

Resolving conflict an issue for many franchises

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(PhysOrg.com) -- A new study into the causes and experience of conflict in the franchise sector shows that New Zealand franchisees can be disappointed with their franchising experience.

Towards Understanding and Resolving [Conflict](#): Franchising in New Zealand 2011 was produced by Massey University and is the first major report to focus on conflict in the franchise relationship undertaken in New Zealand.

A significant number of those surveyed said their experience of franchising did not live up to their initial expectations, and the report highlighted communication and [conflict resolution](#) as the key areas that franchisors need to improve. The results of the current study however revealed a more complex situation.

“What is interesting is that franchisees have a very different view to franchisors over how satisfying the relationship is,” says Dr. Susan Flint-Hartle, a senior lecturer at Massey’s School of Economics and Finance, and author of the report. “In our 2010 report on the sector, franchisors reported a low incidence of conflict and that their franchisees were, on the whole, very happy.”

It was found that less than half of franchisees believed they had conducted sufficient due diligence before committing themselves, and the majority felt their interests were not addressed equally when conflict arose.

“Resolving conflict was revealed as a problem area,” the report says. “In general it can be said that conflict is not well handled by franchisors and often the outcomes are seen as unsatisfactory by franchisees.”

Over a quarter of the franchisees surveyed said they had experienced conflict with their franchisor at one time or another. The major causes of disputes included too much franchisor control, a lack of profitability, and what franchisees considered to be unfair franchise agreements.

Of those involved in a dispute, nearly 40 per cent said their conflict was never resolved, and a further 28 per cent viewed their resolution as unsatisfactory. The report notes that very few franchises offer formal conflict training, and 42 per cent did not have a formal dispute resolution process.

Dr. Flint-Hartle believes there is much for franchisees and franchisors to learn from the report if they wish to have more productive business relationships. Prospective franchisees, she says, need to get a better understanding of what owning a franchise is going to be like.

“There are currently no pre-education programmes for would-be franchisees in New Zealand, which is something that Massey has been working towards,” she says. “This report provides impetus for getting that programme in place.”

Franchisors, on the other hand, could benefit by actively delivering on the promises they make when they sell their franchises, and be more aware of how their franchisees are faring, especially during the tough business conditions that exist at present says Dr. Flint-Hartle.

“If two businesses are working happily together, they will be more productive and profitable,” she explains. “That is important because the franchise sector not only provides employment for thousands of New

Zealanders but contributes significantly to the New Zealand economy.”

The study will be followed up later this year by Massey University’s second Franchising New Zealand report. Carried out jointly with Brisbane’s Griffith University and the Asia Pacific Centre for Franchising Excellence, the biennial report looks at the growth, turnover, challenges and contribution of the franchise sector to the [New Zealand](#) and Australian economies. Surveys will be conducted mid-year, with the report being published at the end of 2012.

More information: [economics-finance.massey.ac.nz ... hise-Report-2011.pdf](#)

Provided by Massey University

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