

# FLORIDA ATLANTIC UNIVERSITY™

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## Graduate Programs—NEW COURSE PROPOSAL

DEPARTMENT NAME: MANAGEMENT PROGRAMS

COLLEGE OF: BUSINESS

**RECOMMENDED COURSE IDENTIFICATION:**

PREFIX \_\_\_\_\_ ENT \_\_\_\_\_ COURSE NUMBER 6176 \_\_\_\_\_ LAB CODE (L or C) \_\_\_\_\_

(TO OBTAIN A COURSE NUMBER, CONTACT ERUDOLPH@FAU.EDU)

COMPLETE COURSE TITLE : FRANCHISING

**EFFECTIVE DATE**

(first term course will be offered)

FALL 2010

CREDITS: 3

TEXTBOOK INFORMATION: JUDD, R., & JUSTIS, R. (2008). FRANCHISING: AN ENTREPRENEUR'S GUIDE, 4TH ED. MASON, OH: THOMSON.

GRADING (SELECT ONLY ONE GRADING OPTION): REGULAR  PASS/FAIL \_\_\_\_\_ SATISFACTORY/UNSATISFACTORY \_\_\_\_\_

COURSE DESCRIPTION, NO MORE THAN 3 LINES: THIS COURSE DEALS WITH THE IMPORTANT ASPECTS OF STARTING, DEVELOPING, AND MANAGING BOTH FRANCHISE NETWORKS AND FRANCHISES WITHIN THOSE NETWORKS. SPECIFIC ATTENTION IS GIVEN TO THE FRANCHISOR-FRANCHISEE RELATIONSHIP, AND HOW BOTH SIDES CONTRIBUTE TO THEIR MUTUAL SUCCESS.

PREREQUISITES W/MINIMUM GRADE: \*

COREQUISITES:

OTHER REGISTRATION CONTROLS (MAJOR, COLLEGE, LEVEL):  
GRADUATE STANDING

PREREQUISITES, COREQUISITES & REGISTRATION CONTROLS SHOWN ABOVE WILL BE ENFORCED FOR ALL COURSE SECTIONS.

\* DEFAULT MINIMUM GRADE IS D-

MINIMUM QUALIFICATIONS NEEDED TO TEACH THIS COURSE: TERMINAL DEGREE IN RELEVANT DISCIPLINE PLUS RECENT PUBLICATIONS IN FRANCHISING, OR RECENT EXPERIENCE AS A FRANCHISING EXECUTIVE, FRANCHISEE, OR FRANCHISING CONSULTANT.

Other departments, colleges that might be affected by the new course must be consulted. List entities that have been consulted and attach written comments from each.

Gary Castrogiovanni, castrogi@fau.edu, (561) 297-2523

Faculty Contact, Email, Complete Phone Number

**SIGNATURES**

**SUPPORTING MATERIALS**

<p><i>Approved by:</i></p> <p>Department Chair: <u>Peggy Golden</u></p> <p>College Curriculum Chair: <u>Wm McDaniel</u></p> <p>College Dean: <u>Paul Horv</u></p> <p>UGPC Chair: _____</p> <p>Dean of the Graduate College: _____</p>	<p><i>Date:</i></p> <p><u>4/10/10</u></p> <p><u>4-13-2010</u></p> <p><u>4.13.2010</u></p> <p>_____</p> <p>_____</p>	<p><b>Syllabus</b>—must include all details as shown in the UGPC Guidelines.</p> <p><b>Written Consent</b>—required from all departments affected.</p> <p>Go to: <a href="http://graduate.fau.edu/gpc/">http://graduate.fau.edu/gpc/</a> to download this form and guidelines to fill out the form.</p>
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Email this form and syllabus to [sfulks@fau.edu](mailto:sfulks@fau.edu) and [egirjo@fau.edu](mailto:egirjo@fau.edu) one week **before** the University Graduate Programs Committee meeting so that materials may be viewed on the UGPC website by committee members prior to the meeting.

# Franchising

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Office: DS 207D

ENT 6176

3 Credits

## Course Description

The franchising method of doing business is increasing rapidly worldwide. Consequently, there is a growing need for executives with franchising knowledge, and there are increasing opportunities for people to attain business ownership as franchisees.

This course deals with the important aspects of starting, developing, and managing both franchise networks and franchises within those networks. Specific attention is given to the franchisor-franchisee relationship, and how both sides contribute to their mutual success. Profit opportunities, legal considerations, and international aspects of franchising are addressed as well.

*Prerequisites: None.*

*Corequisites: None.*

*Other: Graduate Standing*

## Course Goals and Primary Learning Outcomes

**Global Goal.** The overarching goal for this course is to develop skills needed for you to succeed as a franchisee, franchisor, or franchising executive.

**Specific Outcomes.** Primary learning outcomes are:

- Ability to identify opportunities to expand local businesses through franchising
- Ability to work out details needed to establish and develop a franchise network
- Ability to identify franchisee opportunities fitting an individual's particular needs and skills
- Ability to acquire a franchise and establish new outlets in the franchise network
- Ability, as a franchisee, to develop and maintain good working relationships with the franchisor and other franchisees in the network

## Textbook

Judd, R., & Justis, R. (2008). *Franchising: An Entrepreneur's Guide, 4<sup>th</sup> ed.* Mason, OH: Thomson.

## Other Materials

"Quick 'N' EZ." Case available from the instructor.

Castrogiovanni, G. (1998). Universal business brokers. *Entrepreneurship Theory & Practice*, 22 (2), 75-86.

Ciavarella, M., & Amason, A. (2001). Nawkaw, Inc.: Changing the color of masonry. *Entrepreneurship Theory & Practice*, 26 (2): 77-91.

Finkle, T. (1998). Beano's Ice Cream Shop. *Entrepreneurship Theory & Practice*, 23 (1): 87-99.

## Office Hours

Monday 12:00 to 1:00 p.m. and 4:00 to 5:00 p.m.;  
Wednesday 5:00 to 7:00; and by appointment.

## Grading

The points you earn for the various activities listed below will determine your course grade.

Activity	Points
Franchising Feasibility Study	100
Franchisor Business Plan	100
Franchisee Business Plan	100
Test 1	100
Test 2	100
Class Participation	100
<b>Total Points Available</b>	<b>600</b>

Final course grades will be determined as follows:

- A = 555 or more
- A- = 540 – 554
- B+ = 525 – 539
- B = 495 – 524
- B- = 480 – 494
- C+ = 465 – 479
- C = 435 – 464
- C- = 420 – 434
- D+ = 405 – 419
- D = 375 – 404
- D- = 360 – 374
- F = 359 or less

## Graded Activities

**Franchising Feasibility Study.** The Franchising Feasibility Study is a team assignment addressing whether a given business is suitable for franchising. Students are encouraged to economize by assessing feasibility here for the same prospective franchisor that their team will focus on for the Franchisor Business Plan assignment. In most cases, that prospective franchisor will be a particular service, restaurant, or retail business operating in South Florida. Alternatively, however, *and subject to the instructor's permission*, teams may base the assignment on a business concept that has not yet been operationalized. Additional instructions will be provided.

**Franchisor Business Plan.** The Franchisor Business Plan is a team assignment involving the determination of how a particular business might expand beyond its local market through franchising. Students are encouraged to economize by developing this business plan for the same prospective franchisor examined in their team's Franchise Feasibility Study. In most cases, that prospective franchisor will be a particular service, restaurant, or retail business operating in South Florida. Alternatively, however, *and subject to the instructor's permission*, teams may base the assignment on a business concept that has not yet been operationalized.

Additional instructions will be provided.

**Note:** If a team member shirks on his/her responsibilities in a team assignment, the team may assess a penalty by simply indicating on the title page some percentage (less than 100%) of the team's score that the particular individual should receive.

**Franchisee Business Plan.** The Franchisee Business Plan is a team assignment involving the startup and subsequent development of a new unit within a franchise network. Normally, this franchised unit would be within the same chain addressed in the Franchise Feasibility Study and Franchisor Business Plan assignments. In such cases, a student team would first determine that franchised expansion is feasible for an existing business, and then develop a Franchisor Business Plan to guide such expansion. Finally, for this Franchisee Business Plan assignment, the student team would assume the role of an early franchisee within that new franchise network, and develop a plan for starting and operating a new franchised unit.

*Subject to the instructor's permission*, students may pursue an alternative approach to this assignment. If one or more team members has a particular interest in an existing franchise chain, the team can develop a Franchisee Business Plan for a new franchisee in that chain. If, for example, a team member is interested in buying a Subway franchise, the team could develop its Franchisee Business Plan for a Subway franchise. The team's Franchising Feasibility Study and the Franchisor Business Plan assignments would still focus on *prospective* franchisors. Thus, in this example, those other assignments would *not* pertain to Subway.

Additional instructions will be provided.

**Tests 1 and 2.** There will be two multiple-choice tests, one covering the first half of the textbook, and the other covering the second half. The purpose of the tests is to see how well students read and understood the textbook. Thus, all of the test questions will pertain to material from the textbook, including material from the book that was not addressed explicitly in class.

**Class Participation.** Much of your learning in this course will occur as you form and express your views during class discussions. You will have ample opportunities to voice your opinions and take the lead in shaping the direction of the discussion. There will also be occasions where your views may be solicited.

To be prepared to participate in a given class meeting, you should read the assigned material. Note that participation is *not* the same as attendance though you cannot participate if you are not present.

***If you must miss a class, you can make up for that absence by attending a meeting of SEAL, the student entrepreneurship club, and emailing the instructor a 250-word summary of that meeting.*** For details on SEAL, visit the Adams Center for Entrepreneurship website (<http://www.fauadamscenter.org/>), or go directly to the SEAL page at [http://www.fauadamscenter.org/index.php?src=gendocs&ref=SEAL-Entrepreneur%20Club&category=Student%20Opportunities&submenu=student\\_ops\\_club\\_seal](http://www.fauadamscenter.org/index.php?src=gendocs&ref=SEAL-Entrepreneur%20Club&category=Student%20Opportunities&submenu=student_ops_club_seal).

Disruptive classroom behavior will detract from your participation grade. Such behavior includes but is not limited to arriving late, leaving early, reading newspapers or anything other than course material, and socializing during presentations or lectures.

## Course Policies

Students in this course are expected to conform to all university policies. Additionally, students should note the following.

### STUDENTS WITH DISABILITIES

In compliance with the Americans with Disabilities Act (ADA), students who require special accommodations due to a disability to properly execute coursework must register with the Office for Students with Disabilities (OSD) located in Boca Raton - SU 133 (561-297-3880), in Davie - MOD 1 (954-236-1222), in Jupiter - SR 117 (561-799-8585), or at the Treasure Coast - CO 128 (772-873-3305), and follow all OSD procedures.

### ACADEMIC INTEGRITY

Students at Florida Atlantic University are expected to maintain the highest ethical standards. Academic dishonesty, including cheating and plagiarism, is considered a serious breach of these ethical standards because it interferes with the University mission to provide a high quality education in which no student enjoys an unfair advantage over any other. Academic dishonesty is also destructive of the University community, which is grounded in a system of mutual trust and places high value on personal integrity and individual responsibility. Harsh penalties are associated with academic dishonesty. For more information, see [http://www.fau.edu/regulations/chapter4/4.001\\_Honor\\_Code.pdf](http://www.fau.edu/regulations/chapter4/4.001_Honor_Code.pdf).

Turnitin may be used to examine any/all papers submitted in this class.

## Tentative Course Schedule

<i>Week</i>	<i>Topic</i>	<i>Assignments</i>
Jan 5	Introduction/Orientation Franchising: History and Overview	Syllabus; Form Teams Ch. 1
12	Recognizing Franchising Opportunities Assessing Franchise Feasibility The Franchisor Business Plan	Ch. 2 Franchising Feasibility Study Instructions Ch. 3; Franchisor Business Plan Instructions
19	<i>MLK HOLIDAY</i>	<i>NO CLASS</i>
26	Franchisor Management The Franchising Market Process Selling and Marketing Research	Ch. 4 Ch. 5 Ch. 6
Feb 2	Co-Branding Franchisor's Operations Process Case Discussion	Ch. 7 Ch. 8 Quick 'N' EZ Case
9	Franchise Feasibility Presentations Location and Site Selection Case Discussion	<b>Franchising Feasibility Study due</b> Ch. 9 Nawkaw Case
16	Accounting and Financial Statements Financial Management and Fiscal Planning	Ch. 10 Ch. 11
23	Test 1	Chapters 1-11
Mar 2	<i>SPRING BREAK</i>	<i>NO CLASS</i>
9	Information Systems Franchise Legal Documents	Ch. 12 Ch. 13
16	Franchisor Business Plan Presentations Trademarks, Copyrights, Patents, & Trade Secrets	<b>Franchisor Business Plan due</b> Ch. 14
23	Investigating Franchise Opportunities Financing Your Franchised Business Case Discussion	Ch. 15 Ch. 16 Beano's Ice Cream Shop Case
30	Developing Franchisee Business Plans Marketing the Franchisee Business Managing the Franchisee Business	Franchisee Business Plan Instructions Ch. 17 Ch. 18
Apr 6	The Franchising Relationship Franchisor Support Services Case Discussion	Ch. 19 Ch. 20 Universal Business Brokers Case

13 Social Responsibility and Business Ethics  
International Franchising

Ch. 21  
Ch. 22

20 Case Discussion

Ch. 23: Harley-Davidson; **Franchisee Business Plan due**

27 Test 2

Chapters 12-22

*Note:* Unless stated otherwise, written assignments are to be submitted electronically. Email them to the instructor at [castrogi@fau.edu](mailto:castrogi@fau.edu). Written assignments are due one hour before class begins on the dates indicated above. *No assignments will be accepted late.*

*Subject to Change:* This syllabus and schedule are subject to change in the event of extenuating circumstances. If you are absent from class, it is your responsibility to check on announcements made while you were absent.

## Selected Franchising Readings

### Books

- Blair, R. D., & Lafontaine, F. 2005. *Economics of franchising*. New York: Cambridge University Press.
- Bradach, J. L. 1998. *Franchise organizations*. Boston: Harvard Business School Press.
- Dant, R. P., & Kaufmann, P. J. 1995. *Franchising: Contemporary issues and research*. New York: Haworth.
- Dicke, T. S. 1992. *Franchising in America: The development of a business method, 1840-1980*. Chapel Hill, NC: University of North Carolina Press.

### Articles

- Alon, I. 2001. The use of franchising by U.S.-based retailers. *Journal of Small Business Management*, 39(2): 111-122.
- Bradach, J. L. 1997. Using the plural form in the management of restaurant chains. *Administrative Science Quarterly*, 42: 276-303.
- Brickley, J. A., & Dark, F. H. 1987. The choice of organizational form: The case of franchising. *Journal of Financial Economics*, 18: 401-420.
- Carney, M., & Gedajlovic, E. 1991. Vertical integration in franchise systems: Agency theory and resource explanations. *Strategic Management Journal*, 12: 607-629.
- Castrogiovanni, G. J., Combs, J. G., & Justis, R. T. (2006). Shifting imperatives: An integrative view of resource scarcity and agency reasons for franchising. *Entrepreneurship Theory and Practice*, 30 (1): 23-40.
- Castrogiovanni, G. J., Combs, J. G., & Justis, R. T. (2006). Resource scarcity and agency theory predictions concerning the continued use of franchising in multi-outlet networks. *Journal of Small Business Management*, 44 (1): 27-44.
- Castrogiovanni, G. J., Justis, R. T., & Julian, S. 1993. Franchise failure rates: An assessment of magnitude and influencing factors. *Journal of Small Business Management*, 31(2): 105-114.
- Combs, J. G., & Ketchen, D. J. 2003. Why do firms use franchising as an entrepreneurial strategy?: A meta-analysis. *Journal of Management*, 29: 443-465.

- Combs, J. G., Ketchen, D. J., & Hoover, V. L. 2004. A strategic groups approach to the franchising-performance relationship. *Journal of Business Venturing*, 19: 877-987.
- Combs, J. G., Michael, S. C., & Castrogiovanni, G. J. 2004. Franchising: A review and avenues to greater theoretical diversity. *Journal of Management*, 30: 907-932.
- Dnes, A. W. 1993. A case-study analysis of franchise contracts. *Journal of Legal Studies*, 22: 367-393.
- Kaufmann, P. J., & Eroglu, S. 1999. Standardization and adaptation in business format franchising. *Journal of Business Venturing*, 14: 69-85.
- Krueger, A. B. 1991. Ownership, agency, and wages: An examination of franchising in the fast food industry. *Quarterly Journal of Economics*, 106: 75-101.
- Lafontaine, F. 1992. Agency theory and franchising: Some empirical results. *RAND Journal of Economics*, 23: 263-283.
- Lafontaine, F., & Kaufmann, P. J. 1994. The evolution of ownership patterns in franchise systems. *Journal of Retailing*, 70: 97-113.
- Lafontaine, F., & Shaw, K. L. 1999. The dynamics of franchise contracting: Evidence from panel data. *Journal of Political Economy*, 107: 1041-1080.
- Lafontaine, F., & Shaw, K. L. 2005. Targeting managerial control: Evidence from franchising. *The Rand Journal of Economics*, 36: 131-150.
- Michael, S. C. 1996. To franchise or not to franchise: Analysis of decision rights and organizational form shares. *Journal of Business Venturing*, 11: 57-71.
- Michael, S. C. 2000. Investments to create bargaining power: The case of franchising. *Strategic Management Journal*, 21: 497-514.
- Michael, S. C. 2000. The effect of organizational form on quality: The case of franchising. *Journal of Economic Behavior and Organization*, 43: 295-318.
- Michael, S. C., & Combs, J. G. 2008. Entrepreneurial failure: The case of franchisees. *Journal of Small Business Management*, 46(1): 73-90.
- Michael, S. C. In press. Franchising and transaction cost economics. In P. G. Klein and M. E. Sykuta (Eds.), *Handbook of transaction cost economics*. Northampton, MA: Edward Elgar.
- Minkler, A. P. 1992. Why firms franchise: A search cost theory. *Journal of Institutional and Theoretical Economics*, 148: 240-259.



Oxenfeldt, A. R., & Kelly, A. O. 1969. Will successful franchise systems ultimately become wholly-owned chains? *Journal of Retailing*, 44(4): 69-83.

Rubin, P. H. 1978. The theory of the firm and the structure of the franchise contract. *Journal of Law and Economics*, 21: 223-233.

Sen, K. C. 1993. The use of initial fees and royalties in business-format franchising. *Managerial and Decision Economics*, 14: 175-190.

Shane, S. A. 1996. Hybrid organizational arrangements and their implications for firm growth and survival: A study of new franchisors. *Academy of Management Journal*, 39: 216-234.

Shane, S. 1998. Explaining the distribution of franchised and company-owned outlets in franchise systems. *Journal of Management*, 24: 717-739.

Shane, S., & Foo, M. D. 1999. New firm survival: Institutional explanations for new franchisor mortality. *Management Science*, 45: 142-159.

Shane, S. A., & Hoy, F. 1996. Franchising: A gateway to cooperative entrepreneurship. *Journal of Business Venturing*, 11: 325-327.

Spinelli, S., & Birley, S. 1998. An empirical evaluation of conflict in the franchise system. *British Journal of Management*, 9: 301-325.

Welsh, D., Alon, I., & Falbe, C. M. 2006. An examination of international retail franchising in emerging markets. *Journal of Small Business Management*, 44(1): 130-149.