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Sustainable Competitive Advantage for Multi-Unit Franchising: From the Taiwanese Franchise Market Perspectives

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Abstract: Franchising is a widely adopted business format in both product-based and service-based industries. Particularly, the concept of multi-unit franchising has become increasingly prominent as a favored expansion strategy for both franchisors and franchisees. To sustain a competitive advantage, it is crucial for franchisees to establish a network of local outlets. This study delves into the strategies employed by multi-unit franchisees in the Taiwanese estate agency sector, using the theory of sustainable competitive advantage as a framework. The research design for this study is qualitative, employing in-depth interviews as the primary method of data collection, with grounded theory used for analysis. The findings reveal that ownership patterns play a crucial role in determining sustainable competitive advantage. Furthermore, the existence of both explorative and exploitative capabilities was identified as the foundation for establishing local leadership and ensuring a sustainable advantage. Importantly, sustainable competitive advantage is achieved through the local leader determinant. As a result, four propositions have been developed, which hold essential practical implications for top managers. Especially in the digital era, information asymmetry is diminishing, and cooperation becomes the key to creating synergies.

Keywords: chain store; sustainable competitive advantage; multi-unit franchising; estate agency



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1. Introduction

Franchising is a hybrid organization that combines franchisors and franchisees to create synergies by leveraging each other's resources. Franchising is a rapidly growing business concept in emerging economies [1,2]. One particular example is Taiwan, which boasts a thriving market with 2888 franchisors and 113,158 franchised stores [3]. Taiwan is well-known for its small and medium enterprises, and franchising is one of the typical formats [4]. The franchise model is a replicated format that allows businesses to grow in new markets [5,6]. In addition, it is observed that this company strategy incorporates standardized procedures and marketing communications aimed at creating brand consistency [5]. Thus, the franchisees can legally copy this operating system and take advantage of the franchisor's brand in exchange for mutual monetary gain [5,7]. Behind reciprocal benefits from the overall system's growth and success, franchise organization is popular in the service and retail sectors [5,8,9]. In fact, scholars have passionately discussed the franchising concept; thereby, various theories are applied to explain franchising [10]. The most prevalent ideas used to describe the predominance of franchising are agency theory and resource scarcity theories [11–14]. However, most studies have taken a “franchisor” approach, with little regard for franchisees' roles [15,16]. Unlike single-unit franchising (SUF), multi-unit franchising (MUF) refers to a franchisee who owns many locations within the same franchise system [17]. It is a kind of chain within the chain, and franchisees own multiple outlets within the franchise chain. According to Gill and Kim (2021), the

use of the MUF form is favorably connected with franchising system expansion [18]. The MUF model has been a growing phenomenon over the last few decades, because MUF increases organizational capability (OC) and therefore, improves the system's competitive position [9,19]. Meanwhile, Gill and Kim (2021) propose a link between MUF and system expansion [18]. Furthermore, when the market environment becomes unstable and changes rapidly, MUF is considered as a good mechanism to perform better than competitors [20]. Therefore, MUF is a good strategy for franchisors' expansion with lower risk [18].

Nonetheless, previous research on MUF has mostly focused on the franchisor from the standpoints of agency theory, resource constraint, transaction cost analysis, and organizational capability [17,21,22]. Meanwhile, Grünhagen and Mittelstaedt (2005) concentrated on the MUF franchisee side [23]; they contended that MUF provides franchisees with two benefits: it allows franchisees to acquire economies of scale and the chance to participate in the franchisor's decision-making process. They also state that sequential multi-unit franchisees were more inclined to pursue entrepreneurial aspirations [23]. Moreover, few studies concentrate on the strategic factors specific to strategies for Multi-unit Franchisees (MUFees). Despite the fact that "the most profitable strategies are founded on differentiation" [24]. However, the position of MUFees is different from franchisors, as a result, it cannot apply franchisors' strategies to MUFees. Building on the background provided, this study aims to address a gap in the literature by offering a theoretical assessment of the significance of organizational competence in enhancing the competitive advantage of MUFees. Specifically, the authors will delve into the dearth of research pertaining to the perspectives of franchisees and multi-unit franchisees. Additionally, this study also seeks to make valuable contributions through evidence drawn from the Taiwanese franchise market perspectives.

Furthermore, organizational capability offers a structure for examining internal and external capability, capabilities help strengthen the system's competitive position [9,25]. Companies in dynamic contexts use experience-based tactics to gain a competitive advantage [26]. This research argues that MUFees' propensity is positively related to the advantages derived from the franchise system in exploration and exploitation capacities. After all, the inherent experience of a unit is most valuable when obtained by MUFees in the local. In addition, local knowledge and expertise help one recognize the peculiarities of suitable and unfit marketing tactics for a given market. Therefore, a franchisee's choice of being a MUFee is crucial in developing the competitive advantage of a franchise business. This study's primary contributions are to supplement organizational economics' explanation of MUF by looking at how the franchisee uses MUF from the Taiwanese organizational capabilities' perspective.

2. Literature Review

2.1. Multi-Unit Franchising

The popularity of MUF is one of the elements encouraging the present expansion of franchising enterprises [22,27,28]. MUF has not been thoroughly studied and is still at the embryonic stage, in contrast to SUF studies [22,29]. MUF's structural growth plan is incompatible with the efficiencies desired by existing business format franchisors [9,18,30]. Chains within chains, or franchisees having "many outlets" inside a franchise structure, are what MUFees were referred to as [31]. According to some academics, MUF is one of the most essential franchisor growth strategies, for instance, Gill and Kim (2021) propose that there are two kinds of MUF: sequential multi-unit franchising and area development franchising [18].

Due to the reuse of current franchisees and the assumption that the franchisor will continue to collect the same fees that MUF can expand more quickly [10]. Finding franchisees for new locations requires less effort and resources [9]. Additionally, MUFees increase system efficiency by promoting system-wide adaptation, reducing the need for franchisors to persuade franchisees to make changes [32]. Furthermore, franchisors could obtain various benefits, such as system-wide uniformity and homogeneity support [10].

According to Gill and Kim (2021), sequential MUF is the most popular type of franchising, especially which is useful for those emerging markets with lower competition [18].

Ramsey and Murray-Bertrand (2019) made the case that franchisees who are MUFees have greater influence over franchisors and have access to more financial resources [33]. In theory, having more than one unit has benefits over having only one because the same owner's units can more easily share production knowledge, as well as there being higher survival rates [34] and lower production costs [35]. In order to explain this style of governance from the franchisor's perspective, previous MUF research has primarily concentrated on agency, resource restrictions, and transaction costs [25,36]. According to the OC perspective, the company is seen as a collection of organizational competencies and resources for gaining a competitive advantage [37]. The OC approach holds that through unique resources and competencies, exploration and exploitation can assist the company in gaining a competitive edge [38,39]. MUF improves the OC and boosts the competitiveness of the system in franchising; Boulay et al. (2020) and Weaven and Frazer (2007) suggest that system corporation, system-wide modifications, and system homogeneity are examples of the OC [9,25]. Furthermore, Vroom and Gimeno (2007) discovered that in concentrated markets, MUFees benefit more from company-owned units than franchised units since company-owned units create larger revenues [40]. Meanwhile, distance has been shown to hinder knowledge transfer among subsidiaries of the same firm [41,42], which means that even if the remotely obtained information is acceptable, it may never reach other units far from where the talent was first established. As a result, MUFees who own numerous units close to each other benefit more than those who own only one. Higher survival rates and lower production costs are the results of the ability of units held by the same owner to more easily share production knowledge [35]. Therefore, a franchisee with many units might be regarded as a company-owned multiple units in concentrated markets that create higher revenues, and competitive advantages are gained. As a result, this study seeks to overcome this gap by applying organizational capability theory to explain franchisees' adoption of MUF.

2.2. Competitive Advantage

In the aftermath of corporate upheaval, firms have increased challenges in preserving a competitive advantage, particularly in intensively competitive markets [26,43]. Therefore, maintaining competitiveness in the digital and changeable era has become more challenging. According to Bhandari et al. (2022), competitive advantage refers to a firm's ability to outperform competitors. Enterprises should concentrate on designing a strategy that takes into account the impact of the external influences [39]. This point of view can help businesses in the sector choose the best posture from which to protect themselves from competition pressures [41,43,44].

To get a competitive advantage, enterprises must adjust based on their experience in contrast to a static environment in a dynamic environment [26,37]. The firm's resource is acknowledged as a useful construct for understanding firms' potential to attain extraordinary performance trajectories in comparison to the failure of others, especially when the complex market environment changes rapidly, and competitive advantages are frequently unsustainable [20]. As a result, Schilke (2014) concluded that enterprises gain a competitive advantage by successfully utilizing their resources. In this article, several relevant keywords have been employed to seek on the SCOPUS database until 2022, such as: "chains within chains", "multi-unit franchising", "sustainable", and "competitive advantage". As a result, 42 studies have been found (see Figure 1).

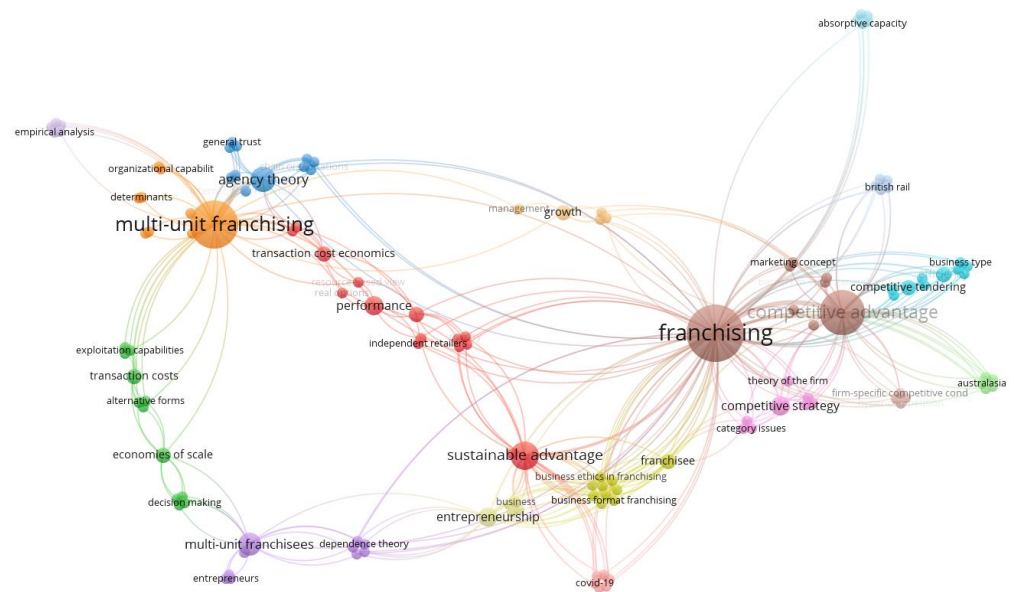


Figure 1. The Research Map of Multi-unit Franchising and Competitive Advantage Topic.

According to Valaei et al. (2022), they adopted resource-based view (RBV) theory and also claimed that competitive advantage is maintainable if competitors' attempts to make it unusable as an outward-in mechanism has ceased [45]. Moreover, this study emphasized that a firm has a competitive edge when pursuing a strategy that is not being implemented concurrently by any current or potential players. As a result, if imitation efforts cease without weakening the firm's competitive advantage, the approach is said to be sustainable. Moreover, the application of a collection of valuable tangible or intangible resources is the key source of a firm's competitive advantage [45]. The RBV is recognized as a powerful theoretical framework for defining the circumstances that enable a firm to create and maintain a sustained competitive advantage [45]. Several scholars have claimed, both theoretically and practically, that companies' competitive positions are at least somewhat driven by the resources they have [46]. Belton (2017) enhanced competitive strategies that could be produced and supported by a firm's competencies as well as its resources [44]. They distinguished between "capabilities" which are firm-specific and utilized to engage the firm's resources, and "resources" which they described as marketable items that are not firm-specific. Moreover, according to Teece et al. (1997), traditional approaches based on firm-specific competencies and resource-based strategies are insufficient to gain long-term competitive advantage in changing contexts [47]. They highlight that in order to preserve a competitive advantage, a firm's competitive strategy cannot remain static. Firms with a "dynamic context" constantly learn from their environments, enabling managers to acquire, shed, integrate, and recombine operational abilities to achieve desired objectives.

Dynamic capabilities (DCs) are purposefully designed firm-level capabilities with distinctive traits that can be used to establish, integrate, or reconfigure operational capabilities to give businesses a sustainable competitive edge [26,46]. Meanwhile, Teece et al. (2009) defined the DCs approach as a firm's ability to adjust resource configurations in response to changing circumstances in order to obtain new types of competitive advantage [47]. The ability to renew present competencies in order to gain flexibility in a changing environment is referred to as "Dynamic". The term "capabilities" emphasizes strategic management's critical role in correctly adapting, integrating, and reorganizing internal and external organizational resources and competencies to meet the needs of changing environments. Like the above classification of capability, Hussain et al. (2018) apply organization capability to franchising and suggest two types of capabilities: exploitation and exploration [21]. Exploration capabilities focus on creating new knowledge, whereas exploitation capabilities are focused on the franchisor's efficient use of existing knowledge.

From the existing studies, the authors suggest that exploration capabilities relate to the creation of new knowledge, whereas exploitation capabilities refer to the MUFee's effective use of the franchisor's information. Knowledge transmission, human resource management, and coordinating ability are examples of franchising exploitation competencies [48]. The benefit of using mini-chains is that a MUFee may replicate the franchisor's organizational practices and routines in their mini-chain. Furthermore, because of the very centralized ownership form, a MUFee can achieve greater knowledge-transfer capabilities. The franchise network's exploration capabilities are referred to as its innovation capabilities [26,46]. These capabilities include the ability to create new business processes and organizational routines, as well as skills, goods, and services that broaden MUFee's knowledge base and give it a competitive advantage [36,47]. The use of mini-chain by a MUFee boosts the MUFee's ability to innovate since it allows the MUFee to originate and organize new concepts within the chains and then execute these innovations across the mini-chain network. Furthermore, they were utilizing mini-chain outcomes in improved capacities to enhance organizational procedures and processes related to quality assurance and human resource management. In addition, MUFees have a greater proportion of decision-making authority inside the franchise network than single-unit franchisees, and MUFees increase the incentive for innovation [25]. As a result, the MUFees' system's exploration capabilities are enhanced by the more substantial incentives at the mini-chain level. This study therefore employs organizational exploitation and exploration capabilities to reveal the MUFee's long-term competitive advantages.

3. Methodology

The authors conducted an empirical study utilizing a qualitative technique to examine the competitive advantage of MUFees. The Taiwan franchise market was the subject of this empirical investigation. Taiwan is one of Asia's major franchising markets, with franchising expanding rapidly in both the retail and service industries [4]. This study took a qualitative technique, conducted semi-structured in-depth interviews with managers in the MUFee from eight estate agency outlets. Previous studies on franchising topics [49], know-how transfer and multi-unit franchising [50], and they also employed qualitative methodologies. MUF improves organizational competency and the system's competitive position [25]. In the past, most research is from the perspective of the franchisor's viewpoint, such as Garg et al. (2013), and only a few studies are from the standpoint of MUFees [51]. These investigations concentrated on the benefits and motives of MUFees [9,19]. As a result, there has been no research that investigates organizational strategy, such as competitive benefits for MUFees in the digital world.

A dual perspective has been conducted in this work, including four interviews with store managers and one with the owner of the MUFee. This approach was relevant to understand better how competitive advantage is formed and organized within the chain [43]. Purposive sampling was employed in order to select interviewees who could provide relevant and diverse information regarding the local differences between stores [52,53]. Regarding the sample size, there are many formulas to decide the sample size, but there is no set answer, as it depends on the entity of the research itself [54]. Krippendorff (2019) suggests that when all sampling units are identical, a sample size of one is satisfactory. When there are a few rare and significant incidents on the lists of units, the sample will have to be large and will include the whole population when each sampling unit is unique [53]. In this study, five respondents were selected and interviewed from Taiwanese estate agency sector, they have been taped and transcribed. The transcribed interviews in Chinese were examined, and key verbatim quotes were translated into English. The interviews were thirty minutes long on average, and they were evaluated using grounded theory. Grounded theory is a process for constructing theories about events in people's "lives" [55]; hence, Figure 2 demonstrates the research process.

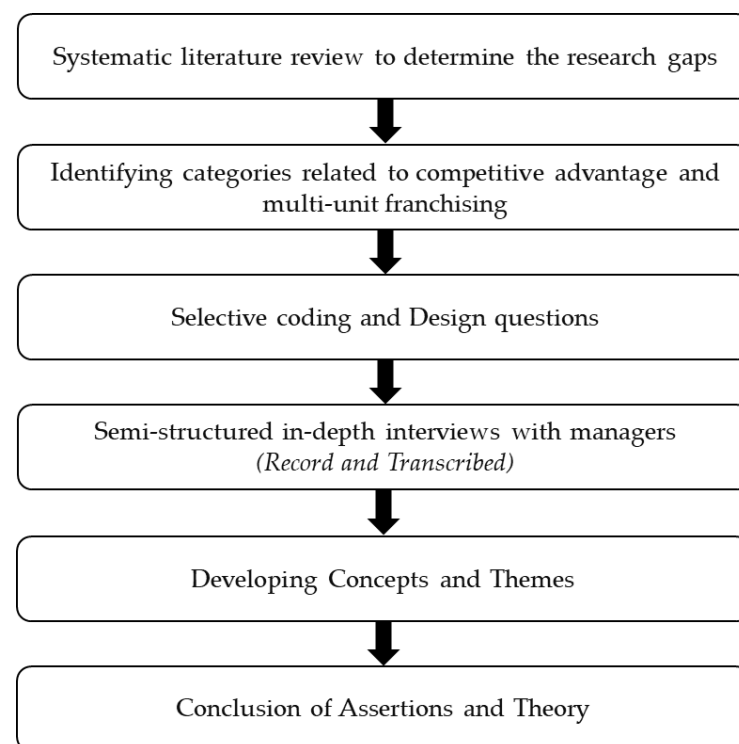


Figure 2. The Research Process.

This is accomplished through the use of an inductive data collection technique [56], in which the researcher does not have any predetermined subjective consciousness about the ideas to verify or reject. Instead, themes that are significant to participants come up as they tell stories about a common interest [55]. After determining research gaps and identifying related categories, the next step is selective coding and design questions; Corbin and Strauss (2014) distinguish three types of coding processes required to create a grounded theory from data: open, axial, and selective coding [55]. To begin, open coding (words or brief phrases) was used to provide symbolic meaning to the material gleaned from the interviews. This analysis aims to comprehend the basic notion of each section and design a code to express it [57]. Sole proprietorship, customer relationship management, information sharing, human resource management, economies of scale, marketing communications, transaction security, and sustainable development are all examples of open coding. In the second coding cycle, also known as axial coding, the data segments were sorted into categories in order to obtain “more relevant and parsimonious units of analysis” [58]. Consequently, the open code described above is divided into five dimensions: ownership pattern, exploration capability, local leader, exploitation capability, and sustainable competitive advantage. Finally, selective coding is utilized to choose the core category and link it to the other axial coding categories. If the core category is discovered, the research storyline is established. This investigation reached a saturation point after the final interview, with little new information gained [57,59]. Furthermore, identical patterns were returned, demonstrating the validity of our findings. In terms of reliability, the researchers have prior experience with qualitative studies and participated in data analysis to assure agreement on data classification and structure. Then, from developing the interview guide to presenting the findings, this study took a methodical manner [55,57].

4. Research Findings

This study focuses on the hypotheses that emerges from the text’s coding. Several authors have claimed that ideas arose via a symbolic interaction-based meaning-sharing system [60] or context induction [61]. Flowcharts and logic diagrams are used in the coding process.

The authors use both the conditional/consequential matrix and integrative diagramming to represent the complex interplay between multiple levels of circumstances while doing higher-level analysis [55,57]. The classification coding is classified and then provided in the form of propositions. Finally, as illustrated in Figure 3, the insight of the situational context model was produced. Theory is built by systematic data collection, analysis, discovery, integration, and classification [59]. Sustainable competitive advantage originates from ownership patterns, then results in specific exploration and exploitation capabilities. Thus, the MUFee becomes the leader in the local by economies of scale. Finally, sustainable competitive advantage is achieved by being a local leader; thereby, four propositions are developed and portrayed relying on the case study of Taiwanese estate agency sector.

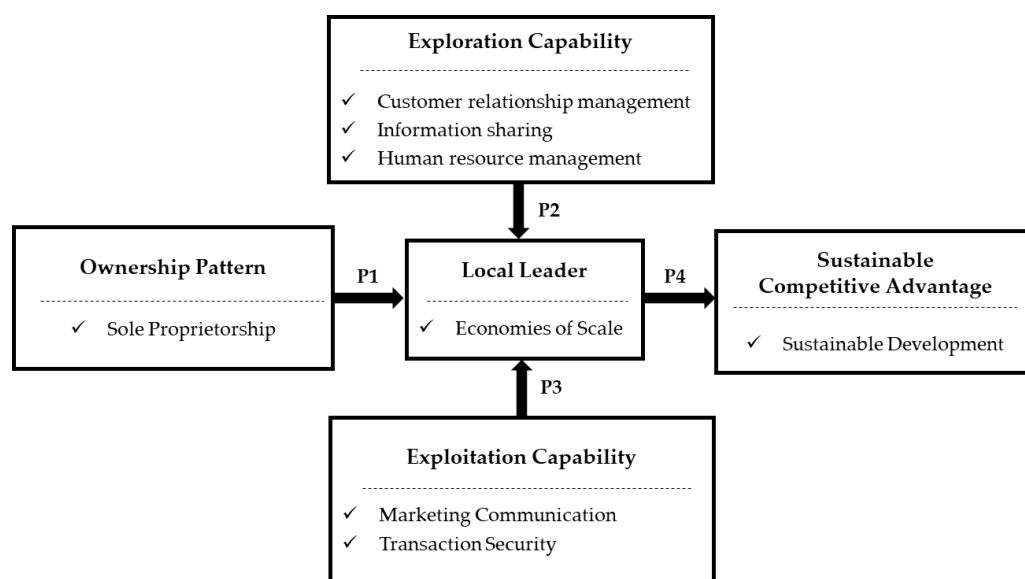


Figure 3. Interpretation of the situational context model.

4.1. The Relationship between Ownership Pattern and Local Leader

Most franchisees are single franchisees, which reflects that most franchisees are entrepreneurs with limited resources. Once a franchisee has the capability to run a couple of outlets, they will apply to be a MUFee [28]. The reason behind being a MUFee is to create synergy, including increasing sales and local influence by economies of scale. Before being a MUFee, how to own the mini-chain is an essential issue because the decision of ownership pattern will be closely related to future development. Ownership pattern means the state or fact of legal possession and control over the property. Past research on franchise ownership focuses on the franchisor's strategy, such as ownership conversion [62]. Meanwhile, very few studies discuss the ownership of MUFees; once a franchisee changes from a single outlet to multiple outlets, the first step is to think about the ownership pattern. Several studies have confirmed that every kind of ownership pattern has its advantages and disadvantages; for example, a sole venture is a kind of choice, and it is a one hundred percent affiliate of the company [28,63]. Meanwhile, the investing firm gains a lot of power from this high-investment, high-risk/high-return choice [10]. Therefore, it depends on the background and idea of the owner. In this case, the sole proprietorship is adopted. Ownership patterns will result in the design of organizational form and governance structure. Boulay et al. (2023) argued that governance structure is an organizational design that incorporates decision-making systems, operational control, and incentives [64]. In other words, within the MUF, outlets are company owned, therefore, the authors call this kind of system a chain within the chain.

According to Diaz-Bernardo (2012), homogeneity and adaptation are two fundamental aims-often contradictory in the organization-that any firm must fulfill in order to exist [65]. Uniformity means that the brand's image should be consistent among all of the brand's

outlets, and that customers should be able to find a familiar image, design, and service experience [10]. In this case, the MUFee benefits the franchisor's national brand image so that consumers are familiar with it. In the local, MUFee's eight stores perform in a unified image to the public; therefore, by using the franchisor's brand power and MUFee's standardization operation process, uniformity is rooted in consumers' minds. Regarding uniformity, Cliquet and Crozean (2002) also pointed out that there are no organizational problems due to the solid hierarchic relationship and enjoys higher trademark integrity [62]. One of the typical forms of uniformity is quality control, which refers to the service quality for all the outlets that can be retained, establishing a firm's reputation in a specific area. Reputation involves the corporate image that individuals possess before exchanging due to the ownership pattern; indeed, the unified image of brand and service quality can be easily achieved. Akerlof (2017) claimed that quality control is relatively essential to those with non-repeat purchase settings, such as the case of the estate agency industry under research [66].

Adaptation suggests the complete opposite: the chain must adapt to changing markets in order to profit on new threats and opportunities, as well as adapt to competing local markets. Strategic agility has been defined as the ability in action should aid initiatives in improving their performance and increasing their chances of survival [67]. Several studies have found that multiple-unit franchising facilitated system expansion and increased systemwide responsiveness to competition [9,25]. The chain requires ongoing innovation and in-depth understanding of the customer preferences in the local market. According to Gill and Kim (2021), consumer preferences in a local market comprise customers' expectations, intentions, and inclinations [18]. Each market is different, it is vital to learn and utilize information about local market conditions and client profiles. Accumulating operating experience may allow the owner to collect and use critical local knowledge, allowing access to such tacit information. The advantage of the MUFee is that the majority of its staff, including the proprietor, are locals who understand the local market and can respond swiftly to local requirements. The advantage of innovation is exhibited in decision-making by the local intelligence of store managers, which is as relevant to organizations as it is to individuals and varies greatly from market to market in ways that cannot be codified or easily transferred. Such information includes local physical geography, educational norms, language, culture, and economic situations. Franchise stores can capitalize on local knowledge thanks to decentralized control [18]. Even when uniformity and adaptation appear to be diametrically opposed goals; however, using a chain within the chain system-allows the mini-chain to achieve the two goals simultaneously. In this case, the MUFee, eight store outlets, have both the advantages of uniformity and adaptation. Based on adaptation, a mutual learning process between stores can be a quick response to the market to improve organizational capability. Based on integrating eight local stores, the MUFee can create the synergy of resources and brand power. The aim is to be the leader in the market with local knowledge and wisdom.

P1. *The MUFee benefits from company ownership in order to become the local leader.*

4.2. The Relationship between Exploration Capability and Local Leader

Exploration capabilities could construct, integrate, or change operational capabilities while engaging with the environment. In the estate agency industry, every consumer's behavior and the characteristics of the business district are varied, and companies must adapt to the differences. Scholars suggest that franchisees are the suppliers of local market assets [63]. Franchisee knowledge assets are the franchisee's local market know-how, which includes "exploration" and "exploitation" assets [9]. This research found three kinds of exploration capabilities and two kinds of exploitation capabilities. First, exploration capabilities include customer relationship management, information sharing, and human resource management.

4.2.1. Customer Relationship Management

CRM (customer relationship management) has been used since the early 1990s. CRM allows a corporation to assess and manage its past, current, and projected client contacts [68]. The major purpose of CRM is to efficiently manage connections with all clients; nevertheless, communication with them should be done individually [69]. The estate agency industry's nature is based on personal relationships and interactions. Some studies reveal that customer relationship management is essential for current or potential customers [9,69]. In practice, aside from inbound and outbound calls, salespersons must visit local communities and stakeholders like flat managers or customers. Therefore, it helps to acquire potential customers and the latest market information. In addition, the MUFee often organizes real estate seminars from time to time to maintain relationships with target communities due to acquainted customers accounting for about 60% of closed cases. Hence, it implies that customer relationship management is crucial, just like the Pareto principle [69]. Moreover, Del Vecchio et al. (2022) has also suggested four CRM strategies with customers to consider, including: attracting, building, maintaining, and enhancing relationships, and CRM is applied to different stages of transactions [69]. Hence, CRM is another asset of the MUFee, and all the customer databases are recorded and maintained to compete with other competitors. Thereby, CRM is valuable and rare but takes time and continuous interactions.

4.2.2. Information Sharing

Information sharing refers to the voluntary act of making information owned by one entity available to another [50]. In other words, it describes the exchange of information between parties. In the estate agency industry, information means sharing market information, cases, and potential customers. Information sharing facilitates the circulation of issues and benefits all stakeholders, including sellers, buyers, and salespersons [41]. Therefore, regular meetings are crucial within the MUFee; it not only helps the circulation of information sharing between stores but also brainstorm for a market response. Aside from sharing within the chain, the MUFee also shares information with other brands' franchisees to create more opportunities. Once a case is closed between two stores or brands, the commission is divided into 50% and 50% for each. Therefore, this encourages franchisees to share topics. The more critical circulation is within the chain due to the exposure rate for the chain's eight outlets being higher than other single franchisees. Moreover, it helps to enhance the bargaining power with peers and persuade customers to cooperate. In a word, an estate agent is a kind of service industry based on personal interactions. The first step for salespersons is to sell themselves so potential customers can count on them and create a win-win situation.

4.2.3. Human Resource Management

Human resource management (HRM) is a strategic method to effectively managing people in a business or organization to assist them acquire a competitive edge [28]. For example, in estate agencies, salespersons are the most important assets because the sales deal with all the transactions. As a result, there are three tasks in the HRM how select, motivate and organize to gain a competitive advantage.

Firstly, the MUFee prefers hiring those without experience and who just graduated from universities to be modified to what the MUFee needs; it can reduce internal communication costs and maintain service quality. Second, how to equip salespersons with professional knowledge is the next step. Aside from the franchisor's training courses, the MUFee owns its human resource department to customize the courses at different stages. In addition, hand-in-hand coaching is beneficial in practice, especially for selling work. When salespersons are ready, how to inspire and motivate is another critical issue. Early psychological approaches to motivation defined motivation as a drive to "maximize positive returns and minimize negative results" [41].

To strike a balance between personal needs and organizational development, the MUFee adopts a flexible incentive system consisting of a base salary and bonuses to motivate employees. For example, a salesman requires a base salary to sustain their daily life due to the inherent uncertainty in sales. However, those with capability aspire to self-achievement and career development. Although there are no standard answers for salary composition and other incentives, they may vary based on industrial competition and the human resource market. The enterprise's objectives are to expand business scales and share profits. Therefore, the MUFee enables salespersons to work for themselves, fostering self-actualization. This corporate culture aims to maintain a balance between employee motivation and organizational development. Once everyone identifies with this culture, the synergy among the eight stores becomes evident in their performance. Thus, this kind of human resources capability in the Taiwanese estate agency industry is valuable, rare, and inimitable because very few franchisees can afford eight outlets with a sole proprietorship pattern.

Furthermore, if the franchisee's local market assets are important in determining the residual surplus relative to the franchisor's system-specific assets, Gómez et al. (2010) advocated those franchisees have a relatively large share of ownership rights [70]. As a result, franchisees with several units are more likely to own the corporation, which "may be interpreted as an attempt to transfer property rights to the parties to the transaction in those regions that they can efficiently govern." In this case, the MUFee is with company ownership and enjoys the advantages of quality consistency and operational flexibility at the current scale. This research found that the above three explorative capabilities are local adaptive, customer relationship management, information sharing, and human resource management. It is consistent with previous studies concerning the importance of local adaptation, such as Prendergast (2002) have highlighted that local information is one of the motivations for franchising [71]. Meanwhile, according to Iddy (2021), local adaptation includes local knowledge [42], and local knowledge is the knowledge that people in a particular community have gained over time, including the exploration capabilities used in this study [42]. It is based on personal experience and has been tailored to the local culture and surroundings.

P2. *Exploration capabilities such as customer relationship management, information sharing, and human resource management assist MUFee in becoming the local leader.*

4.3. The Relationship between Exploitation Capability and Local Leader

Exploitation capabilities are static organizational procedures for daily product or service delivery. As a result, they cannot sustain a competitive edge because they rarely interact with the environment [72,73]. In other words, exploitation capability is not as important as exploration capability; however, this kind of capability is crucial for daily operations [21]. For example, the store's routine operations, marketing communications, and transaction security contributed to exploitation capability in the estate agency industry.

4.3.1. Marketing Communications

Marketing communication indicates the adoption by firms to convey messages about the products they sell, either directly or indirectly, to the customers [10]. In this case, aside from the franchisor's brand marketing, the MUFee has its own local marketing communication channels and strategies. It can be divided into personal and nonpersonal channels. Personal communication means that salespersons must build the link and relationship with sellers and buyers to be the communication bridge between both parties. In practice, salespersons have to offer a weekly report to the sellers to state what they have done and the feedback from the potential buyers [41]. The aims are to maintain the relationship and negotiate a win-win strategy [10,74].

Nonpersonal communications include advertising on websites and in newspapers. Additionally, the mini-chain owns a marketing department to promote the brand and

cases in the local market [74]. Consequently, communication strategies can be carried out thoroughly, and all these efforts are to get more opportunities. These actions help to develop brand awareness and interest among potential customers, increasing the share of customers' minds and finally assisting salespersons to reach potential customers and close transactions.

4.3.2. Transaction Security

When numerous entities communicate to accomplish a transaction, transaction security refers to the protection of secret information. In this study, estates usually mean lands or houses with high value-added. Although the frequency of transactions for this kind of asset is relatively few, transaction security is slightly essential [32]. In the case of a buyer who wants to buy a house, the deposit from the buyer will be saved at the accredited bank, which cannot be withdrawn till the transaction is closed. Ideally, escrow is adopted during the transaction [17,32]. In truth, escrow is a legal word for a financial instrument in which a third party holds an asset or maintains money on behalf of two other parties who are closing a transaction. Therefore, compared with an independent agency, the MUFee enjoys the service from the franchisor's capability and strengthens the competitiveness of the MUFee in the local market.

P3. *Marketing communications and transaction security help the MUFee become the local leader.*

4.4. The Relationship between Local Leader and Sustainable Competitive Advantage

According to organizational capability perspective, competitive advantage is acquired from exploration and exploitation capabilities. Based on the survey, the authors found that the MUFee creates the advantages from the synergy of eight outlets and the franchisor's brand power. Indeed, the MUFee's benefits have contributed from the franchisor's exploration and exploitation capabilities and built its capabilities according to local adaptability [21]. The respondents claimed that MUFee knows the critical success factors in the local market in daily operations according to their twenty-eight years of local experience and has developed its business model. In franchising, the franchisor's services are standard and cannot be applied to every market [10]. Therefore, individual franchisees have to adapt to the locals. More exceptional operational experience in a market may assist an owner in accumulating local market expertise and improving awareness of consumer preferences [35].

Furthermore, learning from local experience has boosted organizational efficiency and lowered sub-unit failure rates [75]. According to Bhandari et al. (2022), the characteristics of sustainable competitive advantage are valuable, rare, inimitable, and organization [39]. Hence, this study recommended that customer relationship management, information sharing, human resource management, marketing communication, and transaction security are valuable. However, customer relationship management and human resource management are rarely combined, with the ownership pattern being an inimitable cluster [69]. According to the suggestions of Barney (1991), the synergy is finally created by organizing eight outlets' scale economies [37,76]. It is observed that the VRIO model is just like a hierarchy; the bottom group is valuable, then rare, inimitable, and organized at the top (as presented in Figure 4). Therefore, the competitive advantages of the MUFee are not only from the franchisor's capabilities such as brand power and transaction security but the internal capabilities from the MUFee [17]. Based on the strategic use of resources, the MUFee finally becomes the local leader. Hence, this work can indicate that sustainable competitive advantages are created by the efforts of the franchisor and the MUFee, especially in service-based industries, via the case of the estate agency industry.

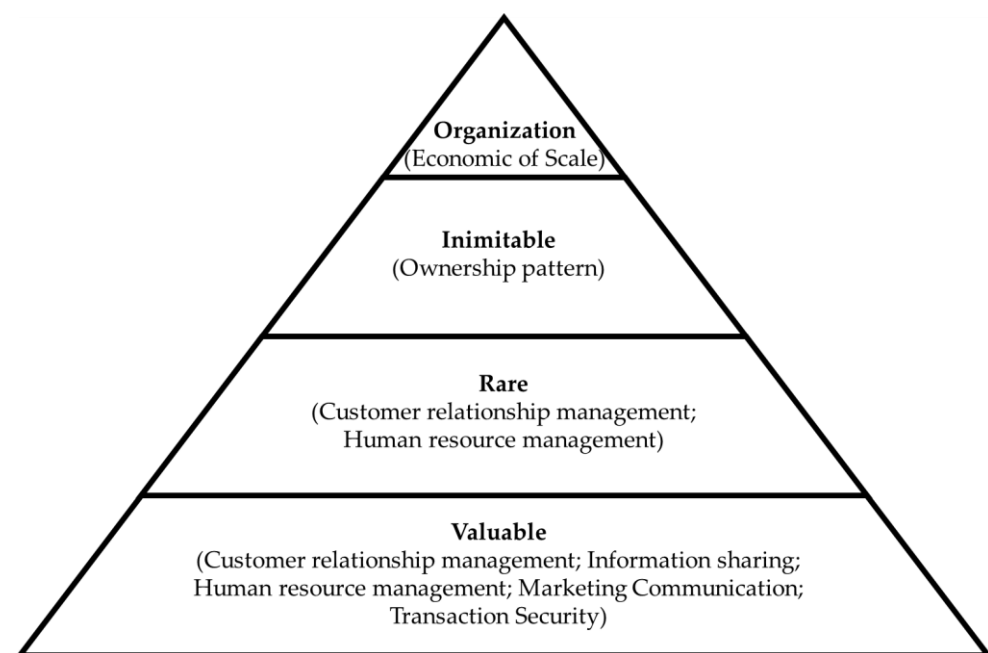


Figure 4. VRIO of the MUFee.

Hence, the authors have suggested that sustainable competitive advantages originate from the ownership pattern in this case. Due to the centralization of ownership, the policies and resources can be shared and carried out thoroughly within the MUFee, which is rare in the market. For customers, the mini-chain can deal with the cases rather than just one outlet. If employees have more sales points, the opportunities to create performance are higher. In this case, there are over seventy employees available locally, so the strategies' effect is significant. With the capability of exploitation and exploration, the MUFee will become the leader in the local market by integrating resources from a point, line, and surface. Hence, the managerial implication is that the performance of the chain store is positively related to the famous of the brand but the MUFee's local management. Moreover, most staff have been localized so they could enhance their knowledge of the market. This finding in line with Windsperger and Dant (2006) [63], they stated that the franchisee's tacit to explicit knowledge conversion grows, as does the contractibility of local market assets, leading in a greater share of company-owned outlets. Consequently, the chain within the chain is formulated. Even though the leading brand in Taiwan is company-owned, MUFee still gains a competitive advantage in the local markets by integrating exploration and exploitation capabilities. Besides, one fundamental reason concerns the estate agency industry, which has a very local and human interaction-orientated industry so that MUFee can outperform competitors. According to Boulay et al. (2020), multi-unit franchisees outnumber single-unit franchisees in terms of managerial issues faced by chains [9]. Thus, the authors realize that the MUFee enjoys both the advantages of uniformity and adaptation. Moreover, the results confirmed that the competitive advantage of this MUFee is sustainable compared with other brands.

P4. *Once the local leader is realized, the sustainable competitive advantage is therefore achieved.*

5. Conclusions

Multi-unit franchising is becoming more popular for both franchisors and franchisees and has attracted many studies from different fields [27]. For example, Johnson (2019) indicates the importance of MUF owners in the quick-service restaurant franchise sites [77]. However, most of the research on MUF on the side from the perspective of the franchisor [22,70] and agency theory, resource constraint, and transaction cost are the main

topics of these studies. Hence, the authors have successfully identified some research gaps in multi-unit franchising. Firstly, most research focuses on the franchisor's perspective, and it has been concluded that multi-unit franchising facilitates rapid system growth and enhances systemwide flexibility in the face of competition [9]. However, there is a lack of discussion regarding the viewpoints of franchisees and multi-unit franchisees.

Secondly, even though the term 'franchisee' is mentioned, rare research delves into the governance structure of MUFees. In this research, the governance structure of MUFees is described as resembling a company-owned chain, often referred to as a "chain within a chain". The MUFees exhibit tendencies like free-riding and catering to their markets, which result in high-powered incentive costs [17]. Furthermore, franchisee-owned subsystems effectively manage unit-level management's poor and misdirected efforts [9]. Therefore, the authors emphasize the importance of designing the ownership pattern for a MUFee in this industry, especially in light of numerous failure cases among MUFees in Taiwan. Importantly, it is observed that power and resources cannot be effectively synergized due to many MUFees' equity being owned by different entities. Moreover, self-interest prevails to the extent that collaborative efforts towards a shared vision become challenging.

Finally, the benefit of multiple outlets is discounted even though this kind of ownership pattern is short-lived. Although this case study conflicts with other failure cases, the MUFee has survived successfully for over twenty-eight years, which is very rare for small and medium enterprises. Besides, Boulay et al. (2020) confirmed that franchisee-owned subsystems are less effective at fostering a culture of local market responsiveness and creativity [9]. From that, the authors could document that the governance structure of a MUFee is the critical success factor for creating sustainable competitive advantages. The practical implication indicates that a MUFee can compete with the leading national brand through the synergy of multiple outlets and local adaptation. It provides opportunities for those MUFees with inferior brands, especially in the service sector with intensive interactions. In this research, the authors also give evidence for the local MUFee competing in the local market from the VRIO framework. Kalnins and Mayer (2004) discovered that local congenital experience of franchisees reduces unit failure more when the chain's other owners also have local genetic experience [78]. Furthermore, local expertise gives absorptive capacity, or the foundation knowledge required to absorb external knowledge. As a result, it gives franchisees with multiple outlets confidence that they can compete with the leading brand once the synergy of various stores can be created.

5.1. Research Implications

These research findings suggest that the design of the governance structure, including decision rights, operating flexibility, and incentives for a MUFee, influences the chain's development. In addition, traditional competitive advantage is to gain market share from the current competitors, including theories of industry structure view [44], the resource-based view [39], and dynamic capabilities [46]. However, the authors found that explorative capabilities are customer relationship management, human resource management, and information sharing. Among them, information sharing is not confined to the specific store, and it can be shared between stores and brands. Consistent with that, Koch and Windsperger (2017) argued that based on the previous evolution of competitive advantages, future study on organizations' opportunities and ability to create value, compete, and envision their environment should incorporate company networks [43]. In this research, the network-centric perspective can be applied to information sharing because it is a kind of inter-organizational network share in digital ecosystems. Hence, value creation is not confined to the person or store level and has evolved to value co-creation between parties. In other words, competitors can ally together to create new opportunities, and the network-centric view is a tendency and is now in progress. After all, franchisees with the rich capability to run multiple outlets are rare; as a result, franchisees must abandon the portal view between brands and cooperate to gain market share.

Both counterparts can examine the implications for practice. For example, regarding franchisors, Boulay et al. (2020) suggested that a plural system can be used to achieve uniformity and adaptation simultaneously [9]. Uniformity and adaptation are encouraged by the mix of company-owned structures, which are the essential advantage of the franchised system. MUF is another alternative for balancing uniformity and adaptation to solve the case once the franchisor is purely franchised without any company-owned outlets. MUFee's objective is to be the local leader, and high-quality service is required for the brand name image. For those single franchisees, this paper suggests that different franchisees from various brands can ally together to create more opportunities. However, all parties need the time to create trust in each other, and single franchisees can compete with company-owned chains. Especially in the digital era, information asymmetry is disappearing while only cooperation can create synergies. Firstly, cooperation with customers implies that customers are your down the line and can help you reach potential customers. Secondly, collaboration with competitors enables firms to increase the chances of closing. In other words, it is not a zero-sum game between stakeholders. Instead, parties can ally together and create new opportunities or markets, just like offline retailers cooperate with online retailers to develop new markets and improve benefits.

5.2. Limitations and Future Scope

In terms of future scope, there are still many issues that can be explored from the perspective of MUFee due to most of MUF research focusing on the franchisor's viewpoint. In addition, MUFee is a kind of chain within-chain organization; once the mini-chain has grown to a scale, it is possible to leave the franchisor and establish a new brand to compete with the franchisor is another issue. Moreover, product-based is different from service-based sectors such as estate agencies; hence, the development of MUF for other sectors is an interesting point to consider. Regarding franchisors, they must consider the relationship between franchise expansion and organizational stability. Like stacking blocks, this is a trade-off relationship between organizational stability and system growth. After all, both franchisor and franchisee are self-interest parties; hence, how to interact with each other to benefit the franchise brand is both parties' responsibility is the promising problem for other scholar to solve in the future.

This study focuses exclusively on one typical MUFee within the estate agency industry, which is a significant limitation. Consequently, other researchers may opt for various MUFees to summarize managerial issues in franchising or compare the strategic differences between single and multi-unit franchisees. Furthermore, future research can involve a comparison of different ownership patterns regarding sustainable competitive advantages. In other words, comparing company-owned chains and franchised chains is worth considering. In summary, irrespective of the organizational form, self-interest-driven competition is an ever-present element. Shifting from current competition and exploring cooperation with others to create a new market holds more significance than attempting to seize a competitor's market. In the pre-digital era, the foundation of competitive strategy lay in comparative advantages and achieving customer satisfaction to establish a foothold in the market. However, with the advent of the digital revolution, the internet has become a tool for enhancing virtually every aspect of business. As a result, it is imperative to prioritize a symbiotic theory centered around customer value, with a focus on generating fresh growth opportunities and sustainable competitive advantages. Yet, there are critical questions that demand attention: What are the key success factors in digital transformation within the context of franchising? How do strategies for digitalization impact the performance and competitiveness of franchise enterprises? These intriguing inquiries have the potential to inspire future researchers to delve deeper into the subject, further advancing the field and making substantial contributions.

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