The Effect of Service Complexity on Performance of Franchised Outlets

Benjamin Lawrence  
*Cornell University School of Hotel Administration, bcl5@cornell.edu*

Linda Canina  
*Cornell University School of Hotel Administration, lc29@cornell.edu*

Cathy A. Enz  
*Cornell University School of Hotel Administration,cae4@cornell.edu*

Follow this and additional works at: [https://scholarship.sha.cornell.edu/conf](https://scholarship.sha.cornell.edu/conf)

Part of the [Hospitality Administration and Management Commons](https://scholarship.sha.cornell.edu/conf) and the [Organizational Behavior and Theory Commons](https://scholarship.sha.cornell.edu/conf)

**Recommended Citation**


This Article is brought to you for free and open access by the School of Hotel Administration Collection at The Scholarly Commons. It has been accepted for inclusion in Conference Proceedings, Presentations, and Speeches by an authorized administrator of The Scholarly Commons. For more information, please contact hlmdigital@cornell.edu.
The Effect of Service Complexity on Performance of Franchised Outlets

Abstract
The overall results of this study suggest that for low service complexity new ventures the incentive structures and contractual arrangements inherent in franchising are well suited. In service ventures with high levels of service complexity, arrangements involving two distinct parties that must work together may be more costly and difficult to manage. We find that franchisee outlets outperform independent entrepreneurs in each of the first three years of operation when the service business was low in complexity. In contrast, independent operators were able to outperform franchisees after the first year in complex service enterprises. Franchisors who operated in complex service settings were only able to outperform independents in the first year of operation, suggesting that both experienced chains who provide reliable and consistent services and independent entrepreneurs who quickly learn to adapt to the broad needs of sophisticated consumers are able to obtain performance success.

Keywords
new ventures, hotel operations, service complexity, organizational structure

Disciplines
Hospitality Administration and Management | Organizational Behavior and Theory

Comments
Required Publisher Statement
Copyright held by the authors. Reprinted with permission. All rights reserved.

This article is available at The Scholarly Commons: https://scholarship.sha.cornell.edu/conf/8
The Effect of Service Complexity on Performance of Franchised Outlets

Ben Lawrence  
Assistant Professor  
School of Hotel Administration  
Cornell University  
Ithaca NY 14853  
USA  
Telephone: 607-254-1669  
Fax: 607-255-6742  
Email: bcl5@cornell.edu

Linda Canina  
Associate Professor  
School of Hotel Administration  
Cornell University  
Ithaca NY 14853  
USA  
Telephone: 607-255-8051  
Fax: 607-255-6742  
Email: lc29@cornell.edu

Cathy A. Enz  
Lewis G. Schaeneman, Jr. Professor of Innovation & Dynamic Management  
School of Hotel Administration  
Cornell University  
Ithaca NY 14853  
USA  
Telephone: 607-255-8841  
Fax: 607-255-6742  
Email: cae4@cornell.edu

Presented at the 29th Annual  
International Society of Franchising Conference  
Historical Building  
University of Oviedo  
Oviedo, SPAIN  
June 18-20, 2015
The Effect of Service Complexity on Performance of Franchised Outlets

The overall results of this study suggest that for low service complexity new ventures the incentive structures and contractual arrangements inherent in franchising are well suited. In service ventures with high levels of service complexity, arrangements involving two distinct parties that must work together may be more costly and difficult to manage. We find that franchisee outlets outperform independent entrepreneurs in each of the first three years of operation when the service business was low in complexity. In contrast, independent operators were able to outperform franchisees after the first year in complex service enterprises. Franchisors who operated in complex service settings were only able to outperform independents in the first year of operation, suggesting that both experienced chains who provide reliable and consistent services and independent entrepreneurs who quickly learn to adapt to the broad needs of sophisticated consumers are able to obtain performance success.

Keywords: New Ventures, Hotel Operations, Service Complexity, Organizational Structure