

Franchising as Strategy for Internationalization of Family Firms: An exploratory study

La Franquicia como Estrategia para la Internacionalización de las Empresas Familiares: Un estudio exploratorio

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ABSTRACT

Family business is the most prevalent form of business thru out Latin America. Franchising has been a strategy used by many firms to expand domestically and internationally. Internationalization theories indicate that firms tend to expand to culturally close markets/countries.

Family Business theories indicate that family firms have specific advantages in comparison with non-family firms. The purpose of this paper is to conduct a literature review about franchising family firms in Latin America to develop a theoretical model for their internationalization process using franchising.

KEYWORDS: Franchising, Family Firms, Internationalization, Latin America

RESUMEN

Las empresas familiares son la forma de negocios que más prevalece a través de América Latina. La franquicia ha sido una estrategia utilizada por muchas empresas para expandirse doméesticamente e internacionalmente.

Las teorías de internacionalización indican que las firmas tienen la tendencia de expandirse a países y/o mercados con los cuales son culturalmente afines. Las teorías de negocios familiares nos indican que las empresas familiares poseen unas ventajas específicas cuando son comparadas con las no familiares. El propósito de este artículo es hacer una revisión de literatura de empresas familiares en América Latina y desarrollar un modelo teórico sobre su proceso de internacionalización utilizando la franquicia

PALABRAS CLAVE: franquicias, empresas familiares, internacionalización, América Latina

INTRODUCTION

Family firms have been the backbone of economic and regional development in many parts of the world. According to *Asociación Mexicana de Franquicias*, in 2008 Mexico was in the 7th place internationally as per their number of outstanding franchises. It contributed around 80 million Mexican pesos with a contribution about 6% of their PIB and represented around 672 thousand jobs (Ayup, et al. 2008). Latin America culture embraces the family ties and many firms have extended many years due to the strong relationship and their value on their legacy. Historically in Latin America has prevailed the influence of family and social alliances, this dates back to the colonial exercise that granted by royal favor the concessions to exploit business activities. In recent history, we can identify several family groups that have provided its countries significant business and economic development. In Guatemala there is *Corporación Multi Inversiones*, in Puerto Rico there is *Grupo Ferré-Rangel*. Both are examples of family firms which are diversified into many industries. To this day, business

relationships in Latin America are predicated on in-group personal relationships (Becker, 2004). These family firms have played an important role in the development of a strong entrepreneurial class in Latin America, reaching overseas markets. In fact, more than 50% of multilatinas are family business groups. In Latin American countries the estimates skyrocket with 90% to 98% of all companies being family firms (Poza, 2010) (Becker, 2004).

Family firms in Latin America, particularly multilatinas has been using the franchising as one mode of entry to internationalize (Santiso, 2013; Suder, 2012). A representative case is *Corporación Multi Inversiones*, this Guatemalan family conglomerate has expanded internationally with their brand "Pollos Camperos". This fast food franchise restaurant has presence in 12 countries, including its closest neighbors which is congruent with internationalization theories (O'Grady & Lane, 1996). It is also important to address that this firm has presence in India, Bahrain and Indonesia. This is

consistent with some findings from recent studies in international diversification (Tihanyi, et al. 2005). MNE enter new emerging markets that are cultural different from their home cultures yet flourish although their cultural distance. Franchising is a form of licensing whereby a parent company, the franchiser or franchisor, grants an independent entity, the franchisee, the right to do business in a prescribed manner (Czinkota, et al. 2004). Franchising as an entrepreneurial strategy has also been used as a market entry form for firms that want to internationalize their operations (Czinkota & Ronkainen, 2010) (Cavusgil, et al. 2008) (Peng, 2009). This type of market entry form when compared to licensing, involves longer commitments and offers greater control over overseas operations to the franchisor (Menipaz & Menipaz, 2011). This long term commitment goes in hand with family firms, in which the life expectancy and business engagement has a long term view.

Franchising in the context of family business has been underserved in the overall franchising literature and in the family business literature (Solis &

González, 2008; Baena & Cerviño, 2011). According to a recent article about Psychological Capital of Family Franchise Firms; only there have been a few studies that have investigated family firm issues in a franchise context and all of them have been with U.S Family Business (Memli, et al. 2014). Future lines of suggested research should add to the repertoire of industry and country studies that examine franchising in different institutional contexts and industry settings (Alon I., 2010). Therefore studies are needed in order to add knowledge to family business and franchising literature.

A recent study made by Pukall and Calabro (2014) propose an integrative model for internationalization of family firms. This study, although is very recent, presents some limitations in their literature review and model proposal that cannot be used to develop a theoretic model to explain the internationalization of family firms thru franchising. Their search only was limited to 3 databases ABI/Inform Proquest, Business Source Complete(EBSCO) and EconLit(EBSCO). This presents a limitation in scope in their methodology and would limit literature from Latin American

countries which accounts for a high concentration of family business. This research aims to expand the search in literature about family firms using franchising including Spanish databases in the search. Another outcome of this research is to propose a theoretical model of international expansion for family firms using franchising as an entry mode. To reach our objectives, we employed a literature review about family firms and franchising using Spanish databases as research method. The rest of this paper is organized as follows : first the literature review, following with the description of the methodology applied, third with the analysis of the findings, fourth with the findings and finishing with our conclusion and suggestions.

firms and investors to decide to select a franchise system is the proven and structured process and security the franchisor can offer. This important element will bring a new criteria that family firms must have in order to have the proper structure and the ability to internationalize using franchising. Professionalization has been identified as an appropriate construct to discriminate between family firms that are fully family controlled from others that have external managers. (Dekker,et al. 2013). Professionalization is measured thru five distinctive dimensions: Financial control systems, Nonfamily involvement in governance systems, human resource control systems, decentralization of authority and top level activeness.

BIBLIOGRAPHIC REVIEW

Internationalization studies and literature has shown that firms that expand to other markets have as traits a good and structured governance and management. Franchising literature also indicates that one important element for

METHOD

Pukall and Calabro (2014) in their study *The Internationalization of Family Firms: A Critical Review and Integrative Model* present us a guideline for the basis of our study. They had focus on a literature review of specific key words in a

limited journal selection. Using our expanded multi-level search approach we will search Spanish databases. This research proposes to use expand a search using their same key words with new ones. We will introduce the key words “internationalization” and “small business” due to the limitation of literature in the subject. Since we want to focus in Latin America, this key word will also be added into the search. The search databases that will be used are: ProQuest ABI/INFORM Global, Business Source Complete (EBSCO), REDALyC, Scielo , Latindex, Research Gate, Academia.edu and Google Scholar. The key words that will be used in different combinations will be in English and in Spanish to expand the search on Spanish speaking journals. Key words in English will be: “franchising” or “Franchise” and “Latin American” or “family firm” or “family business” or “family enterprise” or “family influence” or “family owner” or “international” or “foreign” or “export” or “international sales” or “international commitment” or “internationalization” or “foreign direct investment” or “small business” or “SME”. In Spanish key works will be “Empresas Familiares” or “Negocios Familiares” or “Firmas Familiares” and “franquicia” or

internacionalización” or “ expansión internacional” and “ latinoamérica”. From this initial search, if all the search criteria is fulfilled, a table will be developed that presents the theories they use, methodology as a point of reference. If no actual paper is found using this criteria; the search will be narrowed to identify the key traits a family firm must have to expand internationally.

ANALYSIS

For this analysis, first it must be identified if studies about family firms have been developed that focus on international expansion thru franchising. If such articles have been made, a table should be prepared in order to identify which methodologies have been used. If no studies are found in literature using the initial key words, a second search will be done to identify the key determinants found in literature about family firms and their choice of franchising in Spanish and English literature. A table will be developed to present such determinants in order to propose a model for family

firms that use franchising as internationalization and the strategies for developing further studies in Latin America family firms. The list(s) must include which explanations in literature (if found) about success and failure using franchising, found which variable influence in family firms to internationalize, and which promote failure. Internal and external variables.

FINDINGS

The search was done initially using Latin-American academic databases of Scielo, REDALyC, Dialnet and Latindex. Scielo and RedalyC were not a success for finding any literature that included the basic key works of family firms and franchises. These databases listed literature in Spanish and Portuguese and most of them had an abstract in English, thus it made the search coincide with the same results. Dialnet database proved more beneficial in finding one conference proceeding in Spanish that address the family firm in the franchising context. It also presented other articles in Latin America, Spain franchising and family studies and book chapters that expanded

our knowledge about the methodologies used in our research subject. We also found a new book that presents expert opinion about doing research in Latin America that present methodology suggestions to research into this region. Two papers in Spanish present determinants about Spain franchise firm expansion. A book chapter in Spanish presents the particular elements that foster family firm's international expansion. From the English papers found; one was a literature review with a focus in Competitive Advantage, it presented a set of Characteristics that can be a reference for a theory development that includes the perspective in Spanish literature. One research proposal was found from 2014 that plans to study family firms and the choice of internationalization; this is a reassurance about the interest and the lack of research done into the subject.

In Table 1, we present 20 papers/books that we found thru our literature review, their applied methodology and theory/constructs or conceptualization they used that is related to family firms, franchising, latin

america and internationalization and expansion strategies.

Table 1.

Literature in family firms, franchising, Latin America , Internationalization and expansion strategies

Authors	Article	Methodology	Theory/ Conceptualization or constructs	Summary
Jannett Ayup González, Judith Cavazos Arroyo	Franquicias del Noreste Mexicano: Incentivos de crecimiento	Structural equation modeling	Institutional model theory	Authors wanted to explore the paradox between the high growth foreign Franchising in Mexico and their incentives for growth. They indicate that entrepreneurs and investors prefer to adopt foreign franchise concepts rather than developing their own branded business due to weakness in business organization and development.
Jannett Ayup Gonzalez, María Isabel de la Garza Ramos, Silvia Teresa Banda Hernández	La empresa familiar en el contexto de la ventaja competitiva. La franquicia como alternativa de crecimiento. VI Congreso Internacional de Análisis Organizacional 2008	Literature review	Theory of Firm Growth-Penrose 1959	Authors indicate that the integration of competitive advantage in family business could determine the intensity of their growth thus affecting the direction of the firm to adopt the format franchise as a strategic alliance to consolidate its growth.
Veronica Baena, Julio Cerviño	Identifying the factors driving market selection in Latin America. An insight from the Spanish franchise industry. <i>Procedia Social and Behavioral Sciences</i> 24(2011)	Quantitative analysis on a sample of 63 Spanish Franchisors that operate 2321 outlets in 20 Latin American Countries Data provided by Spanish Franchise Association	Transaction Cost Analysis (TCA)	Authors indicate that franchising is a selected method of entry in LA countries due to low individualism and high uncertainty avoidance. They indicate that Hofstede's conceptualization of culture may not be valid in LA. Nevertheless, international franchising expansion in Latin America depends on various country variables- no uniformity for the region
Jorge Carneiro, Rodrigo Bandeira De Mello, Alvaro Cuervo-Cazurra, Maria Alejandra Gonzalez-Perez and Miguel R. Olivas-Luján	Doing Research in and publishing on Latin America <i>International Business in Latin America: Innovation, Geography and internationalization.</i> Palgrave MacMillan Pp. 11-46	Expert Opinion	n/a	Authors provided guidance on how to research in and to publish in Latin America. The advantages and disadvantages of analyzing. Also they provide suggestions on how to deal with the particularities of the Latin American Setting in theory building. 1) Don't include country of origin in title or abstract of paper 2) Qualitative approaches based on in depth case studies. Investigate about particular conditions that appear in Latin American countries that affect firm behavior: innovations for the poor, capability of upgrading after pro-market reforms, role of business groups in economic development, management under violence or conflict, strategies for dealing with nationalization and increase of government intervention in economy.
Shih-Yi Chien	Franchisor resources, spousal resources, entrepreneurial orientation, and performance in a couple-owned franchise outlet <i>Management Decision</i> 2014	Survey of 99 coupled-owned franchisees	Resource Based view, Entrepreneurial Orientation, Franchising and Family business	This paper suggests that emotional resources provided by spouse may be facilitate franchisee performance. Thus addressing the emotional input of 'family' in the performance of a franchisee when looked as a resource of the 'family businesses from the franchisee perspective. Also instrumental resources from the spouse help develop couple-based competitive advantage.
Franchesco Chirico, R. Duane Ireland and David G. Sirmon	Franchising and the Family Firm: Creating Unique Sources of Advantage Through "Familiness" <i>Entrepreneurship Theory and Practice</i> 2011	Theory Development thru literature review	Resource based-view Agency Theory Proposal: resource based-logic	They extend the agency theory to include the traits of long term multigenerational perspective, with commitment as a new foot hold that nurture non family franchisors. They suggest this framework addresses the friction of agency issues and can be applied to other types of organizations. They indicate that entrepreneurial family firms should be the appropriate focus when studying franchising.

Source: author elaboration

Table 1 (continue)

Authors	Article	Methodology	Theory/ Conceptualization or constructs	Summary
James J. Chrisman, Jess H. Chua, Pramodita Sharma	Trends and Directions in the Development of a Strategic Management Theory of the Family Firm. <i>Entrepreneurship Theory and Practice</i> , 29, 2005, pp.555–575.	Literature Review	Agency Theory & Resource Based Theory	Authors indicate that family business may have a competitive advantage in service industries and franchising environments because they might be willing to suffer short-term deprivation for long-term survival of the firm. Because they have flexible decision making process, less bureaucracy, they can be effective and frugal rivals in low entry barriers markets with labor intensive production costs (such as foodservice industry)
Giorgia Maria D'Allura, Vincenzo Pisano	Family Firms and the choice of internationalization <i>IFERA 2014-Conference Research Proposal</i>	Literature review	Internationalization theories	Authors propose to analyze internationalization using observation with a filter of family logic and behavioral approach. They contest that previous studies only focus in internationalization in general.
Maribel Feria Cruz, Sasi Herrera Estrada, María Angélica Rodríguez Esquivel	Comida Rápida: Calidad del servicio y fidelidad del cliente en franquicias y negocios familiares en Aguascalientes. <i>Gestión y Estrategia</i> , 43(enero/junio), 2013 p. 95-113	Case Study, transversal and descriptive	Deficiency model on quality of service	Authors intention was to compare fast food franchises versus local family business and measure the influence of service quality on customer usage fidelity. They indicate that family business in Aguascalientes need to increase their reliability of service in order to compete with fast food franchises. They indicate that family business have more empathy toward customers than franchise outlets.
Guadalupe Fuentes Lombardo, Manuel Carlos Vallejo Martos, Miriam Cano Rubio	Peculiaridades de la Empresa Familiar en su Expansión Internacional <i>Conocimiento, innovación y emprendedores: camino al futuro Book 2007 ISBN 84-690-3573-8 p. 1356-1372</i>	Qualitative methodology using an open structure interview of 32 persons who were directors or administrators. Family Firms were divided into: Pure, mixed and private	Internationalization theory Resource Based (informally explained)	Their findings indicate that only considering if a firm is family owned or not cannot be the only criteria to establish a comparison between advantages and inconveniences of a firm in regards of internationalization. Different types of family firms have different resources.

Source: author elaboration

Table 1 (continue)

Authors	Article	Methodology	Theory/ Conceptualization or constructs	Summary
Laura Leticia Gaona Tamez, Yolanda Saldaña Contreras, Fernando M. Ruiz Díaz, Juan J. Nahuat Arreguin, Diana Laura Tobías Carrizales	El sector empresarial familiar y el valor del capital intelectual. <i>Revista de Investigación En Ciencias Y Administración</i> , 11(20), 2017 p.101–119.	Descriptive transactional methodology	Intangible assets valuation model and traditional accounting theory	Authors elaborate about different form and issues over the valuation of intellectual capital in family firms thru accounting treatments. One of the parts of the valuation model is licensing and franchising. As result, family firms may be undervalued from the accounting perspective due to measurement errors. Therefore, family firms should address measurement and valuation over their intellectual property and distribution networks.
Mohd Hizam-Hanafiah, Jun Li	Franchisee satisfaction of goal attainment: a discovery of hierarchy of entrepreneur goals. <i>Journal of Entrepreneurship in Emerging Economies</i> , 6(3) 2014 p. 243–267	Survey/ empirical analysis	4 goals and motivations: independence, economic goals, self-satisfaction and family matters.	Authors found that franchisees are less satisfied with economic gain goals comparatively to other goals. Surprisingly, these other goals were intrinsic reward goals, followed by perceived autonomy goals and family concern goals. This study suggests that franchisees long term orientation and sustainability in the business may be affected by the attainment of their personal goals, thus in turn their family stability.
David J. Ketchen, Jr., Jeremy C. Short, James G. Combs	Is Franchising Entrepreneurship? Yes, No, and Maybe So. <i>Entrepreneurship: Theory and Practice</i> , 35(3),2011, p.583-593	Survey	Entrepreneurship & franchisors	Authors indicate that a franchisee are absolutely entrepreneurs because they are willing to take the risk of investing their own money. Similarly, franchisors can be viewed as entrepreneurs and oftentimes they are organized as a family-business system.
Esra Memili, Dianne H.B. Welsh and Eugene Kaciak	Organizational Psychological Capital of Family Franchise Firms. Through the lens of the Leader-Member Exchange Theory <i>Journal of Leadership & Organizational Studies</i> 2014	Literature review And Data analysis from a survey from IFA	Leader-Member Exchange Theory, Family Business	Authors suggest when intentions within the firm for succession, firms tend to be innovative. Using the Psychological Capital approach, they suggest this leads to a high level of reliance, thus putting their collective efforts toward success in the long term.
Aniel K. Mishra, Karen E. Mishra, W.Lee Grubb	Reducing Turnover in Franchise-Based Small Business Organizations: The Role of Trust, Justice and Commitment. <i>Small Business Institute Journal</i> , 11(1), 2015 p. 6–23.	Survey/ Mix methods	Trust, commitment and employee turnover	Authors indicate that family oriented business increase the employee trust in franchise management. Family business provide the opportunity for higher levels of employee empowerment, thus in turn, provides more commitment and reduce employee turnover in these firms.

Source: author elaboration

Table 1 (continue)

Authors	Article	Methodology	Theory/ Conceptualization or constructs	Summary
Antonio Navarro García	Determinantes de la estrategia de expansión internacional de las franquicias españolas. <i>ESIC Market Economic and Business Journal</i> 43(3) 2012 p.451-471	Quantitative analysis- Development of database of 151 Spanish Franchise- Using Partial Least Squares (non-parametric) Software Smart-PLS 2.0	New Theory Development	Authors indicate that their study validates their conceptual model. They indicate that international experience and the speed of internationalization (rate) positively conditions the tendency to diversify into new countries/markets. They indicate their findings suggest that franchises in product (commerce) tend to diversify more their risk thru the presence in more countries/markets.
Karelys Ostra Trestini	Determinación del impacto de las Franquicias en Venezuela. <i>Ingeniería Industrial. Actualidad y Nuevas Tendencias</i> , 2(4), 2010 p.39-64.	Qualitative Interrelations study	Enterprise networks, franchise networks, trust based relationships	Authors indicate that family firms who develop franchise concepts in Venezuela are more keen to develop alliances with other local firms which is very different from non-franchised outlets in their country. Similarly, they indicate thru these dynamics, employees, franchisees and their families learn about entrepreneurship thru the alliances that are made under the franchisor network.
Alexander Rosado-Serrano	Store in Store Franchising Strategy: The Trend in Franchising Negotiation. <i>Newmann Business Review</i> , 2(1), 2016 p.20-37.	Content analysis	Strategic Partnership Theory,	Along with the different expansion and entry mode strategies family firms could be adopting, store in store franchising strategy could be an option for family firms to reduce their operating costs in domestic and foreign markets when they decide to enter. Store in Store Franchising strategy could mean a lower cost of entry.
Vanesa Solís Rodríguez, Manuel González Díaz	La franquicia como solución a los problemas de expansión en el Mercado de las pymes españolas. <i>Revista Internacional de la pequeña y mediana empresa</i> 1(1) 2008 p. 105-123	Quantitative analysis- Database created based on different Spanish private entities in franchising industry. Financial information from SABI database from 1229 Spanish Franchised chains	Resource Based Theory Control costs- Agency costs	Authors used a dynamic model of partial adjustment of size to explain how franchised firms grow. They indicate that small firms have a limitation of access to financial markets and for identifying key employees who have the compromise with the firm. They do contend that an aggressive franchising strategy positively grows the firm network.
Dawn D. Thilmany, Brad Hams	Franchising as an Entry Strategy in Mexico: The case of Mrs. Fields Cookies <i>Journal of International Food & Agribusiness Marketing</i> , 8(3) 1999 p. 21-36	Case study	Foreign Direct Investment (FDI), currency valuation, capital scarcity	Authors elaborate on the opportunities that present the Mexican Peso currency devaluation for firms to enter the Mexican market. Thru this case study, they emphasize the importance of a local partner with the knowledge to negotiate on that domestic market as a leverage point in franchising. One key element this case provides is that the local partner is a family business with over 65 years of operation in Mexico, which in turn reduces the operating risk of the foreign franchisor because of their long term orientation

Source: author elaboration

CONCLUSIONS

After this analysis, we have found certain key points in which we can theorize how the internationalization process develops for family firms. Family firms have a different resources that puts them in a different position than non-family firms such as emotion (Chirico, et al. 2011;Chien, 2014; Hizam-Hanafiah & Li, 2014), their competitive advantage (Ayup, et al. 2008; Chirico, et al. 2011;Chien, 2014; Gaona-Tamez et al, 2017), their family name reputation (Ayup, et al. 2008), their commitment (Ayup, et al. 2008; Chirico, et al. 2011;Chien, 2014; Mishra et al, 2015), long term orientation (Hizam-Hanafiah & Li, 2014;Thilmany & Hams, 1999), and collective entity (Gaona-Tamez et al, 2017). These resources and traits present an unique perspective for family firms and a differentiation for family firms who are either a franchisor or a franchisee. These family firms who based their decisions to expand in their domestic market and internationally may integrate this set of resources and characteristics in their decision process to select suitable

franchisees. Chirico, Ireland and Sirmon (2011) suggest that their resource-based logic is the best theory to be used to analyze the franchise relationship in family firms. We do coincide with some of the elements of their rationale, but we include other elements that are presented in the Spanish literature that can add more dimension and emphasis on the decision process of internationalization.

Family firms may have different organizational structures. Some are wholly owned by the operating family, others may have two family groups, or are public firms which are family controlled. Independent of these organizational forms, all of these firms need to account for economic growth and profit distribution. Rosado-Serrano (2016) suggests that family firms may use store in store franchising strategy to reduce their operating costs, facilitate their entry mode, thus increasing the opportunity for more revenue distribution and long term orientation of the family firm. Franchising and family firms studies must compare the different types and organizational forms of family firms. Firms that have

external managers or that are publicly traded will manifest a different set of characteristics than the ones that are purely family controlled; family managers that are not exposed to different business cultures might be biased or not willing to go the extra mile (among other underlying issues).

When we consider studying the firm's in Latin America; we need to include into the research context the different country dimensions (traditions) and in-depth studies for each firm could be an appropriate approach. In Venezuela, franchising family firms create new synergies that promote knowledge acquisition and trust building (among others), contrary to the lack of trust other non-family franchisors may experience that operate domestically (Ostra, 2010). Feria, Herrera, and Rodríguez (2013) contrasted foreign operating food franchises versus family owned local shops in Aguascalientes, Mexico and found that family owned shops need to improve their service quality in order to compete on the long term. Limited adoption of franchising in family business

may be due to a weakness in managerial process and formal organization (Ayup & Cavazos, 2015). It could be said that family firms that adopt a franchise concept, strengthen and professionalize their business in order to better compete with foreign threats. Despite of this, the experience for each family franchise group may vary from country to country.

We could say franchising as means of investment strategy, can provide opportunities for the franchisor and franchisee. Investors may choose to become franchisees because it could mean a lower capital investment (Ward, 1994) with the possibility of a faster growth than a non proven new business concept. Franchisors may also benefit, because some of them operate as structure family business groups (Ketchen et al, 2011). Family business that operate as franchisors might have a competitive advantage than non-family franchisors, as they have less bureaucracy (Chrisman et al, 2005), can respond quickly to market changes and could accept a lower return in the short term while non family franchisors are expecting

to grow their distributable earnings. Similarly, we also need to account for different measurement issues that might arise from the accounting traditions used by each firm. When evaluating family firms, issues about intellectual capital valuation may arise. Some of these firms might be wrongly valued because they don't account for the network contacts they have or the returns they receive from their franchisees (Gaona-Tamez et al, 2017), or estimate the organizational psychological capital (Memli et al, 2014). On the other hand, franchising family firms are better positioned than non-family firms in respect of employee turn over (Mishra et al, 2015) because they increase trust and organizational commitment contrary to firms which don't have a family culture. We can say that family firms have many opportunities for growth and long-term survival if they adopt any of the available variations of franchising such as becoming franchisors or franchisees.

Our proposed model includes a combination of the latin american elements of family name reputation and the cultural distance in the selection

process of choosing only family business, married couples and individuals as their franchisees instead of corporations without the family context. Strong family ties are important for latin americans, our model will explain the decision process of selection of franchisees and locations.

We feel as family business become family enterprises, they will increase their chances for success in this rapidly changing environment thru a combination of shared values as they choose their partners, innovation thru constant improvement and learning ability, and professionalism as they adopt new governance structures within their organization.

In figure 1 we propose the following theoretical model for internationalization of family franchised firms.

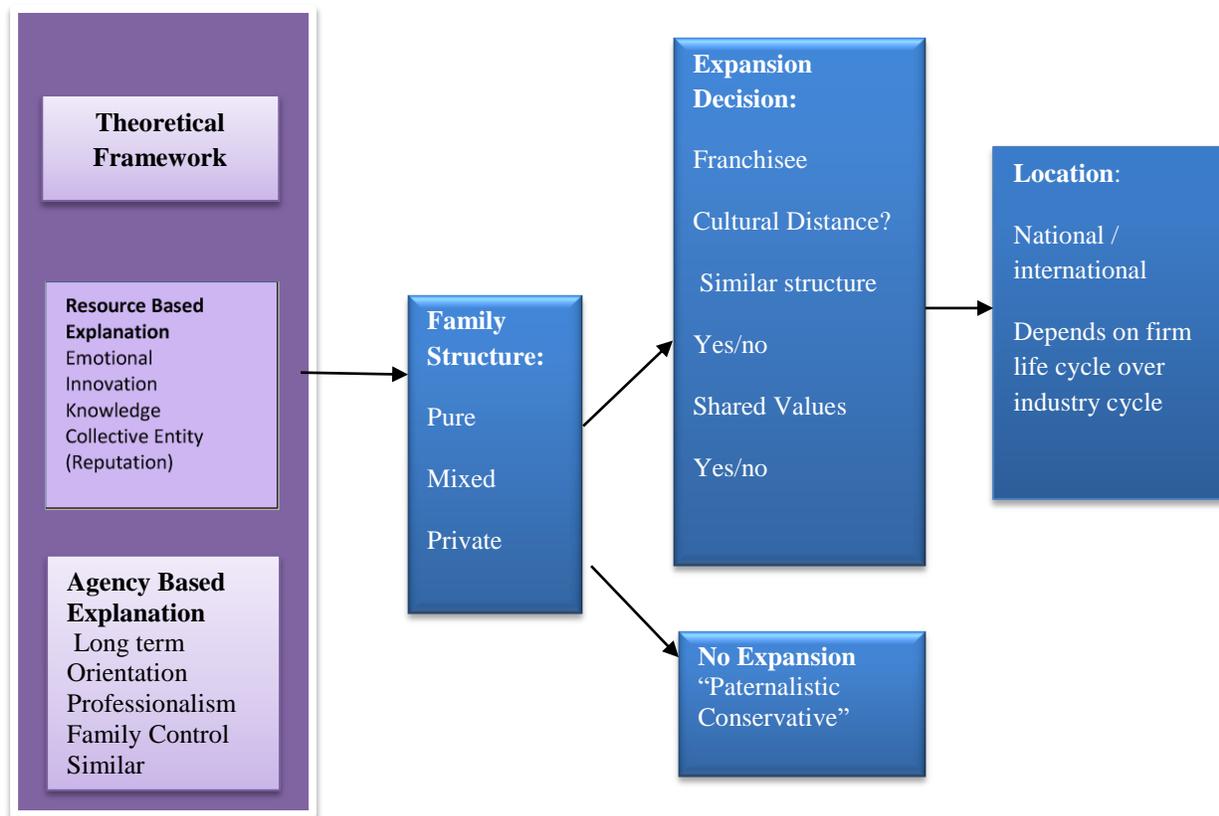


Figure 1. Theoretical Model for Internationalization of Family Franchised Firms
Source: author own elaboration

Family firm's decision initially will be to decide if the franchisee is culturally close, mostly with the similar governance (Chirico, et al. 2011) as they comprehend their operational structure. Second they will see if potential franchisees share their same values, thus this relationship is about a mutual trust building process for

the long term. After these conditions are filled, the location decision will be considered. This will be influenced by the life cycle of the firm, their current resources and level of knowledge acquisition. Future research suggestions should include empirical studies of family firms who are using franchising in the

national and international level to test the assumptions of this model. Other suggestions will be to conduct a qualitative study to such firms to identify other key traits that might expand this

proposition or further develop the theory (Carneiro, et al. 2015). Similarly, researchers need to take into consideration the different cultural perceptions that vary thru Latin America.

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