

Psychological Contract and the Hotel Franchising Relationship

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Abstract

This qualitative research study explores the hotel franchising relationships and the psychological contract and develops a model of success factors of hotel franchising relationships. A multiple case study approach was adopted involving document analysis and semi-structured interviews with hotel franchisors and a number of their franchisees to explore how hotel franchisors and franchisees approach the issues of hotel franchise lifecycle, phases and psychological contract. This study explores the nature of the relationship between franchisor and their franchisees in each phase of the hotel franchise relationship. The findings illustrated the important aspects which the franchisor and the franchisees should follow in each phase in order to have success in their relationship. These findings led to the development an initial model of hotel franchise success factors. Additionally the findings stressed the necessity of developing policies and practices used by the psychological contract to be more helpful for the success of hotel franchise relationships. The researcher developed the final model based on the way franchisors and franchisees approach hotel franchising relationship aspects.

Keywords: Hotel franchising; Psychological contract; Relationships

Introduction

The psychological contract has been viewed as essential to understanding important aspects of employee attitudes and behaviours, e.g. commitment, turnover, and organizational citizenship [1,2]. Psychological contracts are defined as the beliefs individuals hold regarding the terms and conditions of the exchange agreement an individual and the organization for which s/he works [3]. Prior research has focused mainly on employees' and employers' perceptions of psychological aspects of the employment contract [1,2,4]. Psychological contracts originate when individuals infer promises that give rise to beliefs about reciprocal obligations, typically between employee and employer [3].

This study uses the hotel franchising relationship as an example of a business relationship to understand the role of the psychological contract in business relationships. Franchising is of major importance to the development of the hotel industry and the relationship between franchisors and their franchisees is critical to the success of hotel franchising industry [5,6]. However like all other relationships, satisfaction with the franchisor-franchisee relationship depends on a number of key issues including trust, commitment, conflict, and cooperation between both parties [7].

Psychological problems, such as ignoring the franchisees' opinions, unlimited control of the franchisor over the franchisee and the dependence of franchisees on the franchisor over time, can lead to a break down in the franchise relationship [8-13].

Specifically, this study contributes to theory development about psychological aspects of franchise contract formation. It is the first study to investigate the psychological contract in hotel franchising relationships and proposes a new model of the psychological contract applicable to franchising relationships which is potentially generalizable to other business relationships. This study also makes a methodological contribution by using a qualitative approach in developing a rich understanding of the psychological contract in hotel franchise relationships. To date most studies of psychological contracts in the social sciences have adopted quantitative methods [2]. There

is a need for additional research to develop rich understandings of psychological contract through qualitative approach.

Theory

Hotel franchising

Altinay extends this definition by adding that the franchisor allows the franchisee to make use of a complete business package, including training, support and the corporate name, thus enabling a franchisee to operate his/her own business within a corporate standard [14]. However, franchising definitions do not offer advice on how to ensure good relationships between franchisors and franchisees and they define franchising from a contractual perspective [15]. Connell attempts to address this issue and offers the following definition:

Franchising is a business relationship whereby a franchisor permits a franchisee to use their brand name, product or system of business in a specified and ongoing manner in return for a fee.

The definition of franchising can be upgraded to incorporate psychological issues. This proposed definition will be used as a working definition for the purpose of this study:

Hotel franchising is an agreement between the holder of a brand (franchisor) and another partner (franchisee), consisting of a written agreement providing the franchisee the rights to use the franchisor's brand name in return for the payment of a fee and an unwritten agreement of the psychological contract which consists of unwritten promises and obligations between both parties.

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Psychological contract

Robinson defined the psychological contract as an invisible agreement between partners concerning the circumstances of their relationship [1]. Moreover, Guest indicated that the contents of this contract would be the reciprocal promises and obligations implied in this relationship [16]. To conclude, the psychological contract is the unwritten agreement that exists between partners and binds both sides to act fairly and honestly with the other, and its terms concern issues 'above and beyond' normal 'legal' contractual terms and conditions as it covers a series of mutual expectations that cannot be easily expressed in legal terms [17].

Psychological contract contents

Herriot identify twelve organizational obligations, which they labelled: training; fairness; needs; consulting; discretion; humanity; recognition; environment; justice; pay; benefits; security [18]. They also identified seven employee obligations, which they labelled: hours; work; honesty; loyalty; property; self-presentation; flexibility. Hutton and identified two employer obligations: support; respect and fair practice; and three employee obligations: getting the job done; flexible citizenship; loyalty.

Coyle-Shapiro and Conway suggested that, within the context of social exchange, the psychological contract is one way of operationalizing the employee-employer exchange [19]. Understanding employee expectations relating to such social exchange may help identify the factors that shape employee perceptions of the psychological contract. One of those factors is reciprocity which provides a basis for a global evaluation of the employment relationship by the employee. Rousseau also found that motivation and intention to stay with the recruiting organization were factors that shaped employee perceptions of the psychological contract [17].

Psychological contracts mediate the relationship between organizational factors and work outcomes, such as commitment and job satisfaction [4]. The roles of the psychological contract are: work satisfaction; organizational commitment; job security; employment relationship; life satisfaction, and these roles might lead to low intention to quit an organisation [20]. This is confirmed by the work of Hall and Dixon who emphasise that the level of psychological satisfaction experienced by the franchisee may lead to serious problems between franchise partners and that the ideal franchisee is an individual who receives a reasonable level of security, affiliation and respect.

It is worth noting that some of the roles of the psychological contract might be applied to the hotel franchise relationship. This is due to the fact that psychological contracts are fundamental to the behaviour of individuals and actions of organizations, and can be used to distinguish cooperative behaviours and interdependence from independence [1,17].

Individuals enter the organization with specific skills, needs and goals. In return, individuals expect a work setting where they are able to use their skills, satisfy their desires, and achieve their goals [21]. Commitment is likely to be strong in organisations where people are kept informed, taken into confidence, feel important, and treated with respect [22]. Employees will also express strong commitment when they feel the organisation recognises their individual contributions and achievements. The issue of commitment and motivation has a big impact on the franchise relationship [23]. Altinay suggests that: "creating a co-operative environment between the franchise partners to have a long and happy commercial marriage" [14]. Therefore, there

should be stages of solid commitment between franchise partners [24].

The influence of trust on the psychological contract and franchising

Applying the idea of trust to business-to-business relationships seems challenging as these relationships are always based on considerations of common interest and risk assessment [25]. Business relationships are often categorized by a stratified web of inter-personal trust relationships between employees of interacting organizations. Trust has been defined in business-to-business relationships as a fundamental cornerstone of co-operation [26]. Trust can be defined as: "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party".

Trust and commitment are present in all psychological contracts, but may differ in their nature and scope, which has implications for the nature of the psychological contract. Understanding the basis of trust that works in the psychological contract may well have practical implications for the management of the employment relationship [27]. Similarly, this can be extended to the management of the franchising relationship.

Psychological contract model

Conway and Briner defined the outcomes of adapting the psychological contract as follows: there is a positive relationship between psychological contract and commitment, affective wellbeing and job satisfaction; there is a negative relationship between psychological contract and employee's intention to quit the system [2]. This is in agreement with the work of Hall and Dixon [23] who reports a positive relationship between the franchisee satisfaction and his intention to stay in the franchise relationship. Housden indicates the importance of motivation to franchise relationships [28].

Guest [16] presents an extended model of the psychological contract to provide an analytical framework within employment relationships Figure 1. This model suggests that the extent to which employers adopt people management practices will influence the state of the psychological contract, which is based on employees' sense of fairness and trust, and where the psychological contract is positive, increased employee commitment and satisfaction will have a positive impact on business performance. Marks suggest that the psychological contract can be reconceptualised to deal with multiple foci on a number of levels, including top management [29] (Figure 1).

It is apparent from Figure 1 that the model of Guest can be adapted to the franchising relationship. The most striking result to emerge from the Guest model is that the background factors which are mentioned by Guest are in agreement with those noted by Jambulingam and Nevin as they point out that a franchisee's level of education and experience should be among the franchisee selection criteria [30]. Interestingly, there was a correlation between the franchisor size and business strategy and the franchisee's willingness to join the franchisor's system [31]. Organizational climate is considered as an important factor which affects the franchisor's policies. Of the twelve organizational obligations identified by Herriot and listed above, six can be adapted to the franchising relationship: support; training; fairness; pay; benefits; security. Housden emphasises the importance of the trust and fairness to the franchise relationship. Hall and Dixon and Housden stress the importance of motivation and the correlation between the franchisee

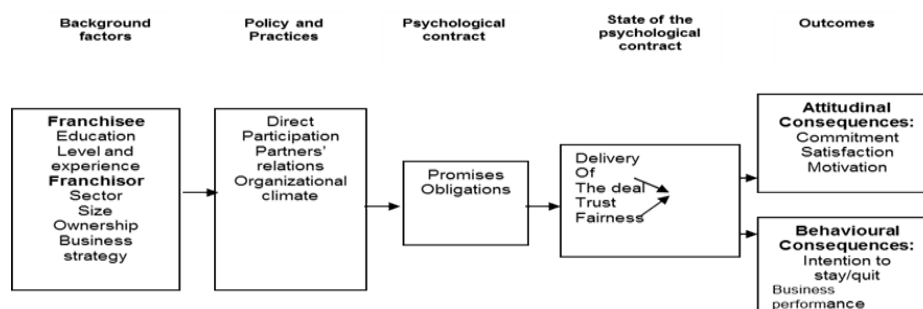


Figure 1: Guest's model of psychological contract.

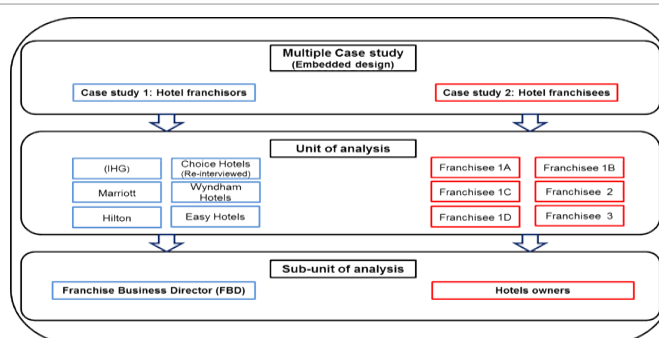


Figure 2: Multiple case study of hotel franchisors and franchisees.

satisfaction and his intention to stay in the franchise relationship to the sustainability of the franchise relationship.

Methodology

This research used a qualitative approach to accomplish the overall aim of the study as most of the franchising and psychological contract literature has focused on quantitative studies that lack deeper theoretical analyses [32]. The need for more qualitative approaches in franchising research is reflected in the statistics provided by Young. They explained that over the period 1986-1999 the percentage of qualitative studies in franchising research was 7.7%. These researchers observed that qualitative research was almost non-existent. The knowledge about franchise is almost never fleshed out with franchisees' (or franchisors') genuine experiences. This lack of qualitative franchising research was as major motivation for this study, particularly when exploring the franchisee/franchisor relationship issues. With support of Crotty's view on the qualitative and quantitative research debate, and as stated by Creswell about using qualitative research in exploring experiences, behaviours, emotions, and feelings, the research approach adopted was geared more towards qualitative methods, i.e. interviews, rather than quantitative methods in order to generate rich descriptions from interviewees regarding franchising relationships and the psychological contract [33,34].

This study used case study as its research strategy to explore hotel franchising relationship practices. There were several reasons for the choice of a case study research strategy. Case study has distinct advantages over other research strategies when "how" or "why" questions are being posed to discover a current phenomenon and when the researcher has little or no control over the events [35]. It offers the opportunity to "explain why certain outcomes may happen – more than just find out what those outcomes are" [36]. The present study has

undertaken a multiple case study as a research methodology to reach the overall aim of the research. Various data collection methods were adopted, including: semi-structured interviews and document analysis. Most of the interview questions were open-ended. All interviews took place within the interviewees' organization and lasted between 45 – 90 minutes. All interviews were recorded with the permission of each participant. Also, hand-written notes of the interviewees' responses were taken throughout the interview.

Document analysis was also used. Document analysis normally involves documents produced for specific purposes other than those of the research but it can be used by the researcher for cognitive purposes, e.g. letters, newspapers, diaries and websites [37]. Documents used in this study were hotel franchisor websites, which included hotel chain franchise agreement and their disclosure documents, which were downloaded from the websites of the hotels involved in the case study. This enabled the researcher to identify any contradictions in the evidence emerging as a result of the inconsistencies between the data cleared in the documents and the interviews with the associated participants.

This research was conducted through two case studies Figure 2. The role of the psychological contract in the hotel franchise relationship was discussed with the Franchise Business Director (FBD) in six major hotel groups and in six franchisees. The interview process itself addressed the issues related to the psychological contract and its relation to the hotel franchise relationship (Figure 2).

This research adopted a non-probability on-probability sampling strategy using purposive techniques to choose hotel franchisors which enabled to select and study cases that would serve the purpose of the study and answer the research questions. A purposive sampling approach was used to identify a sample of hotel franchisor chains. With

| COMPANIES THAT FRANCHISE THE MOST HOTELS | | |
|---|-------------------|--------|
| Company | Hotels Franchised | Hotels |
| Wyndham Hotel Group | 8,544 | 8,544 |
| Choice Hotels International | 5,570 | 5,570 |
| IHG (InterContinental Hotels Group) | 3,392 | 3,949 |
| Hilton Hotels Corp. | 2,463 | 3,000 |
| Marriott International | 1,922 | 2,999 |
| Accor | 1,089 | 3,871 |
| Carlson Hotels Worldwide | 929 | 969 |
| Vantage Hospitality Group (Americas Best Value Inn) | 798 | 798 |
| Hyatt Hotels & Resorts | 417 | 721 |
| Starwood Hotels & Resorts Worldwide | 408 | 897 |

Source: HOTELS Giants Survey 2008

Figure 3: Top ten global hotel chain franchisors.

the purposive sampling the researcher has to use personal judgment to select cases that will best meet the research questions and objectives [38]. Rubin and Rubin named three main guidelines for selecting a purposive sample: first, the researcher should select informants who are knowledgeable about the issues being investigated, second, the participants should be willing to talk; third, the participants should be representative of a range of perspectives [39].

The study used the Hotel Giant Survey [40] as a sampling frame as it lists hotel chains which franchise their brands and reports the volume of franchising undertaken by each chain Figure 3. Consequently, of the top ten hotel franchisors, five chains were interviewed which represented a 50% sample of the targeted population (IHG; Wyndham Hotel Group; Marriott Hotels; Hilton Hotels; Choice Hotels). In addition, the Easy Hotel chain as a UK-based franchisor was also contacted. In each hotel chain the Franchise Business Director (FBD) was contacted to represent the franchisor because s/he has direct responsibility for the franchise arrangements [41] (Figure 3).

A non-probability approach using purposive and snowballing techniques was used to choose the sample of hotel franchisees. Rubin and Rubin described the snowball sampling technique as a method which builds upon information provided by the respondents from the initial sampling technique to form a chain or network to the point whereby information becomes repetitive – data saturation [39]. The selection of franchisees to be interviewed was straightforward – once a hotel owner in a particular hotel agreed to be interviewed, the researcher asked him to recommend another franchisee who might be willing to be interviewed. Moreover, in an attempt to encourage hotel franchisees participation in the case study, the researcher asked his supervisors and the interviewed hotel FBDs if they could help to get access to hotel franchisees and this technique was successful. Six franchisees were interviewed using a set of semi-structured questions. One of them owned four hotels in Cardiff and Bristol and had had a four-year relationship with IHG at that time. The second franchisee had more than eight sites across the UK and had been a franchisee with IHG for more than ten years. The third one had one franchise hotel and had been with IHG for less than 2 years. The fourth one had only joined IHG in 2007. The fifth one owned hotels franchised to Choice Hotels. The sixth one had multiple hotels (approximately 50 hotels) with multiple brands (IHG, Choice, Easy hotels). This sample was able to provide insight into the evolution of the franchising relationship over time.

Cross-case analysis was used to analyze the data obtained from the case studies. According to Yin, cross-case analysis is an approach that is suitable for analyzing multiple case studies and exploring the congruence and dissonance between cases [35]. There are two important reasons for adopting cross-case analysis according to Miles and Huberman [42]: first, it enhances the generalizability of the research; second, it enables researchers to deepen their understanding and explanation of the phenomenon being studied.

Ethical standards were adopted in this research through coding all franchisees names to respect the confidentiality of the respondents answers. The coding names used in the discussion chapters depend on the word (Franchisee). For example, (Franchisee1A, Franchisee1B and Franchisee1C) are referring to three different franchisees within the same franchised hotel chain).

Hotel Franchise Agreements and the Psychological Contract

This research showed that it is important to explore in-depth the hotel franchise agreement to know if there are any psychological issues covered in this agreement or not. For this reason, the hotel franchise agreements of Hilton and Holiday Inn were explored. It can be noted that parts concerning the obligations and responsibilities of both franchisor and franchisee were investigated. From analysis of the franchisor’s responsibilities, it can be noted that the formal contract focuses mainly on operational requirements, training, reservation services, consultation, and compliance with the manual, equipment and supplies. From this analysis, it could be seen that there is a lack of attention given to psychological aspects of the relationship. However, these psychological aspects do not exist in the written agreement because these issues are not easy to capture in written agreements [17].

Results

Franchisors and the psychological contract

Promises and obligations: The franchisors were asked what obligations, promises, and expectations they believed existed between themselves and their franchisees, that were outside the scope of their formal franchise contract. Although these obligations and expectations may not be common to all franchisors, the intention was to identify those that might be shared by franchisors. The views or perceptions of the expectations and obligations that existed between the franchisor and the franchisees were assessed from the franchisors’ perspective. Franchisors were asked what elements they believed they were obligated to provide to the franchisees. This view assessed what they believed the franchisees expected of them. They were also asked what they believed the franchisees were obligated to provide them.

Guest indicated that the contents of the psychological contract would be the reciprocal promises and obligations implied in the relationship [16]. This is in agreement with most of the respondents as one of them stated:

No, no you’ve got to do more than what is written in the franchise agreement and that’s certainly implying a promise and that promise is basically saying look we will support you during the pre-opening to help you wrap up quickly, but more importantly once you open we’re still going to be here. (FBD3)

The core of the psychological contract concerns the exchange

of unwritten promises as the psychological contract defines what an individual expects from the franchising organization in order to achieve and maintain psychological wellbeing. Guest and Conway emphasize that: *"You won't see those promises in the licence agreement; they don't put it in there and say this is our promise. It just says a very broad general statement that we will provide"* [20].

On the other hand, one of the franchisors interviewed indicated that they could not understand the meaning of unwritten promises and obligations in the franchise industry. "We are quite prescriptive about any promises we make in franchising as we follow the US law. I am not aware of any unwritten promises that we make to be honest" (FBD4). It could be noted that this franchisor had only been franchising for five years and his experience of franchising relationships was still relatively limited compared with the other franchisors.

I would say we're really careful as a franchisor to make promises, we don't even promise any business because you can't do that it's like telling the future. (FBD6)

To conclude, it could be noted that most of the respondents did not have a lot of knowledge about unwritten promises. They were not as concerned about it as perhaps they should have been. However, they reported that if these promises are not kept properly, it could lead to problems between franchisor and franchisee. This was confirmed by the work of Rousseau, who reported that there may be some sort of violation in the psychological contract when an employee experiences a discrepancy between the actual and fulfilment of promises made about these obligations [17].

The expectations of the franchisee to us are very important. If there is a mismatch between the expectations of either the franchisor or the franchisee, it will destroy the trust between both sides.

(FBD4)

Treating all franchisees fairly: The psychological contract is focusing on how to act fairly and honestly with the other partner [17]. One of the interviewed franchisors stated that: *"Yes again one of the ways we do that if you like is there's full transparency we introduce franchisee to franchisee so they can talk, so they will tell us"* (FBD6).

Most (5 out of 6) of the franchisors interviewed indicated that treating franchisees fairly was very difficult as there are other variables like franchisees' emotions that might affect this factor. Commitment is likely to be strong in organisations where people are kept informed, taken into confidence, feel important, and treated fairly [22]. However, franchisors should pay more attention towards how they treat their franchisees. For example:

Provide feedback on performance and other issues: One of the basic parts of the psychological contract is giving feedback on performance [43]. Most franchisors (4 out of 6) reported that feedback on job performance is an important input to franchisees' developmental planning. Without this feedback, assessment of the contribution of individuals to organizational effectiveness is very one-sided. Under the terms of the psychological contract, the provision of this feedback may be viewed by the franchisees as an organizational obligation.

That's exactly right. All our brands are doing this now and we can truly help because we have a wealth of information, guest feedback, we have very good periodic inspections by our quality assurance people. We have got a variety of different feedback mechanisms that our customers do as well.

(FBD1)

Furthermore, Franchise Classroom supports the idea of the franchisor providing feedback on the franchisee's performance as the franchisee works very hard to develop a strong level of business performance from the feedback gained from the franchisor [43].

Act with integrity, staying true to its values and beliefs: According to Mowday [44], the concept of commitment can be characterized by the franchisee having a strong belief in the franchisor's goals and values. This is in agreement with the majority of respondents, as explained by FBD2:

Critical, in other words those values and beliefs mean that we are out there to create an image of what the brand is and we need to be doing all we can to get that image out there and then it's up to the hotel to take advantage of that.

If I am staying true to my values and beliefs, provided they fit within the brand standards and the operating of the hotel, you can't let people go off and do what they like. This obligation is not written in the written agreement but they're inherent in clauses of the contract.

(FBD5)

Provide leadership and motivation: Franchisors have basic tools to ensure their franchisees' cooperation, such as incentives and motivation to franchisees Castrogiovanni. Rousseau also found that motivation and intention to stay with the recruiting organization were factors that shaped perceptions of the psychological aspects. All of the interviewed franchisors confirmed that they provide motivation to the franchisees as it is important to keep a good relationship with the franchisees [17].

For example the flu virus going around right now, we're sending out correspondence to both managers and franchisors giving them direction of these are the steps you should take and I think that's a professional thing to do.

(FBD4)

Housden indicates the importance of the motivation to the franchise relationship. All of the interviewed franchisors confirmed that they cannot provide leadership to the franchisees but they can offer motivation [28].

Do we provide leadership? It's not really our role to provide leadership. We offer our franchisees the motivation and we talk with them all the time.

(FBD3)

Express support for franchisees: Herriot identifies twelve organizational obligations, which can be adapted to fit the franchising relationship - one of them is expressing support to franchisees. It means not only providing support to the franchisee but also expressing the will to provide this support from time to time [18].

Perceptions of the organizational benefit of such support can have a powerful effect on franchisees' overall motivation to contribute and behave proactively [26]. On the other hand, one of the franchisors interviewed (FBD6) was not aware of the importance of expressing support to the franchisees as he stated that:

Yes you're obliged to obey whatever's in the manual. The issue actually is not the unwritten agreement, the agreement deals with the legal framework with protection issues for the franchisor and some obligations of the franchisor that help the franchisee.

Randall reported three behavioral expressions of organizational

commitment indicating a concern for quality, a willingness to share knowledge, and presence in the workplace [45]. Most (5 out of 6) of the interviewed franchisors highlighted that they take special care towards providing personal and professional support to their franchisees. This is critical, in other words the respondent franchisors indicated that they were trying constantly to coach their franchisees. If franchisees run into financial trouble or similar difficulties, the franchisee should at least keep the franchisor informed so that the franchisor knows about it: *"So all we ask is to keep us in the loop we'll help you, we can actually help field those questions"* (FBD1).

Understanding franchisees needs: The majority (5 out of 6) of the franchisors interviewed reported that understanding their franchisees' needs was not easy. This is due to the fact that there are many different types of franchisee and the poorer franchisees demanded the most attention from the franchisor. Therefore, it was a matter of relationships as there are some people with whom the franchisors had got good relationships: *"We are talking to our franchisees as individuals, understanding their needs"* (FBD3).

Building loyalty and commitment with franchisees: Herriot et al. identified loyalty as an organizational obligation in the psychological contract. *So yes that's a big thing we want, we want them to be loyal to us and committed to us* (FBD5)

Rousseau [17] revealed employer obligations to include the loyalty factor.

In some ways over the years I think the best way to build loyalty with the franchisee is with delivery, if they get the occupancy and the rate and everything that they want and they're getting the revenue and it makes sense to them to have a sign on the building, they tend to be very loyal.

(FBD4)

All the franchisors indicated that building franchisee loyalty was a very important factor in the success of the franchise relationship but it required a lot of effort to achieve it. Mueller confirmed this view through highlighting that loyalty itself intervenes in any decision to stay or leave an organization.

The best loyalty is just by if we delivering on what we promised from the beginning with that franchise then they do tend to be loyal.

(FBD3)

Respect franchisees: Hutton and Cummins identified two employer obligations: support and respect [46]. Hall and Dixon emphasized that the level of psychological satisfaction experienced by franchisees may lead to serious problems between franchise partners and the ideal franchisee is an individual who receives a reasonable level of security, affiliation and respect: *"Yes, respect is earned, so it comes out of the franchisor"* (Franchise E).

This is critical if it gets to a point where owners don't respect us or if we do not respect them. But that's critical. When a franchisee starts losing respect, they start looking for other brands and we can't have that.

(FBD5)

Trust: Rousseau and Robinson found a negative relationship between satisfaction, trust, and employee's intentions to remain with the employer and psychological contract violation. This was supported by Monroy and Alzola's [7] work on franchising as they argued that a lack of trust may arise between the franchisor and franchisee if the franchisor's promises are not kept.

I think we have to trust our franchisees because if we don't then we're starting off really badly?

(FBD2)

All the franchisors interviewed highlighted that trust in the hotel franchise relationship can lead to franchisee loyalty. *"It's like when you marry somebody you've got to form that relationship and then you've got to say okay let's hope that we can marry together without having a divorce. That's very much which I find in this business relationship between the franchisor and the franchisee"* (FBD5).

All the franchisors interviewed reported that building trust is very important from the beginning of the franchise relationship. *"I think the trust and fairness is in the fact you've got to sign an agreement. You wouldn't sign an agreement with somebody you didn't trust"* (FBD1).

The most important thing in franchise relationships is the intangible issues. Speed of response from us is very important. There should be the trust element in the franchise relationship. If there is no trust, the relationship is going to break down from the beginning.

Obligations of the psychological contract have the capacity to increase trust and commitment and in contrast may engender dispute and disagreement between parties and therefore have the capacity to impact negatively upon relationships [47].

Distrust comes if you're treated unfairly, make an exception for one hotel and now you have to explain to the other hotels why you made that exception, why did they have to do something that I didn't have to do. Big part of the district is there.

(FBD3)

Applying the idea of trust to business-to-business relationships seems challenging as these relationships are always based on considerations of common interest and risk assessment [25]. However, the promises and obligations of the psychological contract have the capacity to increase trust and commitment and in contrast may engender dispute and disagreement between franchise partners and therefore have the capacity to impact negatively upon relationships [47]. *"We make promises to increase the level of franchisee trust. For example: we promise our franchisee by high return on his investment through identifying some ways of maximizing his operational performance"* (FBD3).

The level of trust between participating franchisors and their franchisees seems to be high. The interviewed franchisors confirmed that high levels of trust existed between themselves and the organization. *"If they establish a certain amount of distrust then yes they're going to be dissatisfied and the only way to fix that is to start delivering on what we promised and obligated"* (FBD6).

On the other hand, two of the franchisors interviewed insisted that there was no relationship between the level of the trust and the quality of maintaining brand standards. *"This is due to the fact that the franchisee may have a good relationship with the franchisee but he might fail on the guest satisfaction test or with mystery shoppers"* (FBD1).

Motivation and commitment: Franchisors have some basic tools to ensure franchisee cooperation: direct observation of franchisee behaviour such as motivation and incentives [12].

Rousseau also found that motivation and an intention to stay with the recruiting organization were factors that shaped employee perceptions of psychological aspects of the employment contract. *"And*

if we're doing active communication that's what it's all about" (FBD5) [17].

Altinay suggests that creating a co-operative environment between the franchise partners creates a long and happy commercial marriage. Therefore, there should be stages of solid commitment between franchise partners [14,24].

We can build motivation through many ways. Like newsletters we come up with on a weekly basis and there's an even more detailed monthly one that comes out, it highlights all the neat things that all the hotels have been doing around the world.

(FBD3)

As a result, there will be some sort of conflict and to manage that conflict in a healthy and constructive manner; good relationships were being built on honest communication [48].

There is no big franchisee network in the UK so that the franchisees can't pick up the phone and speak to each other. They have to speak to the senior level in the company and try to solve the problem. Personal relationships are very important to build the trust relationship with the franchisee.

(FBD4)

Franchisees and the Psychological Contract

Promises and obligations

Some (2 out of 6) of the interviewees were unaware of what was meant by an unwritten agreement: *"I wouldn't be able to mention if there were any promises rather than a verbal promise"* (Franchisee3). On the other hand, Rousseau identified psychological contracts as beliefs about obligations and promises based on the exchange of socio-emotional factors, such as loyalty and support. All the respondents interviewed recognized the importance of promises and obligations as unwritten agreements [17].

These promises are unwritten. I mean something like this subscribes to the franchisors' norms and values, if they have got norms and values agreed with us, yes we have to oblige by it. Be loyal to the franchisor yes, I mean most of them are unwritten ones.

(Franchisee1C)

Herriot [18] identifies seven employee obligations, which can be adapted to the franchisee including loyalty, self-presentation, and flexibility. All the respondents interviewed indicated that commitment to the brand is one of the unwritten franchisee obligations. *"Therefore, it should be a commitment to the brand"* (Franchisee3).

All the respondents interviewed confirmed unfair treatment on behalf of the franchisor when dealing with franchised and managed hotels. *"My belief, confidentially, I think of course they have managed properties, I do believe the managed properties will get more focus, but of course that's because they're paid to manage them"* (Franchisee 3). This is in agreement with Rousseau who reported that the obligations of the two parties are often the basis for the beliefs that constitute the psychological contract, such as fair and equitable treatment.

Communication

All the respondents interviewed confirmed the importance of communication in the success of the franchise relationship. Munn emphasized that continuing commitment to the relationship will contribute to a building of trust and good communication

The bond that makes franchisors and franchisees work together is, not always profit-related but, their communications and their respect to each other [49]. *"Communication, they know what their franchisees are doing and we know what they are doing, that is the gist of trust. They should not be assuming yes we are doing things like that, we should not be assuming yes that's what they mean by that. So yes it's always communication"* (Franchisee1C).

The important factors for franchise success are good communications, co-operation, respect and trust [31].

Off-duty hours, phone calls, e-mails yes that happens. Well you've got phone calls obviously apart from e-mails. I mean whenever I need help I just give them a call and say listen I'm stick here what shall I do. So that is definitely something that builds up the trust.

(Franchisee1C)

The franchisor is there to help the franchisee succeed, and will generally help work to make sure that both are making a profit. Franchisees should always ask the franchisor if they require any help.

If I see something at a hotel I suggest it. We've now got energy conserving measures, if I see something in one hotel I pass it on somewhere else and I co-operate it into the new rules and regulations. So it's a constantly evolving feedback between us.

(Franchisee 2)

Understanding

Understanding franchisees' expectations relating to social exchange may help identify the factors that shape franchisees' perceptions of the psychological contract [19].

I need their full understanding. Understanding is something which is not in the contract. Procedures are, policies are, promotions are but understanding flexibility, these factors are not in the contract and that is what I expect from my franchisor.

(Franchisee1C)

Therefore, there is no one relationship model that fits all situations and the franchisor should work harder to understand their franchisees' needs exactly. Hall and Dixon add that the franchisor should have a profile of the ideal franchisee which covers all aspects of the relationship, such as the required financial resources, previous experience and psychological make-up.

Trust

Monroy and Alzola argue that a lack of trust may be arise between the franchisor and franchisee: *"I think the biggest one to improve the trust would be to waive or to get rid of all the penalty fees that they have"* (Franchisee3).

However, the promises and obligations of the psychological contract have the capacity to increase trust and commitment and, in contrast, may engender dispute and disagreement between parties and therefore have the capacity to impact negatively upon relationships [47]. *"Trust would be through building up more informal conversation"* (Franchisee1C).

Rogers discusses two key factors in building trust in an organization which are business competence and people orientation. As Franchisee3 explained: *"As a franchisee I trust them 110%. Without trust why would I follow their instructions?"*

Motivation

In agency theory franchisors have two basic tools to ensure franchisee cooperation: direct observation of franchisee behaviour, such as monitoring and incentives; motivation to franchisee outputs. *“For me I’m very motivated by success, I like to see success, a certificate or a plaque or an award would motivate me and they do that”* (Franchisee3).

It is essential to keep all franchisees motivated to maintain the brand image. This will keep the current franchisees and attract new franchisees who see others being successful in the marketplace.

Respect

Hutton and Cummins identified that respect is a critical franchisor obligation: *“The biggest form of respect is to be guided not told, there’s nothing worse than someone coming in and saying your hotel’s not up to standard you need to do this, this and this and this. It’s about someone coming in and saying right we need to work together on improving these areas, it’s about two-way communication not being told what to do”* (Franchisee3).

Kotter discussed the psychological contract as a matching of expectations, where matched expectations lead to higher employee satisfaction and less turnover:

Yes definitely I think it does. We all have expectations that are not written and if the franchisor didn’t recognize it, our commitment to them will drop and our trust in them will drop (Franchisee3) [50].

Experience

There are three particular circumstances in which becoming a franchisee is definitely attractive: firstly, if someone has a recognized skill or trade, but little or no commercial experience; secondly, if someone has the aptitude/inclination to run a particular type of business but no experience and thirdly, if someone has the desire to run a business, has some capital available but does not know what to do.

We have franchise meetings three times a year, during these meetings, you can tell which ones are hoteliers and which ones are property investors and which ones have no interest whatsoever (Franchisee2)

Jambulingam and Nevin point out that a franchisee’s level of education and experience should be some of the franchisee selection criteria. Therefore, the franchisor should pay extra attention to hotels with less-experienced owners. *“The FBD should move on to the next hotel that doesn’t quite have that strong character at the top or the owner is not dedicated to hotels which becomes one that she will monitor and watch very carefully”* (Franchisee2).

Discussion

Guest presents an extended model of the psychological contract to provide an analytical framework for employment relationships. This research used this model as a basis for understanding the psychological contract in the hotel franchising relationship. It is apparent from Figure 4 that Guest’s model can be adapted to the franchising relationship. This is because of similarities between the measures developed in the previous section and Guest’s model.

Motivation and building the franchise relationship was found to be one of the best ways of keeping franchisees and attracting new franchisees. The model moves on to consider franchisor obligations which consist of: keeping the franchisee informed and sharing knowledge; accepting a franchisee’s new ideas, providing professional

and personal support; paying extra attention to less experienced hotels, providing feedback on performance; providing motivation; treating all franchisees fairly; respecting franchisees, expressing support to the franchisees; understanding franchisees’ needs; building loyalty and commitment with franchisees.

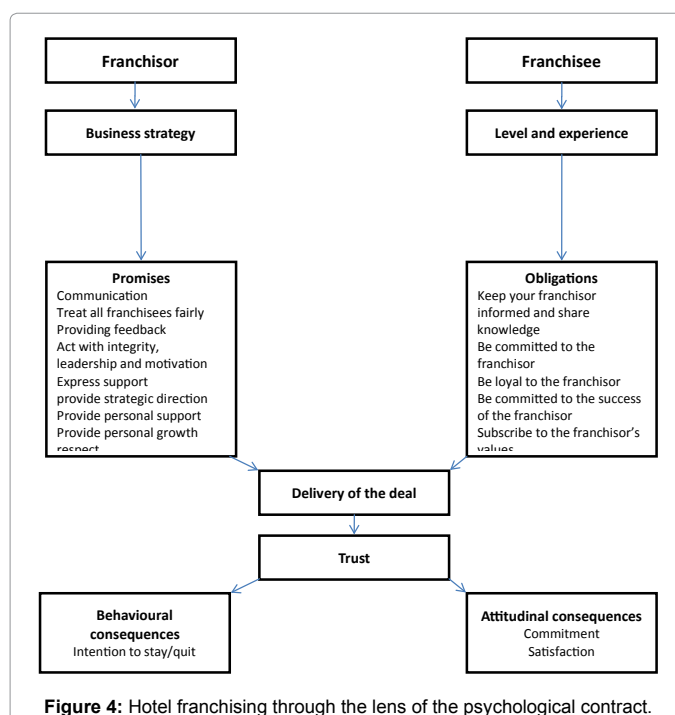
This model suggests some franchisee obligations: committing to the success of the franchisor; subscribing to the franchisor norms and values; providing support and guidance to fellow franchisees; being loyal to the franchisor, keeping the franchisor informed and sharing knowledge; understanding the franchisor’s new ideas; respecting other franchisees and the franchisor. Housden emphasized the importance of the trust in the franchise relationship. This model suggests that effective co-operation between franchisor and franchisee obligations should lead to trust between franchisor and franchisee (Figure 4).

Limitations of the Research

The first and most obvious limitation of this research is its qualitative research approach. Many hotel franchisors and franchisees were not interested in participating in the research process. The research was limited to a sample of hotel chains which originate in the UK and US, therefore, the research was limited to an in-depth study of a relatively small number of franchisors and a sample of their franchisees as it was very difficult to get meetings with FSDs or hotel owners. The research is limited to studying franchising issues in the hotel industry. In addition, the research had some limitations because of the data. Further research could examine and expand the findings of this study by conducting quantitative research. An initial opportunity for further research would be to test the proposed model of psychological contract on other franchise relationships e.g. in the fashion and the fast-food industries.

Conclusions

In conclusion, the aim of this study was to develop a model relating to applying the psychological contract concept to an understanding of the hotel franchising relationship. The study aimed to explore how



elements of the psychological contract in Guest's model mapped onto the franchising context [51]. The findings stress the necessity of developing some of the policies and practices in the psychological contract to enhance the success of hotel franchise relationships Figure 4. The most significant contribution of this research is the application of the psychological contract to a rich understanding of the attitudes and behaviors of franchisors and franchisees in the franchise relationship. To date, most of the studies on the psychological contract have focused on employment relationships Rousseau [17]. However, this study showed that the psychological contract and its related concepts can help understand hotel franchise relationships. This study is the first to use a model of the psychological contract to consider hotel franchising agreements. This is supported by a number of authors who have highlighted that the psychological contract could be used to understand other relationships rather than just employment relationships [52-55]. However, this study also contributed to practice through using a qualitative approach to understand the psychological contract formation in the hotel franchising. The study found that psychological contract factors should be of concern to franchisors and franchisees in order to ensure the success of their relationship.

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