENA region the country institutional environment (political, economic, infrastructure, laws, and institutions) and franchise environment (legal, institutional, cultural, marketing, financial support) has a direct effect on the development of domestic franchise concepts. Alharbi (2014) found that the franchise environment in Saudi Arabia presents several barriers that make the development of domestic franchisors challenging in the presence of international dominant franchisors. Saudi Arabia SMEs struggle to become franchisors and their number is still incomplete due to the absence of legal support and absence of a Saudi franchise law, lack of financial and institutional governmental support, lack of fundamentals of franchise system management, marketing, development and educational services support facing international franchisors competition (Alharbi, 2014). According to Chanut et al. (2015), the institutional environment affects the performance of franchised firms in emerging markets like Morocco, Algeria and Tunisia, where Moroccan market is preferred for franchising. The authors found that for franchisors, agency theory and resource scarce theory are the motive for their expansion while institutional theory determines their success or failure. As highlighted by scholars' many obstacles mainly differences (social, legal, cultural, and political) between the Middle Eastern countries and other developing ones, prevent the blossoming of the franchise environment (Anttonen et al., 2005; Alon et al., 2007; Bunea-Bontas and Petre, 2009). Briggs and Araghi (2009) studied the regulatory context for the franchise agreement in the UAE, governed by commercial law, which is an obstacle that leads to the willingness of international franchisees to register their agreement in the country. Welsh et al. (1996) have deviated more towards the impact of cultural traits of Kuwaiti society on business administration as a whole and not on the franchise system on its own. Two scholars studied franchising in Egypt (Grunhagen et al., 2010; Elsaman, 2012). Grunhagen et al. (2010) found out that US fast food franchises had positive and negative effects on the social, cultural, political, economic and marketing aspect of the country. Elsaman (2012) put forward a legal framework to standardise the franchise market in Egypt relying on the international US, Chinese and Malaysian laws.

2.3.2 Lebanese market overview – franchise and restaurant business

Despite having Lebanon, the Middle Eastern country that exports the most its F&B franchised concepts to the world; the field of franchising research remains widely understudied. Like any other business, the Lebanese restaurants aim to adopt a model that enables them to make a profit, expand their interests in untapped markets, and benefit from their profit potential (Hospitality News ME, 2017, 2018, 2019, 2020). Franchising

is considered as a relatively recent subject in the Lebanese market compared to its popularity in the American and European markets since the 1930's. This new concept of doing business first appeared in the 1990's when only about ten international franchise chains were recognised in the country (Laila, 2018). By examining the country franchise and institutional environment, there is a lack of franchise regulation where no legal definition of franchise is made by the Lebanese law (Berberian, 2015; Laila, 2018). In 2006, Lebanese franchise association was established and is part of the world franchise council. According to the head of the US commercial services of the US Embassy in Beirut, franchising is among the fastest growing Lebanese business sectors especially when it comes to franchising of concepts in the hospitality and F&B sector, where the US concepts presence is dominant and still growing (Hospitality News ME, 2017, 2018, 2019, 2020). During these 30 years since the introduction of franchising, Lebanon has been using the franchise strategy for expansion and investment purposes, where many international brands have been introduced. Lebanese brands emerged and started expanding nationally and internationally by exporting their concepts to the world through franchising (Hospitality News ME, 2017, 2018, 2019, 2020). The majority of Lebanese franchises exported to the world are in the hospitality sector specifically restaurants. As acknowledged by the World Franchise Council (2013) in its meeting held with LFA in Beirut in April 2013, franchising contributes to the development of SMEs and local businesses in different sectors and across nations, in given countries encountering economic difficulties. In times of harsh economic situation, the Lebanese franchise industry present prospective financial escape plan for franchisor who want to maintain growth having that the franchising industry is usually less affected than any other sectors in time of turbulence because a well-established brand that gives quality assurance to the consumer and it is a less risky business for investors (The Daily Star, 2014).

2.4 Factors that contribute to the success and failure of franchising in the restaurant business

It is now commonly believed that franchising constitutes a vibrant business model with an extraordinary rate of success and a progressive practice that supports economic growth and induces increased competition (Johansson and Pedersen, 2018). Differentiation in product and service is the main way of creating competitiveness and maintaining it consistently. It is the most dominant in the restaurant market, where restaurant owners who become franchisors, use the franchise model as strategy for growth and expansion (Hsu et al., 2010). Franchising assists restaurants to deal with their restraints that limit their development, by supporting a bunch of financial capital and management support, which facilitate the expansion and the increase in number of outlets (Hsu et al., 2010). From the franchisors' perspective, franchising can overcome growth challenges that the conventional firm faces, such as opportunism (Gillis et al., 2011), resource constraints (Dant et al., 2011; Gillis et al., 2014), and managerial constraints (Penrose, 1959).

2.4.1 Theory of the firm

In economics, approaches to the firm theory seek the explanation of its existence as a mode of economic organisation, in terms of its economy of scale and scope that helps control the company costs (Sun and Lee, 2019). For the purpose of this study, these can be largely categorised into three different literature streams, where three main theories

emerge to explain why firms franchise (Beere, 2017): The agency theory, resource-based view theory and the transaction cost theory. The concept of agency and resource scarcity theory helps to understand the reason that drives businesses to choose franchising as a business expansion strategy to grow through franchisee-owned units instead of company-owned ones (Lashley and Morrison, 2007). The former is concerned with incentive issues and organisational control; the latter is concerned with resources enabling firm's growth. As for the transaction cost theory, it explains how adopting the franchising strategy helps firms reduce the risk of external uncertainty and identify the benefit of transferring their allocated costs to a second party (Sun and Lee, 2019).

In summary, all of the three theories; agency theory, resource scarce theory and transaction cost economics theory are interconnected and explain some of the reasons a firm would adopt franchising as another form of organisational strategy that aims at maximising profit, achieving territorial expansion and business growth accommodation (Beere, 2017).

2.4.2 CSF theory development

Bruno and Leidecker (1984), described CSF as being “those characteristics, conditions or variables that when properly managed, can have a significant impact on the success of an organisation competing in a particular industry.” Daniel (2016) first mentioned the CSF term in 1961, when he determined the ‘success factors’ in *Harvard Business Review* article about management information crisis. He was not the only one to mention CSF, as the concept was defined by Rockart (1979) being “the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance in an organisation.” This author identifies between the business characteristics and environmental conditions for a particular company (Amberg et al., 2005). CSFs could emerge from environmental and strategic situations, terrestrial locations and chronological factors that are related to a specific industry (Rockart, 1979). This methodology of CSF's emphasises information necessities for better control management and data identification employed for business monitoring and enhancement purposes (Amberg et al., 2005).

2.4.3 CSF's of franchised restaurants in different markets

Based on review of relevant literature, six main research were executed on CSF's in different markets. The three of the research are of qualitative nature, two are of quantitative nature where data was collected through the survey method, and the remaining one is of both quantitative and qualitative nature. The authors of the first research on the CSF's of Swedish Restaurant Franchisors, found that the size of the franchisor affect its success throughout the life cycle of the business and different size franchisor have distinctive CSF's (Johansson and Pedersen, 2018). The CSFs for small restaurant franchisor in Sweden were concept development, finding and evaluating franchisee and crowdfunding to finance expansion. While the focus of large franchisors was on CSF's related to standardisation, brand building and quality improvement (Johansson and Pedersen, 2018). Johansson and Pedersen categorised the four different theories written about success in franchising and restaurant business. The four different theories from Alon (2006), Camillo et al. (2008), Choo (2003) and Gikonyo et al. (2015)

were combined under five main categories of: promotion, growth, franchisee management, external and learning.

- 1 The first category promotion is based on three studies from Gikonyo et al. (2015), Camillo et al. (2008) and Choo (2003), and includes the following CSFs: brand power, cultural appeal, cultural adaptability, balance between price, value to customers, marketing strategy and service/product quality to sell unique concepts (Johansson and Pedersen, 2018).
- 2 The second category is growth, based on the work of Lafontaine and Shaw (1998) who studied growth in franchising. Growth category covers the different CSFs for location selection, chain expansion speed, quick internationalisation and standardisation (Johansson and Pedersen, 2018).
- 3 The third category is grouped under Franchisee management and includes the following CSF's: distance management, franchisee selection, relationship franchisee, contract management, work-life balance, and clear vision. As mentioned by Johansson and Pedersen (2018), the contribution to this category comes from the three studies of Gikonyo et al. (2015), Camillo et al. (2008) and Choo (2003). The original findings from these studies about CSFs are competent management, partnership management, balance between family and work-life.
- 4 The fourth category is grouped under external, which include the CSFs for competitors and regulations (Johansson and Pedersen, 2018). It contains the CSFs that range from competitor environment, governmental policies to host country risk management.
- 5 The fifth category 'learning' include CSFs for franchise vs. owned stores, operate own stores, continuous learning, and creativity (Johansson and Pedersen, 2018). The contribution to this category comes from the two studies of Camillo et al. (2008) and Alon (2006).

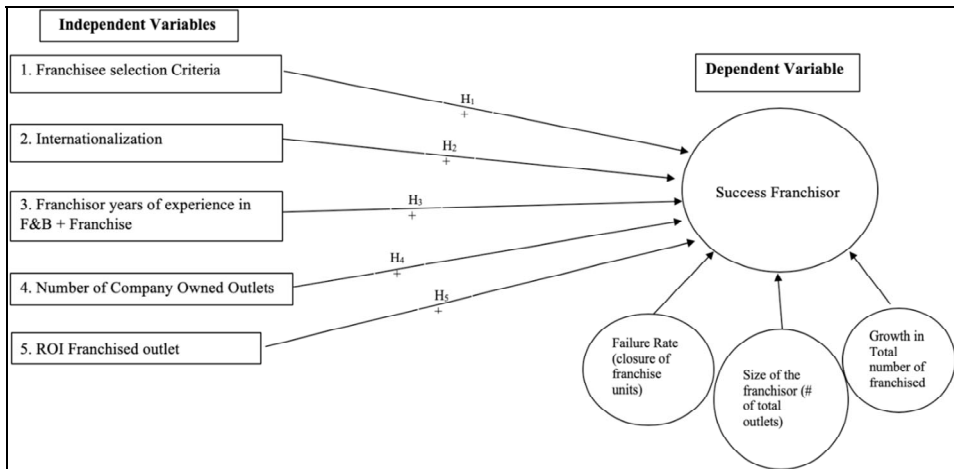
In the sixth article about the contribution of franchising in the economic stability of the restaurant, that predicts the success or failure of the franchisor, Calderon-Monge et al. (2017), found that success is related to the age of the business, outlets ownership structure and positive financial performance due to external financing source such as initial franchise fees and royalty fees. The experience in the business is important for the success and survival of the franchisor, in addition to the franchisee selection criteria that increase the probability of franchisor survival (Calderon-Monge et al., 2017).

In comparison with the result of a similar study that was conducted in Kenya market (Gikonyo et al., 2015), the results on the research in Lebanon will provide insights on the CSF's of a new geographical area to explore if each geographical area has its own CSRs or identical ones. The following is evident since it was mentioned in the future research section for the Kenyan market study, that "studies on CSFs for franchised restaurants could also be carried out in other regional markets and compared with those found in the Kenyan market" (Gikonyo et al., 2015). Gikonyo et al. (2015) assert in their research that CSF's could be influenced by geographical locations and environmental situations among other things. The authors mentioned, "The unique geographical location, the socio-political and environmental conditions found in Africa could mean that the CSF's identified in this region may not be identical to those found in other regions. Neither

would they have the same relevance.” In the light of their research, studies on CSF’s for franchised restaurants could also be carried out in other regional markets such as Lebanon. By comparing the outcomes, it is possible to find out whether the CSF is of franchised restaurants in certain markets differ or resemble to those in distinct markets.

Figure 1 represents the conceptual model, based on the combination of the work of Alon (2006) and Calderon-Monge et al. (2017), shows the hypotheses between the independent variables and the dependent variable.

Figure 1 Research conceptual framework



3 Methodology

3.1 Research design

This study entails a causal research as the research aims to study the relationship between the independent variables (franchisee selection criteria, internationalisation, franchisor’s years of experience in the F&B and franchise business, the number proportion of company owned outlets, and the ROI of the franchised outlet) and the dependent variable, the franchisor’s success. The research follows a quantitative study for the analysis, interpretation, and discussion of its data.

3.2 Data collection

In this study, primary data is collected by using the survey. The tool used to collect the data was the questionnaire. A set of closed ended (such Likert scale questions) are tailored based on previously set survey questions in the literature. Thus, the researcher adopted and adapted some questions from scholars. The online survey questionnaire includes 20 questions and is divided into section. The questionnaire is developed in English. Despite this fact, a pilot test was conducted with a sample of n = 10 Lebanese Franchise Association representatives to ensure the validity, clarity, and accuracy of the questions. The responses were collected online through e-survey creator.

3.3 Sampling

The target population for this study is the restaurant franchisors from Lebanon who grew in the Lebanese market and other markets of the world. The population of the restaurants created by Lebanese restaurant professionals and involved in the franchising industry consists of 60 restaurant franchisors as per the LFA, consultancy firms contacted and hospitality news magazine 2019 franchise report. The restaurants within the population are of different sizes and at different franchise life cycle growth phases. The list includes members and non-members of the Lebanese Franchise Association and they are all active franchisors who have sold at least one franchised unit in the domestic or foreign market. The samples of restaurants were divided according to their category and their type of cuisine. Out of the total number of restaurant franchisors targeted 60, a set of 35 complete responses were collected and retained for analysis thus, the response rate was 58%. The restaurant franchisors within the list are from diversified types and cuisines. The individuals that were asked to accomplish the survey are in management positions who know about the company franchise process and history occupying one of the following positions: franchise manager, director, coordinator, co-founder/owner, operation manager, HR manager and other managerial or board position.

The researchers used the non-probability sampling methods using convenience and judgmental sampling techniques. The reason for choosing this method specifically came from the need to approach only experts in the domain of restaurant franchising industry. From total sample of franchisors collected for this research is 34.67% of them are men and 32% are women. The average age of respondents is 30 with a range of 20 to over 60. Most respondents have up to ten years of experience in franchising. On average, participating restaurants have been in the business for almost 20 years and began franchising their business 5–10 years after their creation. The average number of employees at participating restaurants is 129 with a good percentage of restaurants (35%) having around 250 employees.

4 Results

As suggested by literature, franchising business is dependent on several variables that define its susceptibility for success or failure. In this research, the specific factors (franchisee selection criteria, franchising internationalisation, years of experience, proportion of company owned outlets versus franchised outlet, and ROI), were assessed against success of franchisor (measured through unit closure-failure rate and the growth in total number of outlets).

In a study conducted by Paynter and Arthanari (2001) tackling the determinants of franchise success, the researchers highlighted failure rate as a determinant of the success of a franchise investment. They explained that the low failure rate (i.e., the low number of units' shutdown) implicates that these units are still in operation and viable to date. Consequently, this is a good indicator of franchising business survival and success.

Five hypotheses were formulated to assess the factors that influence the relationship between franchisor and franchisee. The first point studied is the importance of putting in place a franchisee pre-set selection criterion.

Five independent variables are defined within this study, the table below lists the variables and their respective scale measures.

Table 1 Independent and dependent variables, and scale measures

<i>Independent variable</i>	<i>Scale measure</i>
Age/experience	<ul style="list-style-type: none"> • Years running the business • Experience within F&B only or in other industries
Franchise selection criteria	<ul style="list-style-type: none"> • Existence of predetermined criteria in the selection process
ROI franchised outlet	<ul style="list-style-type: none"> • Short payback period
Franchise internationalisation	<ul style="list-style-type: none"> • Expansion in both the international and regional market
Company owned outlet	<ul style="list-style-type: none"> • Number of owned outlets
<i>Dependent variable</i>	<i>Scale measure</i>
Success of franchisor	<ul style="list-style-type: none"> • Unit closure-failure rate • Growth in total number of outlets

Mean rank was adopted to check the most to the least relevant aspect that, according to the franchisor, affect their selection of potential franchisee. Based on below Kendall's W test, franchisee local market knowledge got the lowest mean indicating that most surveyed franchisors agreed that this point is the most important criterion as opposed to educational qualifications that ranked the highest indicating that most franchisors disagreed of its importance.

Table 2 Kendall's W test for franchisee selection factors

	<i>Mean rank</i>
Franchisee local market knowledge	2.12
Franchisee financial capabilities and qualifications	2.38
Franchisee business years of experience in F&B	2.87
Franchisee business years of experience in franchising	3.76
Franchisee educational qualifications	3.87

Notes: Range: 1 = totally agree and 4 = totally disagree.

H₁ Preset and definitive franchisee selection criteria have a positive impact on the success of the Lebanese restaurant franchisor.

To test H₁, the dependent variable – success of the Lebanese restaurant franchisor – was tested against preset and definitive franchisee selection criteria. The success rate was calculated based on two criteria:

- Low failure rate/high success rate (closure of 0 and up to 20% of the total outlets).
- High failure rate/low success rate (closure of more than 20% of the total outlets).

As selection criteria encompassed a set of factors detailed in Table 3, measures of F, ETA, ETA squared, and sig. were extracted. Relying on the obtained results mainly sig. value, the factors of franchisee financial capabilities and qualifications, franchisee business years of experience in franchising, and franchisee educational qualifications were retained for further analysis. Franchisee business years of experience in franchising, however, had the highest association to franchisee selection criteria (53%).

Table 3 Means comparison for selection criteria of franchisee

<i>Variable: relying on specific franchisee selection criteria in the franchisee selection process contribute to the success of the franchisor*</i>	<i>F value</i>	<i>Eta</i>	<i>Eta squared</i>	<i>Sig.</i>
Franchisee local market knowledge	1.516	0.298	0.89	0.235
Franchisee financial capabilities and qualifications	3.358	0.501	0.251	0.032
Franchisee business years of experience in Franchising	8.190	0.728	0.530	0.000
Franchisee educational qualifications	4.368	0.613	0.376	0.007
Franchisee selection criteria – financial qualifications/capabilities importance	1.968	0.406	0.164	0.140
Franchisee selection criteria – educational level importance	0.327	0.178	0.032	0.806
Franchisee selection criteria – franchisee local market knowledge importance	1.302	0.339	0.115	0.292
Franchise organisational factors – franchisee selection criteria	1.385	0.349	0.122	0.265

After retaining the relevant determinants, regression analysis was conducted to test their correlation, if any, with success rate of franchisee. As it is evident in Table 4, there is no significant correlation between the adoption of a predetermined selection criteria and the success of the Lebanese restaurant franchisor based on the sig. value for all variables (above 0.05). In more practical terms, the adoption of preset selection criteria did not prevent the franchised units for some franchisors to fail which implicates that other elements have more impact on the franchise business than the criteria adopted for selection.

Table 4 Linear regression to test H₁

<i>Model</i>	<i>Unstandardised coefficients</i>		<i>Standardised coefficients</i>	<i>t</i>	<i>Sig.</i>
	<i>B</i>	<i>Std. error</i>	<i>Beta</i>		
1 (Constant)	1.846	1.390		1.328	0.195
Relying on specific franchisee selection criteria in the franchisee selection process contribute to the success of the franchisor	0.586	0.546	0.237	1.073	0.292
Franchisee financial capabilities and qualifications	-0.384	0.372	-0.199	-1.033	0.310
Franchisee business years of experience in franchising	-0.304	0.350	-0.207	-0.869	0.392
Franchisee educational qualifications	-0.044	0.294	-0.032	-0.148	0.883

Note: *dependent variable: failure rate (continuous).

H₂ Lebanese franchisors that seek internationalisation at a shorter length of time are more likely to be successful.

The hypothesis tested is the relationship between internationalisation and success.

Table 5 Kendall's Tau-b to test the impact of internationalisation on franchise success

			<i>Value</i>	<i>Asymp. std. error</i>	<i>Approx. T</i>	<i>Approx. sig.</i>
H ₂	Ordinal by ordinal	Kendall's Tau-b	-0.075	0.158	-0.474	0.636
H ₃	Ordinal by ordinal	Kendall's Tau-b	0.366	0.126	2.825	0.005
H ₄	Ordinal by ordinal	Kendall's Tau-b	0.435	0.152	2.898	0.004
H ₅	Ordinal by ordinal	Kendall's Tau-b	0.094	0.163	0.582	0.560

Notes: Codes: 1 – short period (1–5 years), 2 – moderate (5–10) and 3 – long period (>10 years).

The findings of Kendal's Tau-b for ordinal data reported (Table 5) absence of correlation between the two variables (sig. value 0.636 > 0.05).

This leads us to our third hypothesis that relates success in franchising to years of experience in the F&B and/or the franchise business.

H₃ Lebanese franchisors' years of experience in the F&B and franchise business is positively related to the success in franchising.

Results of the Kendal's Tau-b tests revealed: as revealed in Table 8 and from the sig. value (0.005) we conclude the presence of correlation between years of experience in the F&B and/or the franchise business and the success of the franchise.

Moving to our fourth hypothesis that tackles the relationship between proportions of company owned outlets versus franchised outlet and the success of the franchise.

H₄ Lebanese franchisors' proportions of company owned outlets versus franchised outlet are positively related to the success in franchising.

The results of the Kendal's Tau-b tests presented below proved the presence of significant correlations between the two factors (P value = 0.004).

Through our last hypothesis, we argued the presence of correlation between the success of the franchising and the short payback period (PBP) on the ROI of the franchised outlet.

Results of the Kendal's Tau-b specifically sig. value 0.560 (above 0.05) indicates the absence of correlation between the two variables.

H₅ Short PBP on the ROI of the franchised outlet has a positive impact on success of Lebanese restaurant franchisor.

The same findings were reported using Kendal's Tau test for ordinal data for H₅ where sig. value 0.560 came above 0.05 indicating the absence of correlation among the two variables.

5 Discussion

This research aimed at identifying the key factors that contribute to the success and prevent the failure of franchise concept taking the case of Lebanese franchised restaurants. Previous researchers on the topic have highlighted the criticality of the criteria for selecting the partners used and the process adopted to select the franchise partners (Choo et al., 2007; Clarkin and Swavely, 2006; Doherty, 2009; Hsu et al., 2008).

The restaurant managers interviewed for this paper reported the same. They stressed that success is dependent on selecting the partner with enough F&B experience while highlighting that a preset criterion can never alone be adopted in selecting a partner. Their feedback came in line with the findings of the regression analysis, which revealed absence of significant correlation between the adoption of a predetermined selection criteria and the success of the Lebanese restaurant franchisor. These findings implicate that other element have more impact on the franchise business than the criteria adopted for selection.

As for the correlation between internationalisation and success of the franchise, Kendall's Tau-b test revealed the absence of correlation between the two factors.

Kendal's Tau-b test revealed the presence of correlation between years of experience in the F&B and/or the franchise business in the success of the franchise. Experience in the F&B business is more important than the experience in the franchise industry to achieve success and minimise risk of failure since the services he/she is offering are in a Food related sector.

Moving to our fourth hypothesis that tackles the relationship between proportions of company owned outlets versus franchised outlet and the success of the franchise, the results of the Kendal's Tau-b tests proved the presence of significant correlations between the two factors (P value = 0.004).

The final hypothesis tackled the presence of correlation between the success of the franchising and the short PBP on the ROI of the franchised outlet. A result of the Kendal's Tau-b indicates the absence of correlation between the two variables.

6 Conclusions

This research aimed at identifying the key factors that contribute to the success and prevent the failure of a Lebanese franchised restaurant. To fulfil this objective, we tested the dependency of franchise success on five specific organisational factors (preset and definitive franchisee selection criteria, internationalisation at a shorter length of time, years of experience in the F&B and/or the franchise business, proportions of company owned outlets versus franchised outlet and short PBP on the ROI of the franchised outlet). The results show that having predetermined and definitive franchisee selection criteria and the early internationalisation of the restaurant franchised chain has no significant impact on the success of the Lebanese restaurant franchisor. However, the higher the number of years of experience in the F&B business and franchise industry and having a short ROI PBP of the franchised unit, along with the proportion of company owned vs. franchisee outlets are a determinant of the success of restaurant franchisors in Lebanon.

The main limitations faced were when collecting the data. The process was accomplished in an uncertain political and socio-economic environment that had negative impact on the responsiveness of franchised restaurants despite our continuous sincere efforts. Future researchers could identify the CSF of franchised restaurant from the franchisee and customer perspective as this study identified it from the franchisor's perspective only. Researchers are invited to conduct qualitative and quantitative studies about franchising in the Middle East region mainly Lebanon where scarcity of research about the franchise field exist. As, the research conducted was quantitative in nature, we

encourage researcher to conduct qualitative research and gather related information from the professionals in the Lebanese franchising industry in general or those working in the franchising of a specific industry contributing to the economic growth of Lebanon. Future researchers are invited to conduct qualitative and/or quantitative research about franchising in different industries other than restaurant business and F&B sector, contributing to its development and spread over the world.

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