A Case Study of the Adoption and Use of Information Systems Technology in a Business-Format Franchise

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ABSTRACT

This research identifies factors that influence technology use and adoption within the context of a growing international commercial and residential moving franchise system. This mixed method study explores differences in attitudes and expectations about technology between the franchisor and its franchisees. Franchise systems are different than other small or medium sized businesses because there are many individuals running their own relatively small business, yet they are still part of a larger whole. Running a successful business requires time, and individual franchisees tend to be more interested in spending that time on their day-to-day operation rather than addressing the information needs of the franchisor. As a result, franchisors often feel that the technologies they offer to facilitate information sharing are underutilized. A set of recommendations is provided for maximizing franchisees’ acceptance and usage of the technologies.

Keywords: Business Management, Business/IT Strategy Alignment, Centralized/Decentralized Organizations, Change Management, Information Systems, Information Technology Adoption, Small to Medium Enterprises, Technology Adoption in Franchises

INTRODUCTION

Franchising is a widely-used method for distributing products or services in the United States economy (Dicke, 1992; IFA 2004; Justis & Judd, 2002). According to Justis and Judd (2002), franchising has been the “leading edge of business” since the 1950s in terms of overall sales and market share (p. 1-2). A business-format franchise typically begins when a successful business owner wishes to expand operations but prefers not to personally own and operate additional locations; instead, the business owner franchises the company’s name and system of operation, selling the right to use it to independent business people (Khan, 1999; Justis & Judd, 2002). Many people purchase a franchise because a proven system of operation and training is included.

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Dicke (1992) describes franchising as “a method of organization that combines large and small businesses into a single administrative unit” (p. 2). Many well-known restaurants and businesses in other industry sectors are business-format franchises. Jiffy Lube, Subway Restaurants, McDonald’s, Cost Cutters Hair Salon, and Domino’s Pizza are all examples of business-format franchises.

Based on a study of 2001 economic data, the IFA (2004) estimated that franchised businesses generated eighteen million jobs and accounted for $1.53 trillion in economic activity in the United States. Many franchisors recognize that technology is a valuable tool for marketing, operations, accounting, and other aspects of running a franchised business; however, other franchisors are not using technology to its fullest advantage (Scott, 2004).

Size of the organization plays an important role in the relationship between franchisors and franchisees. In a franchise system, the franchisor provides the framework for successfully replicating the business, and, in return, the franchisee pays a franchise fee and ongoing royalties for the life of the contract. The framework that is provided by a franchisor consists of a proven set of business practices and support tools, which often include technologies to facilitate the sharing of information and operation of the business. When a franchise system is initially created, the relationship between franchisor and its franchisees is often friendly and the channels of communication are less formal. As the system matures and franchisors grow in size and manpower, interactions with the franchisees becomes more formal and structured. The franchisees, however, often continue to be entrepreneurial, smaller in size, and may have a difficult time adjusting to this change. At this point, the goals of franchisors, particularly pertaining to the use of information systems and technologies, can differ and sometimes conflict with those of the franchisees.

Research shows that fundamental differences exist in the way resources, including technology, are used in large as opposed to small companies (Hunter, Diochon, Pugsley, & Wright, 2001; 2002). A franchisor has certain informational needs and strategic expectations for using technology to achieve and maintain growth, while the franchisee, often an independent business person, may have a “small business” mentality and be more concerned with running his or her own individual unit(s) than with providing information to the franchise owner (Dicke, 1992). This separation of priorities between franchisors and franchisees can be detrimental to the growth and success of the franchise system, as well as to the franchisor-franchisee relationship. For example, a franchisor may introduce tablet PCs for presenting estimates to customers. If the franchisee refuses to use the tablet PC and instead provides a verbal estimate, the professional image of the franchise may be comprised.

Business-format franchisors, as well as business owners who are considering franchising, have a vested interest in understanding why franchisees are reluctant or refuse to adopt and use information system technologies. Technology is widely recognized as a valuable tool in business, and franchisors want franchisees to use the technologies they strategically selected for the system. This research contributes to the existing knowledge and research in the area of franchising, and helps to fill a void that currently exists in franchising and information systems and technologies research.

RESEARCH OBJECTIVES

Ideally, from the perspective of franchisors, franchisees would readily adopt all the information system technologies required by a franchisor; however, this rarely happens. As independent businesspeople, franchisees have their own ideas about what technologies they need and want to use, and they may not always agree with what the franchisor believes are the best tools for them. The problem of franchisee unwillingness to use technology is a major concern of franchisors because it can undermine the success of a franchise system. This research identifies factors that explain why some fran-
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