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„Reputation of International Franchise Systems from the Perspective of Consumers in Central and Eastern European Emerging Countries“

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To my beloved family...

without their support nothing of that would be possible.

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AL	Affective Loyalty
CBR	Customer-based corporate reputation
EMC	Emerging Market Country
GDP	Gross Domestic Product
GEM	Global Emerging Market
GMP	Global Market Place
GNI	Gross National Product
IDV	Individualism vs. Collectivism
IL	Intentional Loyalty
IND	Indulgence vs. Restraint
K-S	Kolmogorov-Smirnov
MAS	Masculinity vs. Femininity
PDI	Power Distance
PRA	Pragmatic vs. Normative
UAI	Uncertainty Avoidance
WOM	Word-of-mouth

1 Introduction

Reputation of a firm is one of the most relevant intangible assets in the current competitive market environment (Omar et al., 2009). Corporate reputation is the sum of perceptions and experiences with the company of different stakeholder and shareholder groups. Therefore, corporate reputation can be viewed from different perspectives dependent on the beholder. One of the most important stakeholder groups of a company are customers (Abratt and Kleyn, 2012). Many companies are offering similar goods and services. Potential customers are overwhelmed with a huge variety of offerings on the market. Thereby, company's reputation can act as an important factor when it comes to a buying decision. The enormous variety of products do not allow potential customers to test all of the products simultaneously. A positive corporate reputation can increase the chance that a potential customer decides to buy a product or a service of a company.

Another ongoing topic nowadays is globalization, which is one of the key drivers for internationalization of markets. Many companies are entering new markets with the purpose to expand their businesses. One of the most popular international entry modes is franchising (Hoffmann and Preble, 1993). International franchising companies expand their businesses beyond borders by entering markets with a high potential. However, markets in developed economies are oversaturated. Therefore, emerging markets offer the highest market potential because of high economic growth rates and vast population (Alon, 2005).

Further important aspect, which has to be respected during international expansion, is the culture of the host market (De Mooij, 2004). Proponents of globalization argue that preferences and tastes of customers converge due to rational behavior reasons, whereas different cultural values do not matter anymore. Consumers prefer standardized products and services because of lower prices (Levitt, 1983). On the contrary, opponents doubt that customers base their buying decisions only on rational reasons. As results, ignorance of particular cultural characteristics between the domestic and the host market can lead to business failures (Süerdem, 1993). Thus, cultural differences still exist (Featherstone, 1991). Moreover, globalization causes an inverse effect on homogenization of preferences and tastes. Local cultural attitudes revive and fight to sustain (Giddens, 2000).

The presented considerations form the basis for the research objectives of the following thesis. The aim of this thesis is to examine the reputation of international franchising companies in Central and Eastern European emerging countries. The data set was collected in restaurants of two famous fast food giants – McDonald’s and Burger King. A goal of the research is to find out whether the reputation of McDonald’s and Burger King differs across reviewed countries. The perspective on reputation is taken from the customers’ point of view. In addition, it is explored, which other constructs influence corporate reputation and its impact on other concepts. Finally, the influence of cultural dimensions on corporate reputation is tested. Hofstede’s dimensions of national culture are used as the cultural framework in this thesis.

The thesis has the following structure: chapter two till chapter five of the thesis provide theoretical background about concepts such as emerging countries, international franchising, corporate reputation and culture. From chapter six till chapter eight the thesis deals with the research background, setting up of hypotheses, empirical study and data analysis. The closing part draws a conclusion, managerial implications and limitations of the study.

2 Emerging-market countries

The expression ‘emerging stock markets’ and ‘emerging markets’ was first mentioned in financial literature in the late eighties referring to stock, equity, debt, and security markets outside of developed countries. Back to this date already 43 countries outside the developed world had a stock exchange. The term ‘emerging stock markets’ was used to refer to markets in those countries. Until the nineties no official term existed to describe the maturity of national economies. This was the historical beginning for the term ‘emerging-market country’ (EMC). Several institution as the International Finance Corporation or the World Bank developed classification systems, which are usually based on GNI (Gross National Product) per capita figures. A classification of a national economy by a limited financial approach as annual GNI is not sufficient to distinguish between different categories of non-developed countries. Between all categories of EMCs – economies in bloom, emerging-market democracies, oligarchic emerging markets, emerging-market dictatorships, pre-emerging markets and developed and underdeveloped countries exist a huge difference. In developed and underdeveloped countries doing rather domestic nor foreign business is still impossible. Developing countries are usually in the early stage of entering international business. Against what, underdeveloped countries are not able to participate in international business activities due to poor economic and business agendas. Still in the beginning of the twenty-first century the differences between EMCs, developing and underdeveloped countries are ignored by the majority of country classifications (Kvint, 2009). Thus, it is a challenging task to find a generally accepted definition for the concept ‘emerging-market countries’.

According to Kvint (2009) “EMC is a society transitioning from a dictatorship to a free-market-oriented economy, with increasing economic freedom, gradual integration within the Global Marketplace (GMP) and with other members of the Global Emerging Market (GEM), an expanding middle class, improving standards of living, social stability and tolerance, as well as an increase in cooperation with multilateral institutions” (p. 75).

Kvint (2009) provides as well a definition for GEM. “The GEM is a new economic and political phenomenon of the GMP, encompassing EMCs and their regional blocks, which, despite varying geographical characteristics, are united by comparable levels of risk and developing free-market infrastructure. These factors of the GEM unify vectors of development of EMCs toward economic freedom and global integration, attracting international economic and business cooperation and competition” (Kvint, 2009, p. 75).

Due to lack of understanding between the differences of EMCs and developing countries, emerging market economies are considered less efficient than they really are. Consequences are that the population of developing and underdeveloped countries is added wrongly to the population of GEM and the efficiency of labor and therefore the GDP (Gross Domestic Product) per capita of EMCs is wrongly reduced (Kvint, 2009).

2.1 Characteristics of emerging countries

Three main characteristics of emerging countries are identified by Czinkota and Ronkainen (1997). Emerging countries can be differentiated by the level of economic development, economic growth, and market governance. All these factors are important, when considering expansion through international franchising (Alon and McKee, 1999).

2.1.1 Level of economic development

Economic development in a country is usually described by the GDP per capita. GDP per capita is referring to the wealth of the population and not the country as a whole. Based on GDP per capita it is possible to measure the size of the middle class and growth rates in the business and service sectors (Alon and McKee, 1999). The World Bank divides countries into four classes respective GDP per capita. About 75% of worlds’ population is living in emerging or developing countries (Czinkota and Ronkainen, 1997). This fact emphasizes the huge market potential of these countries. The ratio of GDP per capita to purchasing power parity should get special attention as it reflects the income comparative to the costs of living (Alon et al., 2010b).

2.1.2 Economic growth

GDP growth rate determines the overall economic development in a country. Emerging countries present usually economic growth rates above 5 percent. East Asia markets even exceed this numbers with binary growth rates (Czinkota and Ronkainen, 1997). However, during economic crises the growth rates of emerging economies drop drastically. This circumstances serve as evidence for the fact that economies in emerging markets will not always have such high growth rates. For international franchising expansion the level of economic growth rate plays one of the most important roles. The GDP per capita grows rate is a more suitable instrument for measuring the potential of emerging markets because population can grow faster as the economy. Hence, living standard in those countries will decrease in a while (Alon et al., 2010b).

2.1.3 Market governance

When evaluating emerging markets it is crucial to consider predominant market governance. Factors as level of free market activity, government regulations regarding important resources, steadiness of the market system and regulatory framework count to the market governance attributes. Country risk elements e.g. government regulations, bribery and ownership/import restrictions etc. are highly interconnected with market governance. Countries behaving according to Western market governance patterns such as liberalization of economic institutions and democratization of political systems are also known as *Transitional Economies* as they approach more and more to the rules of doing business in Western countries and are therefore promising opportunities for international franchising expansion (Alon et al., 2010b).

Especially reduced political and economic risks are important for international investors and add to the transition of emerging economies (Czinkota and Ronkainen, 1997).

2.2 International expansion to emerging markets

Every company conducts an analysis before selecting a new international market to enter. Usually, market choice depends on macroeconomic and political analysis of the country, which a company wishes to enter. However, when expanding international to emerging markets a particular market selection process should be undertaken. Due to factors like risk of rapid change, underdeveloped communication and supply systems, limited executive human resources and differences in culture, the analysis for emerging markets is striving for more factors than are included in traditional analysis patterns for international market selection processes (Sakarya et al. 2007). Based on existing frameworks from several authors Sakarya et al. (2007) developed an additional framework for market selection processes, which contains important additional factors for emerging markets. Four additional attributes should be taken into consideration, when entering emerging markets.

2.2.1 Long-term market potential

Market potential of a host country is the most important factor in terms of market attractiveness and market selection for companies when entering foreign markets (Yoshida, 1987). Arnold and Quelch (1998) suggest to adapt traditional market assessment instruments for emerging markets by detection of business chances of national markets regarding long-term market potential. Market entry opportunities and profit potential are examined in compliance with product or service adjustment, business cooperations and supply strategies. The primarily focus lies on market demand and not on risk orientation. Differentiation is made based on short to medium-term market potential and long-term market potential. Future market potential is grasped in a gradual procedure for the dynamic and growing environment of emerging markets. Specific data for product and country markets is used in order to determine future demand. In addition, the future demand is calculated with a minimum of demographic and economic data for each country. Arnold and Quelch (1998, p.13) generated a method for calculation of long-term emerging market potential:

$$Q = (P + NP) \times (DevGDP - AdjGDP)$$

Q = total market potential

P = national population

NP = new population (population growth in the planning period)

DevGDP = average per capita GDP in developed markets

AdjGDP = (GDP in measured country market adjusted to purchasing power parity level)

The formula contains a relation of population to the differences in GDP per capita averages in developed and in emerging markets. The main purpose of this formula is to calculate the future market size. Traditional analyses ignore the fact that emerging markets are the fastest expanding markets in the world. Considering long-term market potential in the screening process revises this disadvantage of traditional analysis patterns.

2.2.2 Cultural distance

Internationalization processes of every company are seeking for cultural adaptations in the host country (Koopman, 2000). Ignoring of cultural differences can lead to a severe failure in doing business in a foreign country. The most popular and scientifically approved framework which evaluate national cultures was developed by Hofstede in 1980 and revised in 2001. The framework contains meanwhile six cultural dimensions, namely - power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance, pragmatic/normative and indulgence/restraint. A detailed description of each dimension is following in the chapter about culture. In order to detect cultural similarities and dissimilarities among countries Hofstede's dimensions of national culture are used (Morosini et al., 1998). National culture embeds the institutional environment. This environment determines a competitive advantage of a firm (Barney, 1986). National culture plays an important role in terms of companies' practices in different countries. Depending on the distance in national culture between countries, differences can be enormous. Cultural distance is measured by factors like differences in the legal and incentive system, administrative practices, and working styles between countries. This factors can cause higher expenses for the integration process of international companies into a host country (Hofstede, 1980). Cultural distance is a crucial aspect when foreign market attractiveness is evaluated, the entry mode strategy is set, expanding, marketing and retailing strategies are adapted, and organizational practices are determined (Evans and Mavondo, 2002). This measure is also important when it comes to foreign market choice. Distant and unfamiliar markets are difficult to access. The information flow is disturbed due to the distance. Barriers arise while learning and understanding of new markets. Barriers lead to uncertainty of the firm during the process of entering a foreign market. The accrued uncertainty creates psychic distance which is defined as “the sum of factors preventing flow of information from and to the market” (Johansson and Vahlne, 1977, p. 24). Usually, corporations select similar and physically close foreign markets, when they decide to expand their business beyond the national market, because they are simpler to grasp and understand (Nordstrom and Vahlne, 1994). Cultural distance has been defined by Kogut and Singh (1988) as “the degree of difference in cultural norms between countries“ (p. 422). Based on arithmetic operations with Hofstede's' (1980) scores for national culture dimensions, the authors developed a widely used and approved index to measure cultural distance. Morosini et al. (1998) adapted the formula of Kogut and Singh and developed a multidimensional measure for cultural distance between countries.

$$\mathrm{CD}_j = \sqrt{\sum_{i=1}^{4} (I_{ij_1} - I_{ij_2})^2}$$

Figure 1: Formula for cultural distance (Source: Morosini et al., 1998, p. 144)

CD_j = cultural distance for the *j*th country

j = country

I = cultural dimension

I_{ij1} = Hofstede's score on *i*th cultural dimension and country one (*j*1)

I_{ij2} = Hofstede's score on *i*th cultural dimension and country two (*j*2)

Cultural distance is measured objectively and effectively by this composed index. It is part of the psychic distance concept. Positions towards risk and uncertainty avoidance of the decision maker will still have an influence on the volume of uncertainty incorporated into the level of cultural distance. However, the subjective factor of the decision maker will be equally reflected on all the analyzed countries and thus balance the bias in evaluating emerging markets (Sakarya et al., 2007).

2.2.3 Competitive strength of the industry

Superior performance in particular industries characterizes some countries. 1990 Porter developed a framework in which he explained, why some nations are performing better in particular industries than others. National attributes are responsible for contribution or detraction of a competitive advantage. In his framework he included the following attributes: factor and demand conditions, related and supporting industries, firm strategy, structure, and rivalry. This aspects constitute the *national diamond,* which is influenced by two external factors: the government and chance. Depending on the nature of this characteristics in the national diamond a competitive advantage can arise for particular industries in a country. According to Porter a competitive advantage is created if the mix of the existing attributes enables to follow a generic strategy and if a nation has some factor difficulties, which forces the company to search for new materials or application of mechanization.

Porter's national diamond forms the bases for the third criterion – competitiveness of a certain industry - in the specialized approach for emerging markets concerning international development. By analyzing related industries it is possible to eliminate weaknesses of conventional methods, which assume that countries are developed equally and that the developement of industries is reflected in the general development level of the countries. Related and supporting industries in emerging markets can be sources for transnational sourcing and vertical integration chances. Aside from, emerging markets can have beneficial attribute configurations concerning factor and demand conditions. Disadvantages of traditional market selection analyses, like homogeneity assumption and lack of product specificity shortcoming, are resolved through specific product market/industry information provided by the analysis of related and supporting industries (Sakarya et al., 2007).

2.2.4 Customer receptiveness

Potential of the market is determined through factors like consumer attitudes towards imported tangible and intangible products, attitudes towards country of origin, and imported businesses. Emerging markets are often characterized through a vast amount of younger, affluent consumers, whose need for goods and service is rapidly growing. Naturally, those markets are attractive and thus it is important to test consumer receptiveness for foreign brands and businesses. Usually, the factor consumer receptiveness is neglected in conventional market selection processes and an appropriate measure for consumer receptiveness is missing yet. A good measure for this factor should be able to neutralize increased risk and psychic distance assumed for emerging markets. Sakarya et al. (2007) suggest the following methods in order to measure consumer receptiveness of foreign industries in a host market: effects of imported business activities on economic and social development, approval of products and services and perceptions of offers concerning local and other imported businesses.

These four criteria described above, do not serve as substitutes for conventional market selection methods. Their intention is to complete and overcome deficits for specific analysis of emerging markets.

3 International franchising

Several definitions exist for the term franchising. Generally spoken "franchising is an agreement between organizations, whereby the producer of a product or service grants rights to independent entrepreneurs to conduct business in a specified way, in a designated place, and during certain time frame" (Alon and Alami 2010, p. 124-125).

Another definition indicates that "Franchising is an organizational design chosen by entrepreneurs in which a decentralized network of units, a 'chain', established by contractual agreement is desirable to achieve competitive advantage" (Baena 2009, p. 166).

Already in 1983, Curran and Stanworth provided a more narrow definition for this business model: "a business form essentially consisting of an organization (the franchisor) with market-tested business package centered on a product or service, entering into a continuing contractual relationship with franchisees, typically self-financed and independently owner-managed small firms, operating under the franchisor's trade name to produce and/or market goods or services according to a format specified by the franchisor" (p. 11).

Further definition indicates that franchising is "a foreign market entry mode that involves relationship between entrant (the franchisor) and a host country entity, in which the former transfers, under contract, a business package (or format), which it developed and owns, to the latter" (Burton and Cross 1995, p. 36). "International franchising occurs when service organizations transfer their systems via contract in exchange for fees and royalties" (Alon 2004, p. 158).

Franchising is a business model mainly applied in service industries. 'Business format franchising' or also called 'package franchising' is usually the form of franchising applied in the majority of cases. This type of franchising provides to the franchisee not only the right to use the product, service and trademark. The contract contains usually rights to use the marketing strategy, operating and training manuals, quality control, store design and allows to contact the franchising company for help. ’Product and brand’ represents another type of franchising and is the initial form. In this case just the brand of a product or service is resold by other parties e.g. auto dealerships, beverages etc. (Alon and Alami, 2010).

The environment of the host country determines the probability of an international franchisor to enter this market. Several market conditions are taken into consideration when expanding through franchising into foreign markets (Alon and Shoham, 2010). Economic factors as GDP per capita and income distribution among the populations ascertain the wealth of the population, the overall economic development and the size of the middle class. Moreover, the extent of the service sector in the host country plays an important role as franchising is mostly prevalent in service industries (Alon, 2006). Demographic factors as the level of the population and urbanization and proportion of female workers have to be considered by entering new markets. Franchise viability is dependent on the mentioned factors. Cultural factors are responsible for feasibility and acceptance of franchising systems and have an influence on the degree of entrepreneurship in a country, which is highly important for franchising. Eventually, political factors can influence the international franchising business enormously. Corruption, ownership restrictions, exchange rate fluctuations etc. can hamper and prevent the business from functioning (Alon and Shoham, 2010).

3.1 Franchising in emerging markets

Franchising, considered as an American invention, is among the fastest growing U.S. retailing exports worldwide. As the Western franchise market is saturated the main potential for this business model is offered on emerging markets. Emerging markets offer several advantages for franchising companies. A growing middle class, which creates new market potential, urbanized and densely populated cities, a growing market for youth, free trade zones, passable business rules, liberalized markets and transitioning economies are among the most important advantages. Moreover, the request for Western-style goods and services in emerging markets is enormous (Alon, 2005). In Western countries franchising models, especially fast food concepts like McDonald’s and Burger King, are seen as common and ordinary. On the contrary, for consumers in emerging countries Western fast food chains present a welcomed variety to domestic restaurants (Grünhagen et al., 2012). Emerging markets bear nowadays the most promising future for service franchisors. Especially big emerging countries e.g. Russia or India have a high consumer potential as eighty percent of the world’s population inhabits emerging market countries. These countries have one of the highest growth rates potentials for international franchisors (Welsh et al., 2006). Franchising is perceived in emerging markets as a vehicle of economic progress and a way to global integration (Alon, 2004).

3.2 Globalization and franchising

International franchising and economic globalization are highly interconnected. Already in 1983 Levitt realized that tastes and desires of consumers worldwide are becoming standardized and thus the consumers are increasingly cosmopolitan. These phenomena are caused by advances in technology and communications, higher mobility of people and ideas across nations and international trade and investment. Globalization often stands for a twist between global capitalistic environment and specifics of certain nations, groups and individuals. Western countries and their population perceive globalization as a symbol of modernization, progress, efficiency, growth and economic opportunity. On the contrary, especially in developing countries, franchising is associated with exploitative working conditions, forced Americanization and cultural assimilation. Franchising is considered as an important element of cultural-globalization discussions. Franchising industries have a bad image in terms of being consumer-oriented discretionary-income based industries, which are market seeking (Alon, 2006). International franchising companies are often regarded as negative initiators of globalization, because they are holding the brand-name and the financial capital (Stiglitz, 2002). Globalization and therefore partly also international franchising are responsible for economic inequality between and within countries. Global economy is seeking for people with particular specifics and skills. Those, who are lacking these abilities and skills are excluded and tend to revolt against globalization by forming nationalistic groups, supporting ethnocentric policies etc. in order to safeguard their markets and values (Friedman, 2000).

3.3 Impacts of international franchising

International franchising has a known positive effect on economic and social structures of world economies (Dant et al., 2008). However, not only positive effects arise with the arrival of Western franchising concepts to the emerging world. Different positive and negative impacts of international franchising for emerging markets are discussed in the subsequent part.

3.3.1 Economic effects

Economic positive effects of franchising include local job creation and domestic output increase. Employment rises income and hence support demand for several goods and services. Advantages like lower costs and availability provide the opportunity for the franchisors to source locally, which increases the production on the host market (Welsh and Alon, 2001). Furthermore, multinational franchisors contribute to a higher level of taxes in the host country. The business tax base grows through their franchisees and networks. In addition, international franchisors pay more taxes than local companies. On the one hand they are willing to show the intention to act properly in a host market and on the other hand they create a higher revenue. Tax incomes help the emerging economies to develop their physical and institutional infrastructure. Also the economic modernization of the emerging countries is advanced by large companies doing franchising. In order to keep up with the companies' standards, investments are necessary into e.g. local infrastructure or supply chain systems (Alon, 2004). As McDonald's entered the Russian market, the company invested in supplementary industries, food-processing facilities, and meat and potato plants (Alon and Banai, 2000). However, economic modernization can be a displeasing process for the local labor force. Jobs or whole businesses, which are perceived as inefficient according to worldwide standards, are eliminated.

Another positive effect is the formation of economic clusters by foreign franchisors. In matters of service franchising it is the appearance of shopping centers, which attract various franchisees and hence promote local economies by paying taxes, providing diverse shopping opportunities and supporting the job market (Alon, 2004).

Western franchisors redound to a positive balance of payments in emerging markets. Even though, when entering a host market franchisors often source elements for their businesses from the home market, after a certain time of adaptation local sources are preferred, because franchisees become more responsive and competitive (Teegan, 2000). Ancillary effects are transfers of technology, specialized knowledge, human capital and prevention of capital flight induced by the franchisors.

Furthermore, franchising is promoting native small and medium-sized businesses as the majority of franchisees belong to this group of entrepreneurs. Thus, franchising assists entrepreneurship in the host country generally (Alon, 2004). Franchising entrepreneurs are seen as responsible parties for risk-taking and business development in emerging markets. Innovation arises with entrepreneurship through the franchising business in emerging markets (Siegel et al., 2003).

International franchisors often contribute to the education of the local franchisees. On the one hand, formal trainings in e.g. in financial planning or new products are provided and on the other hand, the learning process takes place through imitation. Franchisees adopt business habits of the franchisors. Imitation can lead over time to competition. When franchisees are performing well on their home markets they can try to enter the markets of their franchisors or to oust them from the local market (Alon, 2004).

Moreover, international franchising helps to transfer knowledge to emerging countries, technological innovations, and skilled human capital and enhance the potential of the local labor force (Stanworth et al., 2001). Knowledge transfer is a controversial topic referring to franchising. On the one hand, tasks in franchising are often menial jobs and do not stimulate the skills of local labor force e.g. a cook in a McDonald’s restaurant (Teegan, 2000). On the other hand, enrichment of the economy and culture of the host country can appear with foreign franchisors. A country level view is necessary, when considering the benefits of the transfer of technology and know-how. However, franchising is exposed to failures. Especially in international environment the business model can suffer from lack of brand-recognition, misunderstanding of the host culture or from other macro-environmental factors as e.g. political factors (Alon, 2004).

3.3.2 Social effects

While the economic effects of franchising are more positive. The social effects cause debates and contradictory perspectives among scientists.

Ancillary social effects of franchising are improved standards of living and a biger variety of products. Generally speaking, franchising offers the possibility to reach lower consumer prices through well-organized supply system of goods and services and to provide a stable quality through standardization. However, these effects are often criticized. Large franchising companies are accused for rationalizing consumer choices by building monopoles on the emerging markets, launching standardized products and ousting local small businesses. Global communication campaigns of international franchisors support the market leaderships and inspire consumers in emerging markets to seek for Western lifestyle products instead of buying local production. American franchisors, as for example McDonald’s or Burger King, do not only sell products or services. They offer consumers in emerging markets to identify themselves with American way of life, Western values and qualities (Alon, 2006).

Another important social effect brought with international franchisors is the cultural transformation from traditional to modern values. New food, new habits and new services are symbols for a modern lifestyle and changed consumer patterns (Teegan, 2000). The trend toward standardized Western products and homogeneous consumer tastes is the so-called *McDonaldization* of society. McDonald's symbolizes modernization and convergence towards homogeneous customer needs in context of globalization. Standardized global marketing approaches are outcomes of efficiency, low costs, equivalent quality standards and products. Differences between countries and cultures are disregarded (Sheth and Parvatiyar, 2001). Ritzer (1993) introduced the concept *McDonaldization* in terms of fast food restaurants, socio-economic life and new consumption patterns. According to him *McDonaldization* is "a process by which the principles of the fast food restaurant are coming to dominate more and more sectors of American society as well as in the rest of the world" (p. 1). Alfino et al. (1998) identify four pillars of *McDonaldization*: (1) efficiency, (2) calculability, (3) predictability and (4) control. On the one hand, these four pillars indicate increased efficiency, calculability and predictability but on the other hand, the control usually exercised through human labor is substituted by technology and instrumental rationalization. Thus, the four factors are responsible for dehumanization of workers and consumers. Franchising systems function according to standardized rules and business forms. These facts shed franchising in a negative light as the roots of it hamper workers to think intelligently and direct the society to rationalization and hence dehumanization. However, the same four pillars of *McDonaldization* support the economic grounds of franchising. The success of international franchising prove that consumers are satisfied with standardized and efficient products and services (Alon, 2006).

Another negative social effect of international franchising is the formation of a global material culture, which leads to socio-economic inequality and polarization, social split in the society and consumer frustration. Further negative outcomes of international franchising are a negative impact on the environment, unsatisfactory working and living conditions, especially in developing countries (Ger and Belk, 1996). Social tensions occur, because franchising subdues relativistic, nationalistic and regional characteristics by homogeneous and American foreign tastes and values.

Moreover, franchising fosters economic globalization and cultural homogenization across nations and cultures. Even though, cultural differences still exist they are more and more disappearing, because of global communications and advertising and global brands (Kaufmann, 2001). A related topic to cultural homogenization is the Americanization of culture. Americanization can be defined as a domination of local cultures by American cultural values and icons and a high prevalence of American consumer culture. The American culture is not only present in media and consumer goods and services but English is becoming a global language as well (Legrain, 2003). Franchising as a standardized business model and marketing strategy, which provokes cultural homogenization. However, franchisors have to adopt their products and strategies to host countries in which they are operating. Global and local strategies support each other and are not mutual exclusive (Sheth and Parvatiyar, 2001).

3.4 Entry modes

The choice of entry mode is the most important strategic decision of a company when going international. This decision has an impact on the resource distribution, investment risk, degree of control and profit rates (Alon, 2005; Baena, 2011; Alon et al., 2010a). Franchising is just one of the possible ways to enter a new market. It belongs to the group of contractual agreements. Usually, franchising is used as a short-term strategy to obtain market experiences, to access social-political contacts and to explore local legal restrictions as in some countries 100% foreign investments are forbidden (Baena and Cervino, 2012).

Three entry modes dominate the international franchising literature: direct franchising, master franchising and joint venture agreements. Particular factors influence entry mode decisions of franchisors into emerging markets. Baena (2009) conducted a study, in which she identified geographical distance, uncertainty avoidance, per capita income, unemployment rate, political stability and the franchise contract enforcement in the host country to be the most important ones. The results revealed that e.g. direct franchising is more suitable for emerging markets with a high level of political instability, medium-low per capita income, high unemployment rates and effective contract enforcement. On the contrary, master franchising is chosen by franchisors entering emerging markets with medium und medium-high per capita income, but as well high unemployment rates and effective contract enforcement. Further results of the study indicate that political stability leads to joint venture agreements in host markets and added agreeable efficiency on contract enforcement to direct investments (Baena, 2009). The following section describes the three main franchising entry modes.

3.4.1 Direct franchising

This franchising entry mode implicates a conclusion of an agreement with a native franchisee, who grants the right to use a trademark in exchange for a fee (Baena, 2013). This kind of entry mode is specified by the franchisor giving franchises directly to franchisees in the host country without involvement of a third party. Hence, a direct relationship exists between the franchisor and the foreign franchisee. The franchisee grants the right to open a franchise outlet in the foreign country according to a unit franchise agreement negotiated with the franchisor. Three different forms of direct franchising exist:

- *Direct unit franchising* – franchisor gives a franchise for an independent franchise outlet to a franchisee in a foreign market;
- *Establishment of a branch office or foreign subsidiary* – franchisor opens a branch office or a subsidiary in a host market, which grants franchises in the foreign country. A unit franchise agreement is directly done with the franchisee;
- *Development agreements* – a development agreement is concluded between the franchisor and the developer (usually a foreign national). The developer owns and develops all the outlets in the foreign country. Franchisor or a subsidiary concludes a unit franchise agreement with the developer for each outlet opened in the host country (Konigsberg, 2008).

Technical or business knowledge of the franchisor are usually the reasons, why franchisee is interested to close a contract. On the contrary, the franchisor can enter a foreign market with just a small risk (Baena, 2013). Direct franchising is appropriate in certain situations. This kind of entry mode is used when just a small number of outlets is planned to be open, when the nature of the franchise system is straightforward wherefore it is easy to regulate from the franchisor`s country, when the possibility exists to train the franchisees from foreign country in the franchisor`s country or when two countries are geographically close and thus a good is possible. Further, direct franchising is applied when languages, culture, habits, tastes, laws and commercial practices are similar in two countries. Other situations in which direct franchising is used are when a subsidiary or a branch office is difficult to establish, because of local laws, foreign government permissions and tax reasons or when it is not allowed to open a wholly-owned subsidiary or branch office at all due to legal restrictions (Konigsberg, 2008).

Several advantages and disadvantages exist in terms of direct franchising. The most important advantages and disadvantages of direct franchising are presented in Table 1.

Advantages of direct franchising	Disadvantages of direct franchising
• Franchisor avoids foreign legal requirements • Fiscal advantages • Franchisor keeps total control of his system and trade mark, because of a direct relationship to the franchisee • From the long-term perspective is direct franchising the most profitable method because the franchisor keeps all royalties and all other fees that are paid by the franchisee • Franchisor keeps total control over advertising and promotion • Compared to establishing a subsidiary or a branch office it is more cost-efficient and economical, as setting up new infrastructure e.g. offices is not necessary	Compared to subsidiary or branch office: • Franchisor has the duty to verify that the taxes are withheld and paid by the franchisees • Difficulties regarding a proper service can appear because of different languages or significant distance • Difficulties in financing and sale of a franchise can appear because of the assumption by potential franchisees and financial institutions that the franchisor do not intend to stay permanently in the foreign country • Lack of control in terms of manner to use the franchise system and the trade mark in the foreign country from the perspective of the franchisor Compared to joint venture or master franchising: • foreign laws, commercial practices, customs, tastes, cultures, habits, etc. are new to the franchisor • Franchisor bears all the risks

Table 1: Advantages and disadvantages of direct franchising (Source: Konigsberg, 2008)

3.4.2 Master franchising

The most common entry mode used recently by international franchisors is master franchising. This form of franchising is characterized by a contractual relationship between the franchisor and an independent sub-franchisor, who is privileged to grant franchise royalties for a limited time period to franchisees in any country. Franchisor and franchisee do not agree to a direct alliance. The master plays the intermediate role by providing the franchisee rights, choosing the franchisees, controlling the royalties and most of the fees and providing trainings to franchisees in the host country. Usually, the master transfers a fee to the franchisor depending on the potential, which is measured by population of the supervised area (Alon, 2006).

Master franchising is defined as “a form of umbrella licensing agreement which differs from the standard unit or location-level franchise in two ways:

(1) it provides for the granting of an exclusive territory extending beyond the trade areas of a single unit, and (2) it envisions from the outset the introduction of an additional layer of control between store level management and the franchisor“ (Kaufmann and Kim, 1995, p. 50).

Augmented use of master international franchising is based on: (1) the expansion of U.S. franchisors into foreign and culturally different countries, (2) growing amount of small and young companies discovering international markets, (3) growing amount of master franchisees, who are seeking to establish an American franchising system on the own markets (Alon, 2006). The main advantages of master franchising, especially for the franchisors are: (1) fast development (2) low capital investment and (3) known host markets. Due to knowledge of local culture and consumer preferences the franchisor is safeguarded by the master from failures. Moreover, the majority of investments is also done by the master and the franchisor is keeping his capital for further development in e.g. other host markets (Justice and Judd, 1986). Overall, shared risk of failure, lower operation costs, market knowledge, control of local competition, reduced political and legal risks and supply chain optimization are the advantages for franchisors provided by the international master franchisee (Alon, 2006).

3.4.3 Joint venture agreements

The definition by Williston (1952) states that “The joint venture is an association of two or more persons based on contract who combine their money, property, knowledge, skills, experience, time and other resources in the furtherance of a particular project or undertaking, usually agreeing to share the profits and the losses an each having some degree of control over the venture.” (Konigsberg, 2008, p. 235, according to Williston).

For franchising purposes franchisors conclude a joint venture agreement with a joint venture partner. Partners are usually nationals of the foreign country. Often a joint venture company is launched by the partners, however, a form of partnership or trust is a possible way to cooperate as well. After the joint venture company, a partnership or trust is established, either a development agreement or a master franchise agreement is concluded with the franchisor (Konigsberg, 2008). Joint ventures agreements are appropriate to set up in the same situations as master franchise agreements and development agreements. The only difference is that it is difficult to find a sub/franchisor or developer who has the financial resources to operate and grow the system. Situations in which international expansion is usually not possible for the franchisor due to local factors, the franchisor is forced to establish the franchise system with own resources combined with a joint venture agreement. Another factor leading to a joint venture agreement is often the local law of the foreign country. In some countries a foreign company can only enter the market through a joint venture agreement with local partners. Especially, in emerging and developing countries local companies are protected by the government from economical interventions of developed countries. Such examples are countries in Eastern Europe, the People's Republic of China and South American countries. Sometimes joint venture agreements are chosen as an entry mode because the franchisor prefers to make use of the resources of the joint venture partner. This can be particular knowledge, financial resources or ability to do business in the foreign country (Konigsberg, 2008). Several advantages and disadvantages of joint venture agreements are presented in Table 2.

<table>
<tr><th>Advantages of joint ventures</th><th>Disadvantages of joint ventures</th></tr>
<tr><td>
Usage of knowledge of the joint venture partner about laws, commercial practices, customs, languages, culture, habits, etc. of the host country
Cooperation with the partner provides the possibility to share any kind of risks in the foreign country, e.g. financial risk
Qualification to do business under the laws of particular countries
Learning of flexibility for further franchise operations
Possible access to governmental subsidies or grants
Tax advantages due to a local partner and the established joint venture company
Control over the franchise system and trade marks
Shared profits
Finding and choice of a joint venture is easier due to shared risks
</td><td>
Difficulties to agree on a consistent buy/sell provision which equally protects the franchisor
Different reasons for entering the joint venture agreement may cause conflicts
Foreign nationals, who are usually the franchisors, have always a disadvantage in a joint venture arrangement
When the conditions between the joint venture partners are equal, it is sometimes a reason which makes the joint venture not possible to act
Difficulties can arise in repatriation of profits when joint partners are not at one
</td></tr>
</table>

Table 2: Advantages and disadvantages of joint venture agreements (Source: Konigsberg, 2008)

4 Corporate reputation

The behavior of numerous stakeholders, such as employee retention, customer satisfaction or customer loyalty, towards a company is dependent on corporate reputation. A positive corporate reputation makes investments easier for shareholders, sheds company into a good light as employer, retains customers and is responsible for higher returns (Markham, 1972; Roberts and Dowling, 1997; Vergin and Qoronfleh 1998). Nevertheless, the majority of this arguments are vague, did not passed the replication tests or are based on unclear concepts. Hence, corporate reputation is still a young scientific field which needs further research and investigations. This construct originated from many different disciplines and opens an intelligible way to look at organizations and business performance (Chun, 2005). Reputation can be seen from perspectives of different disciplines. The following table shows the classification.

Discipline	Perspective on Reputation
Accountancy	“Reputation seen as an intangible asset and one that can or should be given financial worth”.
Economics	“Reputation viewed as traits or signals. Perception held of the organization by an organization’s external stakeholders”.
Marketing	“Viewed from the customer or end-user’s perspective and concentrating on the manner in which reputations are formed”.
Organizational Behavior	“Viewed as the sense-making experiences of employees or the perception of the organization held by an organization’s internal stakeholders”.
Sociology	“Viewed as an aggregate assessment of a firm’s performance relative to expectation and norms in an institutional context”.
Strategy	“Reputation viewed as assets and mobility barriers. Since reputations are based on perception, they are difficult to manage”.

Table 3: Perspectives on reputation (Source: Chun, 2005, p. 92 according to Fombrun and Van Riel)

4.1 Definition

A literature review of corporate reputation from the last two decades reveals how difficult it is to find a generic definition for this concept. Several scholars proffer different definitions for the construct. Some of the existing definitions are provided below:

- “A perceptual representation of a company’s past actions and future prospects that describes the firm’s overall appeal to all of its key constituents when compared with other leading rivals” (Fombrun, 1996, p. 72).
- “A corporate reputation is a collective representation of a firm’s past actions and results that describes the firm’s ability to deliver valued outcomes to multiple stakeholders. It gauges a firm’s relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environment” (Fombrun and Van Riel, 1997, p.10).
- “A corporate reputation is a stakeholder’s overall evaluation of a company over time. This evaluation is based on the stakeholder’s direct experiences with the company, any form of communication and symbolism that provides information about the firm’s actions and/or a comparison with the actions of other leading rivals” (Gotsi and Wilson, 2001, p.29).
- “Observer’s collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporate over time” (Barnett et al., 2006, p. 34).
- “…a stakeholder’s overall evaluation of an organization over time. This evaluation is based on the stakeholder’s experiences with the organization and its brand(s), relationships with these and the organization’s employees and representatives, memberships of brand communities and, any other perceived communication and symbolism that provides information about the organization’s actions and / or a comparison with the organization’s rivals.” (Abratt and Kleyn, 2012, p. 1057).

Walker (2010) conducted an excessive comparison of various definitions for the construct ’corporate reputation’. He disclosed that Fombrun’s (1996) definition was the most cited one in his sample. This definition forms the bases for different attributes of corporate reputation. The first attribute consists of the fact that corporate reputation is based on perceptions. Corporate reputation is assumed to be difficult to influence, not always consistent with reality and socially constructed. Secondly, depending on type of stakeholder and the regarded issue, companies can have multiple reputations. Aggregated perceptions exist for all stakeholders depending on the specific matter. Furthermore, corporate reputation is perceived as inherently comparative. Comparison takes place to other rivals, over time or against industry average. The fourth attribute is the fact that corporate reputation is perceived rather positive or negative. Lastly, corporate reputation is not constant and persistent. It can change very quickly. These five attributes provided the bases for a new more precise definition of corporate reputation. Walker (2010) defines overall corporate reputation as “A relative stable, issue specific aggregate perceptual representation of company’s past actions and future prospects compared against some standard“ (p. 370).

Four general sources for perceived corporate reputation are identified: the company itself, the media, individual experience of the stakeholder with the company and communicated experiences from other sources (Helm, 2011). Perceptions about corporate reputation are mostly influenced by knowledge gained through experiences with the company and media (Shamma and Hassan, 2008). In addition, stakeholders’ interaction with the company has a strong impact on reputation (Mac Millan, 2002).

4.2 Key elements of corporate reputation

Two main elements are used for all research perspectives on corporate reputation, identity and image. These two elements are interrelated. Reputation can be seen from three different perspectives: ’how others see us’, ’how we see ourselves’, ’how we want others to see ourselves’.

4.2.1 Image: ’How others see us’

Image in context of reputation is defined as a combination of impressions or perceptions from the perspective of external stakeholders (Davies and Miles, 1998). The position from the others on ’us’ is taken in this case. One of the most important groups of external stakeholders are customers. Thus, image is here defined as customers’ feeling and thoughts towards the company, gained through experiences or observations (Bernstein, 1984). Other authors define corporate image as “attitudes and feelings consumers have about the nature and underlying reality of the company” (Pharoah, 1982, p. 243) or as “the result of how consumers perceive the firm” (Grönroos, 1984, p. 39). From the perspective of organizational behavior discipline image is define as “internal members’ belief about outsiders’ perception” (Chun, 2005, p. 96). Reputation is understood as perception of an outsider to an organization (Dukerich and Carter, 2000). Image and reputation differ from each other in that way: image affects recent beliefs about a company; reputation implies an evaluation of the organization throughout time, concentrating on the behavior and actions of it. From this point of view it is possible to separate image and reputation. Image is easier and quicker to change than reputation. Reputation is a continuous construct built up inside and outside the company over time (Chun, 2005).

4.2.2 Identity: ’How we see ourselves’

Two types of identity are prevalent, organizational identity and corporate identity. Organizational identity is the perception of employees’ of the organization. This implies perceptions, feeling and thoughts about the organization and most important, distinctive and constant characteristics. Culture and organizational identity are connected to each other as well. Identity can be seen as how the members of an organization define and experience themselves. This is influenced by views, which derive from cultural norms and values. Culture is not easy to change. In contrast, identity, in terms of how people comprehend themselves in respect to culture and values, is reflexive and more flexible. Identity is easier to influence from the outside than culture. The flexibility of identity occurs from the perpetual interconnection with image (Chun, 2005).

4.2.3 Desired identity: 'How we want others to see ourselves'

Corporate identity is repeatedly used as a synonym for desired or strategic identity. This concept implicates visual attributes such as companys' name, logo and symbols and strategic attributes such as concept, mission and philosophy, which build the basis for corporate strategy and establish a link to companys' image and reputation (Bernstein 1984; Dowling, 1994). Corporate identity has the task to reflect the inimitable characteristics of a company which are anchored in the behavior of organization's members and the identification of employees with the company (Balmer, 1997; Stuart, 2002). Thus, three key elements of corporate reputation exist: identity, desired identity and image. Image is part of reputation and not a synonym for it. This concept is especially referring to external stakeholder's perception, in particular customers' perceptions about the company. Image should be conform to organizational and desired identity. The following figure shows the connection between the three elements.

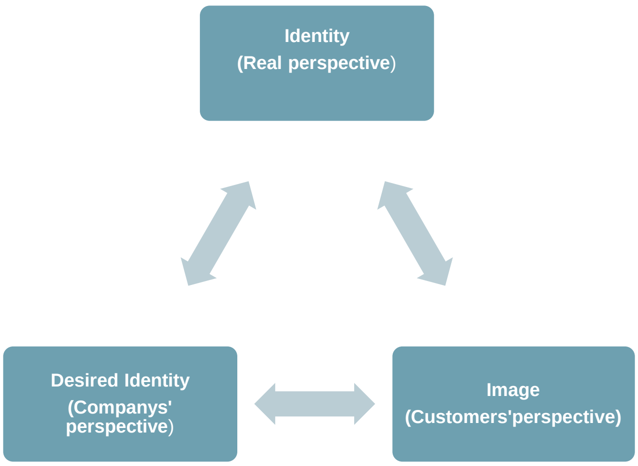

Figure 2: Key elements of corporate reputation (Source: Chun, 2005)

4.3 Importance of corporate reputation in competitive environments

Intangible resources like brands and reputations are seen as main competitive advantages of a company from the resource-based view (Omar et al., 2009). Strong brands are usually rare and difficult to imitate leading to inimitable skills, unique assets and behaviors of organizations (Abratt and Kleyn, 2012). Corporate brands and reputations serve as protection and support instruments for organizations giving the possibility to seize opportunities and to prevent threats (Argenti and Druckenmiller, 2004). Corporate reputation can be seen as one of the most important factors influencing the sustainability of a company. A damaged reputation is difficult to recover and cannot be changed as quickly as a wrong chosen strategy (Firestein, 2006). On the contrary a good reputation leads to business continuity and profitability (Roberts and Dowling, 2002). “Reputation is a strategic resource that creates a competitive advantage for an organization” (Abratt and Kleyn, 2012, p. 1059).

Corporate reputation is for some companies more important than for others. Especially service companies are dependent on a good reputation as their products are difficult to evaluate before consumption due to their intangible character (Wang et al., 2003; Fombrun, 1996). Reputation can be used as an effective predictor. A service producing process can be evaluated on the basis of corporate reputation, which is the very trustworthy indicator of a service firm to satisfy customer needs (Nguyen and Leblanc, 2001).

4.4 Customer perspective on corporate reputation in the service sector

As already mentioned corporate reputation has to be seen from different perspectives. Corporate reputation can vary depending on different stakeholder views. Diverse interactions with the firm allow stakeholders to form specific perceptions, which are impressions at a point of time and help to form the brand image. The sum of the different momentary impressions become the stakeholder’s perception of the company and hence contribute to the formation of a specific reputation overtime. Therefore it is indispensable to understand the dimensions on which stakeholder’s evaluate reputation to create a positive corporate reputation. Among these dimensions are company’s performance, products and services, ethics, corporate governance, citizenship activities and many more (Abratt and Kleyn, 2012).

Already in 1984 Freeman's stakeholder theory constituted that stakeholders' expectations towards a company may vary. A stakeholder standpoint allows companies to comprehend the relationships between the company and the particular stakeholder. The focus of this paper is made on corporate reputation from the customer perspective of a service firm as it is an insufficient explored stakeholder group even though highly important.

Most of the conducted studies about corporate reputation concentrated on several stakeholders but neglected one of the most important groups – customers. Walsh and Beatty (2007) identified in their study five dimensions of customer-based corporate reputation (CBR) based on prior and own qualitative and quantitative research. Supplementary, they were able to present a scale for quantifying the construct. The detected dimensions are:

- Customer Orientation
- Good Employer
- Reliable and Financially Strong Company
- Product and Service Quality
- Social and Environmental Responsibility

The authors define CBR as "customer's overall evaluation of a firm based on his or her reactions to the firm's goods, services, communication activities, interactions with the firm and/or its representatives or constituencies (such as employees, management, or other customers) and/or known corporate activities" (Walsh and Beatty, 2007, p. 129). Reputation of a firm can be seen as external information used by customers to evaluate quality of e.g. provided services in order to establish a certain opinion about the company in their heads (Walsh et al., 2009).

5 Culture

Consumer behavior differs enormously across countries. Culture is one of the factors, which has an intense influence on consumer behavior. Understanding culture is a key requirement to be successful in the global marketplace (De Mooij, 2004). Before elaborating further on the importance of culture in terms of consumer behavior, it is crucial to define this construct.

5.1 Definition

Hofstede defines culture as “The collective mental programming of the people in an environment. Culture is not a characteristic of individuals; it encompasses a number of people who were conditioned by the same education and life experience“ (Hofstede and Hofstede, 2005, p. 3). Culture is defined through language, time, and place and is not independent from individuals and historical context. Culture can be seen as memories of a society. Cultural elements are common beliefs, attitudes, rules, roles, values and language. Usually, this people live during the same time in the same geographic region. Cultural elements of are passed down generations (Triandis, 1995). Furthermore, culture can be considered as ‘national character’. “The national character is the set of psychosocial characteristics manifested by a given national population” (De Mooij, 2004, p. 27, according to Alex Inkeles). The most frequent individual personalities form a national culture.

Culture consists of visible and invisible elements. Visible cultural elements are symbols, heroes, and rituals. On the contrary, values of a culture are invisible. Cultures are often compared based on visible elements (Hofstede, 2001). There are two different ways to access cultures. It is a dilemma in cross-cultural research concerning constructs and elements that are unique to a particular culture and constructs and elements that are common across cultures. Considering only unique characteristics of a certain culture makes it difficult to make comparisons between different cultures and establish generalizations. Contrariwise, considering only commonalities across culture leads to a loss of precision or accuracy about a certain country or culture. For dissolving of this dilemma two different approaches or school of thought exist – the 'emic' and the 'etic' approach. The emic approach makes emphasis on attitudes, interests and behavior that are unique to a culture. Hence, the specific context of each country comes to the fore and the analysis concentrates on identifying and understanding the unique characteristics of the culture. Differences between nations are measured based on qualitative or judgmental methods, because the measures are 'culture specific'. On the contrary the etic approach deals with identifying common attitudes and behaviors of different cultures and thus generate pan-cultural or 'culture-free' measures. Having generalized measures makes on the one hand comparison easier between cultures but on the other hand a bunch of methodological problems appear. Often constructs or measures developed for one country are used in another country without any or just minimal adaptations. Taking the position of an international marketer it is more interesting to relate to the etic approach as s/he is more interested in knowing similarities across markets. This knowledge provides the possibility to transfer products and services and to integrate strategies across national markets (Craig and Douglas, 2005).

5.2 Global consumer culture

Global culture can be defined as "the process of global comprehension whereby the world becomes united to the extent that it is regarded as one singular place" (De Mooij, 2004, p. 4). Global consumer culture can be seen as a bundle of consumption-related symbols. Bundles are for example product categories, brands or consumption activities, which serve as segmentation criteria. Mass consumption symbols primarily originated from the United States (Alden et al., 1999). Same food, music, fashion items, TV programs and movies, cars etc. are available for consumers around the globe. Globalized consumerism, global consumption homogenization and global companies are results of this trend (Ger and Belk, 1996). Levitt (1983) claimed that new technologies will cause homogenization of consumer needs. As a reason he mentioned the fact that consumers would rather choose high quality but standardized products for a resonbale price than customized products for a high price. Levitt's idea was based on the theory that consumers are rational individuals and their main goal is to maximize profit. However, the theory of rationality is unrealistic. The cultural context is disregarded (Süerdem, 1993). People's habits and values have not become homogenous with the spread of global symbols. There are still culture specific (Featherstone, 1991). Actually globalization has an inverse effect on homogenization. Local cultural identities revive and fight for being unique (Giddens, 2000).

5.3 National cultures

A classification of cultural groups can be made by national borders. Actually a culture is not encircled by national borders because diversity exists within and between borders. Nations are not an equal term to societies (Hofstede, 2004). An idea of common culture is more similar to a society than to a nation. "Societies are, historically, organically developed forms of social organizations" (De Mooij, 2004, p. 30). However, nations are often developed historically homogeneous although the formation is made of different groups. Usually, nations are characterized through one prevalent language, mutual mass media, a nationwide education system, and domestic markets for products and services. Cultures can be classified according to specific characteristics, values or dimensions (De Mooij, 2004). One of the most important work in this scientific field is described in the next passage.

5.4 Hofstede's dimensions of national culture

Geert Hofstede has undertaken one of the most famous and widely used studies about values in the workplace influenced by the national culture of a country. Between 1967 and 1973 he analyzed an extensive database of IBM employee values scores from primarily the biggest 40 countries, later 50 countries and 3 regions. After this, subsequent studies were conducted in which earlier results were validated including commercial airline pilots and students in 23 countries, civil service managers in 14 counties, 'up-market' consumers in 15 countries and 'elites' in 19 countries. In the latest book from 2010 "Cultures and Organizations: Software of the Mind", 76 country scores for the dimensions are included. The new study is based rather on replications or on extensions of the IBM study on different nations. The scores for the dimensions range from 0 to 100 (Hofstede, 2014).

Power Distance (PDI)

First Hofstede’s national culture dimension deals with the fact how powerful members of societies are perceived by the less powerful members of a certain society. This dimension measures the degree to which power is accepted and expected to be distributed unequally among society members. A high degree of power distance in a society indicates that hierarchical formations are generally accepted. Every member of the society has her/his place in this formation and this place does not need further exculpation. Contrariwise, societies which score low on the power distance dimension are striving for equal distribution of power among the members and demand justification for unequal power distribution (Hofstede, 2014).

Individualism versus Collectivism (IDV)

Individualistic cultures are characterized through individuals who prefer to take care only of themselves and their direct family members. Collectivistic cultures represent the opposite behavior. Members of these societies usually care for their relatives or a special group of people who behave loyal to them. It can be said, that the position of the society on this dimension is determined by the perception, whether the individual defines her/his image as ’we’ or ’I’ (Hofstede, 2014).

Masculinity versus Femininity (MAS)

Masculine cultures preferably award society values like success, heroism, confidence and material repayment for success. In general the whole society is more competitive. On the opposite, feminine societies prefer cooperation, modesty, quality of life and to protect the weak. Overall society is disposed towards harmony (Hofstede, 2014).

Uncertainty Avoidance (UAI)

Uncertainty avoidance describes the degree of uncertainty and ambiguity which the society is ready to accept. The essential statement of this dimension is the fact how the society is dealing with the future. The question is if the society is trying to control the future events or just accept them as they come. Countries scoring high on the UAI dimension follow strict codes of belief and behavior und do not accept unorthodox behavior and ideas. In contrast, countries scoring low on this dimension follow more casual attitudes which are formed more by practice than by principles (Hofstede, 2014).

Pragmatic versus Normative (PRA)

The fifth dimension refers to the fact that events happened in the past or today around people are unexplainable. In nations with a normative orientation the majority of the people demand to explain as much as possible. Those societies are characterized through members who are willing to establish the absolute truth – normative thinking is prevalent. Traditions are important in those societies, saving for the future is less common and concentration is made on achieving quick results. Pragmatic oriented societies have no need to explain every event because they believe that it is impossible to understand the whole extent of life. Knowing the truth is not important. Much more emphasis is put on mastering to live a virtuous life. Truth from the pragmatic point of view depends on situation, context and time. Traditions are adjusted easily to new conditions, a favorable disposition towards save and invest exists, parsimony and patience in achieving results (Hofstede, 2014).

Indulgence versus Restraint (IND)

Indulgence in this context refers to a society which stands for free fulfillment of elementary and natural human activities referring to enjoying life and having fun. On the opposite, restraint societies block gratification of needs and behave according to strict social norms (Hofstede, 2014).

6 Empirical research

The first part of the thesis focused on the theoretical background building thereby the basis for the research questions, conceptual models and hypotheses. The second part of the thesis concentrates on the research background, the conducted empirical study, the analysis of the data, results and final concluding implications.

6.1 Research objectives and questions

The research objectives of the following study are diverse. International franchising systems like e.g. McDonald's and Burger King are products of Western economies. One of the goals of the following study is to find out how international franchising systems are perceived in former communistic countries, which are Central and Eastern European emerging countries nowadays, in terms of CBR, where this type of business model entered the market comparatively recent. Other goals of this research are to test, whether CBR of McDonald's and Burger King differs across the reviewed countries. Moreover, it is interesting to find out whether customer satisfaction impacts CBR and word-of-mouth (WOM) behavior in these countries significantly. Aside from, the following study should investigate, whether CBR influences constructs like WOM behavior and customer loyalty. Finally, the impact of Hofstede's dimensions of national culture on CBR in the considered countries should be tested. Thus, the following research questions derive:

1. Does CBR of McDonald's and Burger King significantly differ across the emerging countries in Central and Eastern Europe?
2. Which constructs influence CBR in these countries?
3. On which constructs has CBR a significant influence in these countries?
4. Is there a significant impact of Hofstede's national culture dimensions on CBR in these countries?

6.2 Conceptual background and hypotheses

The review of scientific literature in the first part of the thesis serves as basis for development of hypotheses in order to test the research questions. On the one hand it is important to test the impact of CBR on other constructs. On the other hand the influences of other constructs on CBR are important as well. As already mentioned Walsh and Beatty (2007) identified five dimensions of CBR and developed a scale to measure it. Walsh et al. (2009) validated this scale in their study, where they examine and reinforce the relation of customer-outcome variables such as customer satisfaction, loyalty, trust and word-of-mouth to CBR. In addition, they particularly take customer's personal experience with a service firm into account and their perceptions about a company. It is proven that the CBR scale is valid across different cultures and service contexts.

Nowadays, globalized markets offer a variety of products and services around the globe. Customers often seek for a hint when it comes to a buying decision due to a vast variety of offers on the market. The reputation of a company can act as a differentiator for quality of products and services. Perception of higher quality usually occurs with a good corporate reputation (Dowling, 1994; Greyser, 1995). Customer direct experiences with firm's products and services and experiences with comparable other product and service providers form the resulting customer satisfaction (Davies et al, 2002). Customer satisfaction was identified as an important driver of corporate reputation (Walsh et al. 2009). As the consequence of these findings the first hypothesis is set:

H1: *Customer satisfaction influences Customer-based Corporate Reputation positively.*

Another important customer-outcome variable is the WOM behavior. Customers evaluate products and services after the trial in their heads. Products or services with a bad quality are usually not consumed again. Moreover, customers tend to engage in positive or negative WOM, especially when the experience was extraordinary good or bad. Thus, good or bad corporate reputation will support positive or negative WOM and consequently customer satisfaction, which is resulting from experiences with the products or services of a company, should have an impact on WOM (Sundaram et al., 1998; Walsh et al., 2009). These findings lead to the next two hypotheses:

H2: *Customer-based Corporate Reputation influences Word-of-mouth behavior positively.*

H3: *Customer Satisfaction influences Word-of-mouth behavior positively.*

A third customer-outcome variable, which is highly interconnected with CBR is customer loyalty. Nguyen and Leblanc (2001), Roberts and Dowling (2002) and Walsh et al. (2009) were able to identify an obvious influence of corporate reputation on customer loyalty. The importance of customer loyalty in the service sector was proven by Dick and Basu (1994). However, these authors measured customer loyalty one-dimensional. Bartikowski et al. (2011) developed a two-dimensional way to measure customer loyalty. They distinguish this construct into intentional and affective customer loyalty, whereby intentional loyalty deals with conscious loyalty behaviors and affective loyalty is more about emotional commitment to the company. The splitting of customer loyalty allows to get deeper insights into real customer behaviors. Hence, the two following hypotheses occur:

H4: *Customer-based Corporate Reputation influences Intentional Loyalty positively.*

H5: *Customer-based Corporate Reputation influences Affective Loyalty positively.*

Following the concepts of Walsh et al. (2009) and Bartikowski et al. (2011) *conceptual model 1* is shown in figure 3.

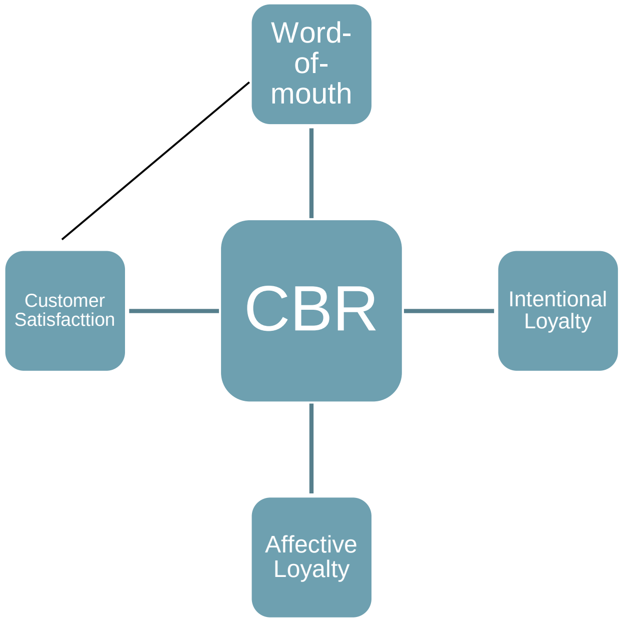

Figure 3: Conceptual model 1

Furthermore, corporate reputation can help customers to forecast the future behavior of a firm and consequently acts as a risk-reducing variable (Fombrun et al., 2000; Walsh et al., 2009). Bartikowski et al. (2011) assume that cultural differences in terms of uncertainty avoidance (UAI) according to Hofstede (2001) concern customer's loyalty development through reputation. Hofstede (2001) suggests that nations, which score higher on UAI are more resistant to changes and try to avoid unsecure situations. Consequently these nations rely more on cues like corporate reputation, which form their attitudes and behaviors towards a firm. These findings form the basis for the next two hypotheses:

H6: *Intentional Loyalty is significantly weaker for customers in 'moderate UAI countries' than for customers in 'high UAI countries'.*

H7: *Affective Loyalty is significantly weaker for customers in 'moderate UAI countries' than for customers in 'high UAI countries'.*

As already discussed, culture is an important variable when a company decides to go international. International franchising companies have to keep in mind that cultural differences in entered markets have to be incorporated in their strategies. Brands can be perceived differently in culturallyheterogeneous markets (Phau and Lau, 2000). This differences can negatively influence the success of the company's global marketing strategy and hence negatively impact the global image of the company, which is an important precondition for the success of a global brand (Cateora and Graham, 2007). Cultural value impacts brand image (Park and Rabolt, 2009). Although image and reputation of a company are different concepts, they are highly connected to each other (Nguyen and Leblanc, 2001; Chun, 2005). Thus, it can be assumed that culture might have an impact on CR. This theoretical considerations allow to establish the last hypothesis and conceptual model 2 in figure 4.

***H8:** Hofstede's dimensions of national culture influence Customer-based corporate reputation positively.*

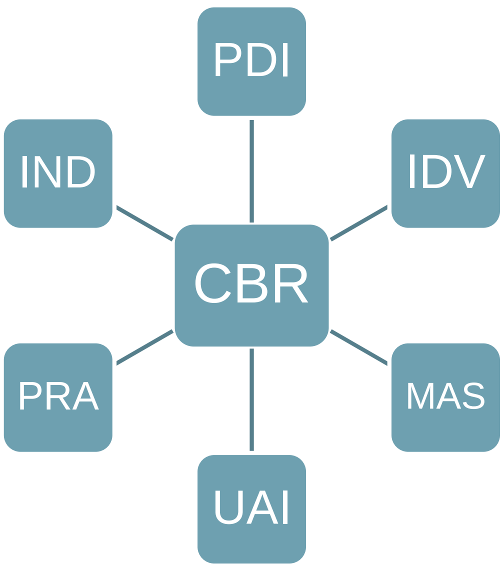

Figure 4: Conceptual model 2

7 Empirical study

This empirical study is based on data collected in six Central and Eastern European emerging countries – namely Russia, Croatia, Romania, Slovakia, Hungary and Poland (Kvint, 2009). The data was collected in franchising restaurants of McDonald's and Burger King in these countries. McDonald's and Burger King serve as representatives of international franchising fast food giants. The purpose of this study is to confirm results, widen the database, replicate hypotheses from recently published literature and get new insights into the topic.

7.1 International franchising companies

Before providing further information about the methodology behind the study, the success stories of McDonald's and Burger King, as examples of international franchise systems, are presented. The data set for the empirical study is based on surveys conducted in this two fast food chains.

7.1.1 McDonald's

McDonald's Corporation is the most famous and top-selling fast food franchising organization in the world. The company operates over 34000 restaurants of which are 80% franchised in 119 countries. Furthermore, the company employs 1.800 000 (2013) people worldwide and generated a turnover of US$ 28.1 billion in 2013. In addition, the company serves on average 69 million (2012) customers every day (McDonalds, 2014).
McDonald's came into existence based on a vision of a single entrepreneur, Ray Kroc. He saw the potential of the restaurant operated by the McDonald's brothers and turned a single hamburger stand into a multibillion-dollar corporation through franchising. In 1954 McDonald's brothers agreed to give Kroc the exclusive right to open copies of their restaurant all over the US. On April 15, 1955, Kroc opened his first McDonald's restaurant in Des Plaines, Illinois. This restaurant served as a model for selling franchises. By 1964, already over 657 McDonald's restaurants existed in the US. Kroc decided this was the right time to go public. On April 15, 1965, McDonald's became a

public company by offering 300,000 shares of common stock at a price of $22.50 a share. The stock was sold out in the first day and raised the price up to $30 a share. Only one week later the stock inflated to $49 per share (Shook and Shook, 1993). In 1967, McDonald’s first went international to Canada and Puerto Rico. Further international expansions followed in 1978 to Japan, in 1981 to Spain, Denmark and Philippines, in 1990 to Moscow and in 1992 to Warsaw and later to many other countries (McDonald’s, 2014).

Since the foundation, the company success is beyond any expectations, reached with a approach consisting of a simple menu, a rapid food preparation and supply system. Using assembly-line techniques and a high level of uniformity in each restaurant worldwide, the company became famous and leading in the fast food sector. McDonald’s significantly influenced the culture worldwide and is the standard setter for the success of fast food (Shook and Shook, 1993).

7.1.2 Burger King

The Burger King Corporation is the main competitor of McDonald’s and the second largest fast food provider worldwide. Every day more that 11 million people visit Burger King restaurants around the world. Burger King operates approximately 13 000 restaurants worldwide of which 90% are operated by franchisees. The corporation is present in 88 countries and employs more than 400 000 people (Burger King, 2014).

The company was founded in 1954 by James McLamore and David Edgerton by opening the first restaurant in Miami, Florida. In 1959, Burger King began franchising of its restaurants across the U.S. and later around the world. In 1963, Burger King expanded the first time the business international by opening a restaurant in Puerto Rico. In 1967, after eight years of privately operating and 275 restaurants, Burger King merged with the Pillsbury Company and could finally begin a fast expansion across the U.S. In 1989, the Pillsbury Company, which merged with Burger King before, was acquired by Grand Metropolitan PLC. This is the starting point for Burger King’s expansion across Europe. Smaller European burger chains were converted into Burger King restaurants through the acquisition. In 1997, another merger manifested an important event in the history of Burger King. Grand

Metropolitan PLC merged with Guinness & Co. to form Diageo PLC. From this time on the ownership of the Burger King Corporation moved from U.S. #to Europe. However, in 2002, Diageo PLC sold the Burger King Corporation back to companies from the U.S. and the ownership was transferred back. Only in 2006, Burger King left the private sector and became a publically traded company. Nevertheless the Burger King stood not long a publically traded company. In 2010 3G Capital, a global multi-million dollar investment firm, purchased the company and made it a privately-held company again (Burger King, 2014).

The current business strategy of Burger King is the expansion of its businesses. Growth opportunities for the company and the system are seen in driving sales and traffic in the U.S. and Canada. Another up-to-date goal of the company is to accelerate international development as it is seen as one of the principal drivers of long-term growth of the business and values for the shareholders. International development should be accelerated by creating of strategic joint ventures with retaining a minority equity interest and by entering into master franchise and development agreement with experiences local operators (Burger King, 2013).

7.2 Scores for Hofstede's dimension of national culture

Table 4 provides the scores for Hofstede's dimensions on national culture in each of the countries used in the empirical study.

	Russia	Croatia	Romania	Slovakia	Hungary	Poland
PDI	93	73	90	100	46	68
IDV	39	33	30	52	80	60
MAS	36	40	42	100	88	64
UAI	95	80	90	51	82	93
PRA	81	58	52	77	58	38
IND	20	33	20	28	31	29

Table 4: Scores for Hofstede's dimension on national culture (Source: Hofstede, 2014)

Regarding the PDI dimension, only Hungary (46) scores low in the examined countries. In the other countries hierarchical formations are generally accepted. Hungarians strive for equal distribution among the members of the nation and ask for justification for unequal power distribution.

On the dimension IDV Russia (39), Croatia (33) and Romania (30) score low. In this countries members are loyal to certain groups as for example families or friends. The ‘we’ is more important than the ‘I’. Slovakia (52) is right in the middle of the score. The members of Slovakian nation have no clear preference in terms of IDV. Hungary and Poland are individualistic societies. Members of this nations prefer to take care only of themselves and their direct family members.

Russia (36), Croatia (40) and Romania (42) score rather low on MAS and are therefore feminine societies. The dominant values in this societies are caring for others and quality of life. A good quality of life is appreciated as a sign of success. Being different from the crowd is not desired. Slovakia (100), Hungary (88) and Poland (64) are classified as masculine societies. In those societies people live in order to work. The focus lies on equity, competition and performance. Conflicts are resolved by fighting.

In terms of UAI only Slovakia (51) shows no clear performance. All the other countries score high on this dimension. Russia (95), Croatia (80), Romania (90), Hungary (82) and Poland (93) are those societies whose members feel threatened by ambiguous or unknown situations. Therefore, they follow strict codes of belief and behavior and do not accept unorthodox behaviors and ideas.

The PRA dimension shows high scores for Russia (81), Croatia (58), Slovakia (77) and Hungary (58). This societies have a pragmatic orientation which means that most people do not have a need to explain everything what happens around in the past as well as today. Those nations share the belief that it is not possible to understand the full complexity of life. The challenge is to live a virtuous life. Romania (52) scores intermediate on this dimension and has therefore no clear preference in terms of PRA. Poland (38) is the only country with a normative orientation. People from this nations have a strong desire to explain as much as possible that happens around them.

A remarkable fact is that all the considered countries score low on the IND dimension and have therefore a restrained character. This societies have a tendency to cynicism and pessimism. This nations put not much focus on free time and control the gratification of their desires. Members of those societies feel restrained by social norms and have the opinion that indulgence is wrong.

7.3 Methodology

The following chapter will provide more insights about the methodology used for the empirical study in this thesis.

7.3.1 Questionnaire - design and constructs

The following empirical study is based on an already existing questionnaire kindly provided by Dr. Rajiv P. Dant (Division Director & Michael F. Price Chair in Business, The University of Oklahoma), who conducted an international project about CBR.

The questionnaire is dived into four sections. The questions in the first part of the questionnaire concern the overall reputation of the firm perceived by the customers. The second part includes diverse questions. The first five questions deal with experiences the customer makes with the brand in the specific restaurant where the participant is asked to join the study. Further questions in the second part of the questionnaire are obviously about WOM behavior, whereas the remaining questions are concerned with customer loyalty. The third sections of the questionnaire covers questions about experiences of the customer made in the specific restaurant compared to other restaurants of the same brand. The last part of the questionnaire contains questions about socio-demographical characteristics, frequencies of visiting the restaurant and favorite menu items. Resulting from the questions the following constructs are used in the analysis (all the variables are measured on a seven point Likert scale):

Customer-Based Corporate Reputation (CBR)

This construct consists of the five first questions in the questionnaire, which are concerned with overall perception of the brand, evaluation in comparison to competitors, perspective for a good future of the company, evaluation of the market standing and visibility on the market.

Brand Experience (specific)

The first five questions in the second section of the questionnaire deal with satisfaction of the experiences in the particular franchised fast food restaurant, where the questionnaire was completed by the participant. The participant is asked to evaluate satisfaction, pleasure, disposition towards this restaurant, the experiences s/he made there and the probability to dine again in this restaurant.

Word-of-Mouth (WOM)

Questions seven till nine in the second part of the questionnaire present the WOM construct. The participant is asked to evaluate, whether s/he would recommend to dine in the restaurant of this brand, whether s/he would recommend this franchise system in general and whether s/he would talk about the experiences made with this brand of restaurants.

Intentional Loyalty (IL)

The construct of IL is based on questions ten to fourteen from the second section of the questionnaire. This questions rise topics like intention to patronize, willingness to pay a higher price for the specific franchise brand, willingness to buy this brand and an enduring purchasing intention of the brand.

Affective Loyalty (AL)

This construct is made up from questions fifteen and sixteen found in the second section of the questionnaire. Emotional commitment to the franchise system is evaluated with questions about match of own and the values of the franchise system and interest in sharing the values.

Brand Experience (comparison)

The whole third section of the questionnaire establishes the last construct used in this study. Satisfaction or dining experiences with the brand are evaluated on the basis of a comparison with other franchise restaurants of the same brand.

7.3.2 Sampling process

The first step of every sampling process is the definition of the target population, also known as the population of interest. The population of interest is defined as “the total group of people that the researcher wishes to examine, study or obtain information from“ (Wilson 2006, p. 197). The population of interest usually represents the target market where certain products or services are positioned. Defining the population of interest is the most important step in the sampling process. In this case the population of interest are all customers of McDonald’s and Burger King in the reviewed countries. However, it is impossible due to money and time constraints to reach the whole target population. Therefore only a sample from the population of interest was drawn (Wilson, 2006). The next step in the sampling process is to determine the sampling frame. “The sampling frame is a list of the population of interest from which the researcher selects individuals for inclusion in the research“ (Wilson, 2006, p. 198).

Determining a sampling frame for this research study turned out to be quite problematic as it is difficult to capture all the customers of McDonald’s and Burger King in each of the countries.

Subsequently a sampling method has to be chosen. Two groups of sampling methods exist: probability sampling methods and non-probability sampling methods. Probability sampling methods are based on the assumption that every member of the population of interest has a known probability to be included in the sample. Advantages of these methods are generalization of the results, possibility to calculate the sampling error and representative samples. On the contrary the main disadvantages of these sampling methods are high researcher costs, time and effort. Non-probability sampling methods are those methods where the selection process is chosen subjectively by the researcher. Hence, the probability to be included in the sample for each member of the population of interest is not known. Advantages of non-probability sampling methods are low costs, especially in comparison to probability sampling methods, faster execution time, smaller sample sizes and the possibility to target the most important respondents. However, drawbacks of non-probability sampling methods are more indicative results, no possibility to compute the sampling error, the representativeness of the sample is unknown and assumptions about the grouping within the population of interest are necessary (Wilson, 2006).

The empirical study used in this thesis is based on a non-probability sampling method – namely convenience sampling. Convenience sampling implies that the researcher chooses the most accessible members of the population of interest for his/her sample (Wilson, 2006). The members of this study are those, who were present in McDonald’s or Burger King restaurants at the moment, when the interviewer entered the restaurants and agreed to participate in the study.

7.4 Research setting and sample characteristics

The data was gathered in six Eastern and Central European countries (Russia, Croatia, Romania, Slovakia, Hungary and Poland) from October 2011 till September 2012. Students of international management in the University of Vienna collected convenience samples via written questionnaires in restaurants of McDonald’s and Burger King in face-to-face interviews. Respondents were supposed to answer diverse questions about CBR and other constructs described above. Overall 301 respondents participated in the study.

Country	Number of participants		Gender (%)		Age (∅)
	McDonald's	*Burger King*	*male*	*female*	
Russia	30	30	40%	60%	32
Croatia	31	0	45.2%	54.8%	32
Romania	30	0	46.7%	53.3%	31
Slovakia	30	30	33.3%	66.7%	31
Hungary	30	30	51.7%	46.7%	26
Poland	30	30	43.6%	56.7%	30
Total	***181***	***120***			

Table 5: Sample summary

Table 5 provides a sample summary. Besides, Croatia and Romania, where no data for Burger King was obtained due to absence of restaurants in these countries, the distribution of the respondents is equal. Thirty or more interviews were conducted in each of the countries in different restaurants for both brands. The balance of male and female participants is nearly given in every country. Only Slovakia has much more female respondents than male ones. It is obvious that the participants of the study are on average rather younger than older people. In every country the average age is about 30, except Hungary, where the average age is even smaller with 26 years.

Further inferences about the data set can be made on the basis of graphs.

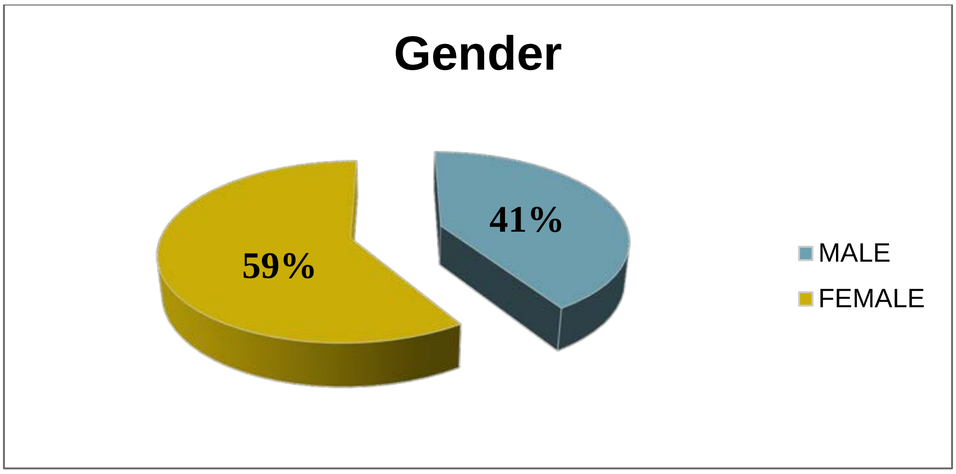

Figure 5: Gender distribution

The pie chart shown in figure 5 provides information about how many women and men participated in the study. The percentage of women is slightly higher with 59%. The percentage of men counts 41%.

Figure 6 gives insides about the distribution of education across the participants of the study. The majority of the participants (46%) clearly have a university degree. The second highest group completed high school (20%).

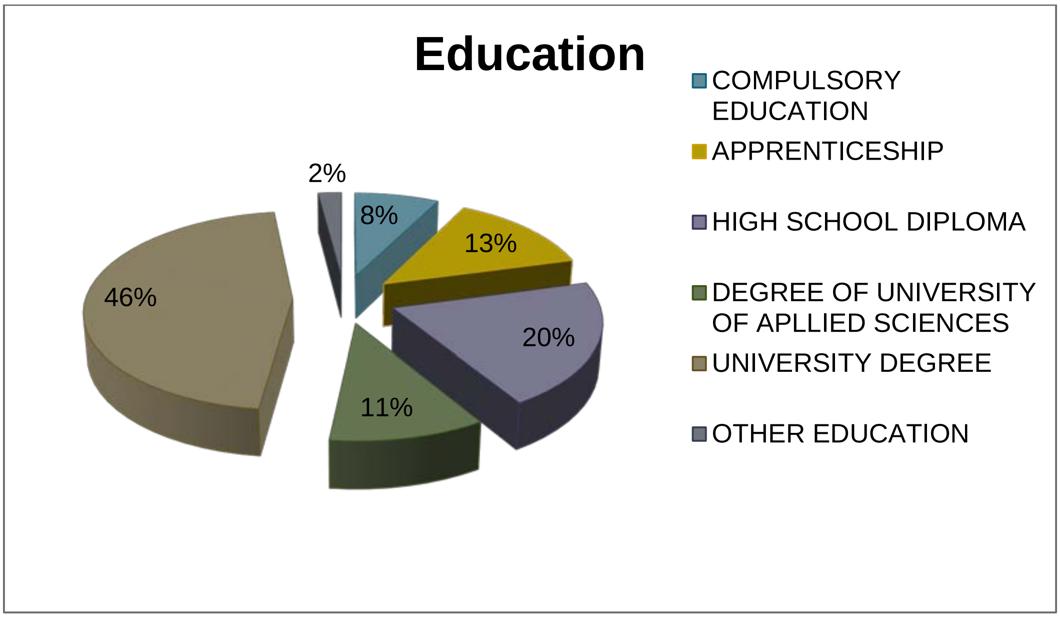

Figure 6: Education

8 Data analysis

This section of the thesis deals with the analysis of the collected data. The results of the analysis are presented and eventually discussed.

8.1 Reliability analysis

Before any further analysis with the identified constructs will be conducted, it is crucial to test the reliability of the constructs. Reliability stands for a consistency of a construct. In other words reliability indicates if a construct really measures that what it has to measure. In practice reliability is measured by a scale called Cronbach's Alpha (α). This common measure of scale reliability creates two sets of items in every way possible and computes a correlation coefficient for each split. The average of this values constitutes Cronbach's Alpha (α). A generally acceptable value for Cronbach's Alpha α is above .700. From this range on scales are assumed to be reliable. However, Cronbach's Alpha (α) suffers from limitations like e.g. higher values for α with a growing number of items or assumed 'unidimensionality' (Field, 2013).

Construct	Cronbach's Alpha α	Number of Items
CBR	.827	5
Brand Experience (spec.)	.909	5
Word-of-mouth	.776 (.870)	3 (2)
Intentional Loyalty	.824	5
Affective Loyalty	.895	2
Brand Experience (com.)	.938	5

Table 6: Reliability analysis

Table 6 provides a reliability analysis for all constructs, which are planned to be used for testing of the hypotheses and for answering the research questions. The reliability analysis for *CBR* indicates a value of .827, which is higher than .700. Furthermore, corrected item-total correlation statistic does not implicit values lower .300. All the included items correlate well with the overall scale. In addition, Cronbach's Alpha (α) of item deleted statistic does not show any value higher that the overall score. Hence, the five items, which constitute the construct of *CBR,* are kept. *Brand Experience (Specific)* does not indicate any problems in terms of Cronbach's Alpha (α) (.909) either and in any other aspects as well. However, the reliability value for *WOM* can be improved by removing the third item from the construct. The reliability value would increase from .776 to .870. For obtaining of more reliable results, further calculations in terms of hypothesis testing are made on the basis of a two item scale for *WOM*. Cronbach's Alpha (α) for the construct of *Intentional Loyalty* includes a little improvement for the value of α, if the first item included in the construct is deleted. Due to a small difference (.824 and .866) all the five items are kept in the construct, as the overall score for α is high anyway. The construct of *Affective Loyalty* consist of only two items, which scores high for Cronbach's alpha (α) (.895). Hence, any exclusion of items is not possible. The last construct *Brand Experience (comparison*) scores high as well on the scale of Cronbach's alpha (α) (.938) and does not indicate any other irregularities. Thus, exclusion of items is not necessary (Field, 2013).

8.2 Descriptive statistics

The first step in any analysis of data is the provision of important descriptive statistics. Descriptive statistics are measures, which summarize vast data sets with only few numbers. This kind of statistics provide an overview over the data set. Most popular descriptive statistics are measures of central tendency like mean, mode and median and measures of dispersion like range, interquartile range and standard deviation (Wilson, 2006).

Construct	Russia	Croatia	Romania	Slovakia	Hungary	Poland
	MEAN					
CBR	5.27	5.58	4.74	5.23	5.44	4.91
BE (spec.)	5.39	4.99	4.43	5.50	5.31	4.94
WOM	4.16	4.08	4.08	5.00	3.76	4.51
IL	4.28	3.41	3.60	3.84	3.90	4.02
AL	4.52	3.29	3.67	3.68	3.21	3.92
BE (com.)	4.92	4.70	4.34	5.20	5.10	4.39

Table 7: Descriptive statistics (N=301)

Table 7 shows the mean values for the six main constructs used in the analyses. The distinction is made across the countries and not the brands McDonald's and Burger King due to the fact that the data set is not complete for Burger King, as in some of the countries Burger King restaurants are not opened yet. Moreover, the goal of this research is not to confirm the differences between the brands, as McDonalds's and Burger King both represent international franchising systems. It is more interesting to find out if differences between the countries exist.

8.3 Hypotheses tests

The following part of the thesis concentrates on the testing of the hypotheses, which were determined in prior chapters.

The first five hypotheses, based on the *conceptual model 1* adapted from the findings of Walsh et al. (2009) and Bartikowski et al. (2011) are tested by applying rather simple linear or multiple linear regressions.

A simple linear regression predicts a linear relationship between two variables by using one metric independent variable and one metric dependent variable. Multiple linear regression is a type of multivariate statistical analysis which uses two or more independent metric or non-metric variables to explain one metric dependent variable. Thus it is possible to infer causality (Field, 2013).

Parametric tests, to which regressions belongs require tests of particular assumptions before they can be applied. Four principal assumptions exist for linear regression models which has to be fulfilled in order to generalize results:

1. *Additivity and linearity* – dependent variable should be linearly related to any of the independent variables. When there are several predictor variables their composed effect is best shown when this effects are added together. This assumption can be tested by looking at a scatterplot with zpred vs. zresid axes (Field, 2013).

2. *Independent errors*– residual terms of independent variables should be uncorrelated. This assumption is checked through a Durbin-Watson test, which calculates serial correlations between errors. In particular it tests if adjacent residuals are correlated. Values for the test statistic around 2 indicate lack of autocorrelation. Values smaller than 1 or greater than 3 are definitely alarming (Field, 2013).
3. *Homoscedasticity* – the variance of the residual terms should be constant. In other words residuals at each level of the predictors should have the same variance. Homoscedasticity is detected through a look at the scatterplot (zresid vs. zpred). The data should be dispersed randomly and evenly throughout the plot (Field, 2013).
4. *Normally distributed errors* – the difference between the model and the sample data should be zero or at least very close to zero. This assumption is only important for small samples. Large samples can be justified with the central limit theorem. By bootstrapping the confidence intervals, this assumption can be ignored. Normality can be detected in a histogram (Field, 2013).
5. *Non-multicollinearity* – assumption of non-multicollinearity is only relevant for multiple linear regression models. Predictor variables should not correlate too high with each other ($r > 0.9$ undesirable). Multicollinearity can be detected rather through a scan of the correlation matrix or by looking at the VIF (Variance Inflation Factor). VIF should not be greater than 10 and when the average VIF is greater than 1 the regression may be biased (Field, 2013).

H1: *Customer satisfaction influences Customer-based Corporate Reputation positively.*

For the test of the first hypothesis a multiple linear regression was applied. All the required assumptions were met (see SPSS output). The dependent variable is linearly related to the independent variables, which proves the assumption of additivity and linearity. The assumption of independent errors is also met with a value of 1,740 for the Durbin Watson test statistic. No heteroscedasticity was detected by a look at the scatterplot. The observations are randomly dispersed. The histogram shows a nearly normal distributed CBR. The VIF values of 3,132 for both predictor variables do not indicate multicollinearity. In this multiple linear regression *CBR* was used as a dependent variable and *Brand Experience specific* and *Brand Experience comparison* were used as predictor variables. The two constructs constitute the dimension of *Customer Satisfaction*. The results for this multiple regression are displayed in Table 8.

$R^2 = .461$	**Standardized beta coefficient (ß)**	**p-value (significance level p < 0.05)**
Regression model		.000
Brand Experience (specific)	.466	**.000**
Brand Experience (comparison)	.241	**.002**

Table 8: Regression H1 (Customer Satisfaction -> CBR)

The significance level of the model (p = .000) is below the range of .05. This indicates a positive influence of both predictor variables on *CBR*. The standardized beta coefficients are indicators for the strengths of the relationship. Thus, *Brand Experience specific* (ß = .466) has a stronger effect on *CBR* than *Brand Experience comparison* (ß = .241). Another important measure in a regression is the coefficient of determination, also known as R Square. R Square reports how much variance in *CBR* is explained by the model. In this multiple regression the value for R Square is .461 which means that 46.1% of *CBR* variance is explained by the two predictor variables.

Generally speaking it can be inferred that the first hypothesis is confirmed. *Customer Satisfaction* has a positive impact on *CBR*.

H2: *Customer-based Corporate Reputation influences Word-of-mouth behavior positively.*

In order to test the second hypothesis a simple linear regression was used. All the assumptions for the application of a simple linear regression are met (see SPSS output). *CBR* served as predictor variable in this regression and *WOM* as outcome variable. The results for this regression are shown in Table 9.

R^2 = .238	**Standardized beta coefficient (ß)**	**p-value (significance level p < 0.05)**
Regression model		.000
CBR	.488	**.000**

Table 9: Regression H2 (CBR -> WOM)

The results of the simple regression showed that *CBR* positively impacts *WOM* (ß = .488, $p = .000$, $p < .05$). R Square has a value of .238. The model explains 23.5% of variance in *WOM*. Thus, the second hypothesis is also statistically proven.

H3: *Customer Satisfaction influences Word-of-mouth behavior positively.*

For the test of the third hypothesis a multiple linear regression analysis was applied again. All the required assumptions were met (see SPSS output). The VIF value of 3,125 stays the same as in the former multiple regression because the same predictor variables are used. Durbin-Watson test (1,684) indicates no autocorrelation. The assumptions of linearity, homoscedasticity and normality are met as well. Table 10 shows the results for the third regression.

R^2 = .542	**Standardized beta coefficient (ß)**	**p-value (significance level p < 0.05)**
Regression model		.000
Brand Experience (specific)	.349	**.000**
Brand Experience (comparison)	.421	**.000**

Table 10: Regression H3 (CS -> WOM)

The overall model is highly significant ($p = .000$). Both predictor variables have a positive effect on *WOM*. *Brand Experience comparison* (ß = .421) has a slightly stronger effect on *WOM* than *Brand Experience specific* (ß = .349).

This multiple regression has a value of .542 for R Square. Hence, 54.2% of *CBR* variance is explained by *Brand Experience specific* and *Brand Experience comparison*. The third hypothesis is confirmed as the previous two.

***H4:** Customer-based Corporate Reputation influences Intentional Loyalty positively.*

For the test of the fourth hypothesis a simple linear regression was used again. All the required assumptions were met (see SPSS output). *CBR* was used as a predictor variable and *Intentional Loyalty* as outcome variable. The results of this regression are shown in Table 11.

R^2 = .273	**Standardized beta coefficient (ß)**	**p-value (significance level $p < 0.05$)**
Regression model		.000
CBR	.522	**.000**

Table 11: Regression H4 (CBR -> IL)

The results of the simple regression indicates that *CBR* positively impacts *Intentional Loyalty* (ß = .522, p <.05). The model explains 27.3% of variance in *Intentional Loyalty* (R Square .273). The fourth hypothesis is confirmed.

***H5:** Customer-based Corporate Reputation influences Affective Loyalty positively.*

For the test of the fifth hypothesis a simple regression was applied once again. All the required assumptions were met (see SPSS output). *CBR* acted as predictor variable and *Affective Loyalty* as outcome variable. Results for this simple regression are shown in Table 12.

R^2 = .148	**Standardized beta coefficient (ß)**	**p-value (significance level $p < 0.05$)**
Regression model		.000
CBR	.384	**.000**

Table 12: Regression H5 (CBR -> AL)

The results displayed in Table 12 show that *CBR* has a positive statistical influence on *Affective Loyalty* (ß = .384, p = .000, p < .05). The value for R Square is .148. Hence, the simple regression explains 14.8% variance in the dependent variable *Affective Loyalty.* It can be concluded that the hypothesis is confirmed. Altogether the five hypotheses of *conceptual model 1* are all statistically confirmed.

***H6:** Intentional Loyalty is significantly weaker for customers in 'moderate UAI countries' than for customers in 'high UAI countries'.*

In order to test the sixth hypothesis the *independent-samples t-test* was applied. This test was chosen because two different groups, customers in 'moderate UAI countries' and customers in 'high UAI countries', are compared across *Intentional Loyalty.* Before testing the hypothesis a new variable was created, which indicates if a country belongs to 'moderate UAI countries' or to 'high UAI countries'. The separation was made based on the scores of Hofstede's dimension UAI. Croatia (80), Slovakia (51) and Hungary (82) were assigned as 'moderate UAI countries' and Russia (95), Romania (90) and Poland (93) as 'high UAI countries'. Before conducting an *independent t-test* is crucial to test if the four following assumptions are met:

1. The sample should be normally distributed (non-significant Kolmogorov-Smirnov (K-S) test).
2. Data should be measured at minimum interval level.
3. Variances in the groups should be approximately equal (homogeneity of variance – non-significant Levene's test)
4. The observations between the groups should be independent (Field, 2013).

The distribution of the summated score on *IL* in 'high UAI countries' (D (150) = .200, p >.05) was significantly normal. However, the summated score on *IL* in 'moderate UAI countries' (D (150) = .029, p >.01) was significantly non-normal. At first glance, the first assumption is not met. Nevertheless, the K-S test should be threaten with caution. For large samples a K-S test can be significant even when the scores only slightly differ from normal distribution.

A look on boxplots, histogram or Q-Q plots is important. One outlier is visible on all of the graphs, which is obviously the reason for non-normal distributed data (see SPSS output). All the other observations seem to be normal distributed. Thus, a normal distribution for *IL* in ‘moderate UAI countries’ can be assumed. The variable *IL* is measured on interval level, so the second assumption is met as well. The assumption of homogeneity of variance is tested with Levene’s test. For *IL*, the variances were equal for ‘high UAI countries’ and ‘moderate UAI countries’ ($F(1,298) = 1.95$ $p = .164$). The third assumption is met. The fourth assumption is also met because the data from different participants in these two groups is independent, because the behavior of the participants is not interdependent.

Due to the fact that all assumptions are met, the independent t-test can be used as statistical instrument to find out whether the means between the two groups differ in terms of *IL*. The independent t-test indicates that on average ‘high UAI countries’ (ME = 4.04; SE = 1.26) are not more intentionally loyal than ‘moderate UAI countries’ (ME= 3.77; SE = 1.11). The difference was non-significant ($t(298) = .053$, $p > .05$ with an effect size $r = .12$). The sixth hypothesis is not confirmed.

H7: *Affective Loyalty is significantly weaker for customers in ‘moderate UAI countries’ than for customers in’ high UAI countries’.*

The seventh hypothesis should be tested with the independent t-test likewise the sixth hypothesis because two groups are compared across *AL*. Before conducting the statistical analysis it is crucial to test whether the assumptions for the independent t-test, which were already discussed for the sixth hypothesis, are met.

The first assumption that has to be confirmed is the normal distribution of the dependent variable. The *AL* in ‘high UAI countries’ ($D(150) = .000$, $p <.01$) and in ‘moderate UAI countries’ ($D(150) = .000$, $p >.01$) were both significantly non-normal. The first assumption is violated, the K-S test indicates a significant result. Histograms, Q-Q Plots and boxplots indicate a non-normal distribution for AL in both cases as well.

However, there is a possibility to conduct a non-parametric test in order to overcome problems of non-normal distribution. The means of *AL* can be compared with the application of a Mann-Whitney test. This test compares two groups when different participants are part of each group and the data violate any assumptions of the independent t-test (Field, 2013). The results of the Mann-Whitney test show that *AL* for customers in 'moderate UAI countries' (Mdn = 4.00) differ significantly from customers in 'high UAI countries' (Mdn = 4.50), U= 8.17, z = - 4.13, p = .000, r = -.24. Hence, *AL* is significantly weaker for customers in 'moderate UAI countries' than for customers in 'high UAI countries'. The seventh hypothesis is confirmed.

H8: *Hofstede's dimensions of national culture influence Customer-based corporate reputation positively.*

For the testing of *conceptual model 2* and hence the last hypothesis a multiple linear regression is conducted. The relationships between each of the cultural dimensions and *CBR* will be tested in this way. Cultural dimensions are acting as independent variables (predictor variables) whereas *CBR* is the dependent variable (outcome variable). It is still important to test the assumptions for this statistical instrument (see beginning of chapter 8.3).

The test of the assumptions shows that some of them are violated. Heteroscedasticity was detected by taking a look at the scatter plot and the VIF value for the variable *PDI* was higher than 10 (11.79). Moreover, the variable *MAS* was completely excluded from the regression as no contribution was found.

In order to overcome the problems of violated assumptions a robust regression by using bootstrapping has to be conducted. Bootstrapping is based on re-estimating of the standard errors. The bootstrap confidence intervals and significance values are not based on assumptions of normality or homoscedasticity. Hence, they provide an precise estimate of the true population value of *b* for each independent variable (Field, 2013).

R^2 = .061	**Standardized beta coefficient (ß)**	**p-value (significance level p < 0.05)**
Regression model*		.002
PDI	-.171	.323
IDV	-.104	.423
UAI	.068	.457
PRA	.308	**.004**
IND	.223	.222

Table 13: Multiple regression H8 (CD -> CBR)

*Bias corrected and accelerated confidence intervals. Confidence intervals and standard errors based on 1000 bootstrap samples.

The overall model is significant as p = .002 is smaller than the significance level ($p < .05$). This is a hint for at least a significant influence of one predictor variable. Table 13 shows the results of the multiple linear regression. Only the dimension *Pragmatic vs. Normative* has a positive influence on *CBR* as the p-value (p = 004) is below the significance level of .05 with a standardized beta coefficient of .308, which constitutes the strength of the relationship. The value for R Square is rather small (.061). Only 6.1% of *CBR* is explained by the predictor variable *PRA.*

The last hypothesis is only partly confirmed. Only for one cultural dimension (*PRA*) a positive influence on *CBR* could be found.

		Confirmed	Partly	Rejected
H1	CS → CBR	✓		
H2	CBR→ WOM	✓		
H3	CS → WOM	✓		
H4	CBR → IL	✓		
H5	CBR → AL	✓		
H6	IL in UAI			✓
H7	AL in UAI	✓		
H8	CD → CBR		✓	

Table 14: Hypotheses tests overview

Table 14 provides an overview about the results of the hypotheses tests. By looking at the table it is obvious that only one hypothesis was completely rejected and another partly confirmed. Overall, the research results are rather promising.

8.4 Supplementary analysis

Supplementary analysis is done in order to get deeper insights into some of the results and to answer those research questions, which were not included into the hypotheses tests.

The eighths hypothesis was only partly confirmed. Therefore additional analysis is done by splitting the data set according to the variable ‘Brand’. Separated considerations in terms of *PRA* are done for McDonald’s and Burger King. For this purpose a simple linear regression is conducted once again with *PRA* as predictor variable and *CBR* as outcome variable.

The assumptions of normality and homoscedasticity are violated for both brands. For this reasons a bootstrap option has to be applied in the regressions.

McDonald’s ***R^2 = .056***	**Standardized beta coefficient (ß)**	**p-value** **(significance level p < 0.05)**
Regression model*		.001
PRA	.236	**.002**

Table 15: Regression H8 McDonald's (PRA -> CBR)

*Bias corrected and accelerated confidence intervals. Confidence intervals and standard errors based on 1000 bootstrap samples.

The results of the simple linear regression (McDonald’s) are shown in Table 15. The overall model is significant (p = .001). The outcome variable *PRA* positively impacts *CBR* (p = .002). The standardized beta coefficient has a value of .236. The coefficient of determination indicates that 5.6% of variance in *CBR* are explained by *PRA* for the brand McDonald’s. The hypothesis is confirmed in this case.

Burger King ***R^2 = .001***	**Standardized beta coefficient (ß)**	**p-value** **(significance level p < 0.05)**
Regression model*		.001
PRA	-.023	.831

Table 16: Regression H8 Burger King (PRA -> CBR)

*Bias corrected and accelerated confidence intervals. Confidence intervals and standard errors based on 1000 bootstrap samples.

Table 16 provides an overview for the simple linear regression for the brand Burger King. Even though the overall model is significant (p = .001, p < .05), the independent variable *PRA* does not positively influence CBR in case of Burger King (p = .831, p > .05). This hypothesis is rejected for the brand Burger King.

In order to answer the research questions whether *CBR* significantly differs across the examined countries a One-Way-ANOVA was conducted. This statistical method was chosen because the means of *CBR* are compared across six groups (Field, 2013). As every parametric statistical method One-Way-ANOVA needs to fulfill several assumptions. Creating histograms for *CBR* in each of the country uncovers the violation of normal distribution. In addition, the assumption of homogeneity of variances is violated as well. For *CBR* the variances were not equal for the different countries (F (5,293) = .000). Therefore non-parametric tests have to be used in order to test the differences between the means in terms of *CBR*. Both robust tests of equality of means – Welch F and Brown-Forsythe F - produce significant results. On average, *CBR* differs across the countries. The difference was significant according to the Welch F test (F (5,114) =.3.71, p =.004, ω = .21) and according to the Brown-Forsythe F test as well (F (5,162) = .3.37, p = .006, ω = .20). The findings indicate a difference between the groups. Now it is interesting to find out which of the countries in terms of *CBR* differ from each other in their means. In order to find out which groups exactly differs from each other a *post hoc* test has to be performed. Due to the fact that the assumption of homogeneity of variances is violated, the Games-Howell procedure has to be applied (Field, 2013). By looking at the results of the post hoc table, there is only one significant result. On average, only the means of Hungary (ME = 5.44, SE = .70) and Poland (ME = 4.91; SE = .92) differ significantly in terms of *CBR* from each other ($p = .007$, $p<.05$).

8.5 Discussion

The central research objective of this study was to explore CBR on the example of international franchise systems (McDonald's and Burger King) in the fast food sector. On the one hand a research object was to test, whether CBR differs across the six countries. On the other hand another goal of the study was to test which constructs influence CBR and which constructs have an influence on CBR in these countries. Ultimately, the influence of cultural dimensions on CBR was tested. The research objectives and hypotheses were developed on the basis of theoretical considerations presented in the literature review part of the thesis. Overall the study was based on surveys from 301 participants, who completed questionnaires in the restaurants of McDonald's and Burger King.

The first hypothesis tested the impact of *customer satisfaction* on *customer-based corporate reputation*. The assumed relationship between the two variables was statistically confirmed. *Customer satisfaction* has an important impact on *customer-based corporate reputation.* The findings of Davies et al. (2002) and Walsh et al. (2009) were proven for Central and Eastern European emerging countries in the fast food service context.

The second hypothesis inspected, whether *customer-based corporate reputation* has a positive influence on *word-of-mouth* behavior. This hypothesis was confirmed as well. Positive or negative customer –based corporate reputation is a driver for positive or negative word-of-mouth behavior in the considered countries. The findings of Walsh et al. (2009) were certified in this study.

The third hypothesis tested the impact of *customer satisfaction* on *word-of-mouth* behavior. This relationship was statistically proven in this study. Sundaram et al. (1998) findings about experiences with products or services of a firm an consequently an impact on word-of-mouth behavior were confirmed by forming the dimension of *customer satisfaction* from the constructs *brand experience (specific)* and *brand experience (comparison).*

The fourth and the fifth hypotheses examined the relationship between *customer-based corporate reputation* and *customer loyalty*, whereby customer loyalty was separated into *intentional loyalty* and *affective loyalty*. Both constructs were found to be statistically significant outcome variables for customer-based corporate reputation. Hence, the findings of Bartikowski et al. (2011) were confirmed in the considered context. Customer-based corporate reputation in researched countries has a positive influence on both types of customer loyalty in terms of fast food service industries.

Eventually, the hypotheses resulting from *conceptual model 1* are all valid in the context of international franchise systems (fast food industry) in Central and Eastern European emerging countries.

The sixth and the seventh hypotheses tested the possible statistically significant difference between means of *intentional loyalty* and *affective loyalty*. For this analysis a new variable was created with the characteristics ‘moderate UAI countries’ and ‘high UAI countries’ according to the scores of Hofstede for UAI. The sixth hypothesis which tested the difference in means for intentional loyalty in the two groups of countries was rejected. No statistically significant differences between ‘moderate UAI countries’ and ‘high UAI countries’ in terms of intentional loyalty was identified. The assumption of Bartikowski et al. (2011) was not valid for Central and Eastern European emerging countries in this study in the context of intentional loyalty. However, a statistically significant difference between means for affective loyalty was proven. Affective loyalty means are significantly different from each other in the researched countries. The findings of Bartikowski et al. (2011) are approved for this sample. Affective loyalty differs on average in terms of uncertainty avoidance in this study. Thus, the seventh hypothesis is confirmed.

The eights hypothesis, which tested the impact of *Hofstede’s dimensions of national culture* on *customer-based corporate reputation,* is only partly confirmed. Only one cultural dimension (PRA) showed a statistically significant impact on customer-based corporate reputation. For all the other dimensions the hypothesis was rejected. The assumed cultural effect on CBR is only proven partly. Reputations of international fast food franchise systems seem not to be dependent or just very little dependent on cultural influences in Central and Eastern European emerging countries. As the result was unsatisfactory, additional analysis was done in order to find out whether a difference between the both brands in terms of PRA exist. The data set was split into data from McDonald's and Burger King. The results revealed that only in case of McDonald's PRA has a positive impact on CBR. This result might occur due to the fact that the sample size for Burger King was smaller as no Burger King restaurants exist in Croatia and Romania.

The final analysis examined, whether the means of *customer-based corporate reputation* differ across the six countries. The results reveal just in one case statistically significant differences between the means. Only CBR in Hungary and Poland was on average significantly different. The examined group of countries seems rather to have similar beliefs about CBR

.

9 Conclusion

The main purpose of this thesis was to shed light on the construct *customer-based corporate reputation* of international franchise systems in Central and Eastern European emerging countries - namely Russia, Croatia, Romania, Slovakia, Hungary and Poland (Kvint, 2009). The first part of the thesis concentrated on a literature review of key concepts such as emerging countries, international franchising systems, corporate reputation and culture. In the second part of the thesis the focus was set on the empirical study and its results.

The first five hypotheses were statistically confirmed. First of all an impact of *customer satisfaction* on *customer-based corporate reputation* and *word-of-mouth behavior* was statistically proven. In addition, *customer-based corporate reputation* has a statistically significant relationship as predictor variable to *word-of-mouth behavior*, *intentional loyalty* and *affective loyalty. Conceptual model 1,* which consists of the first five hypothesis, derived from the findings of Walsh et al. (2009) and Bartikowski et al. (2011), is confirmed in Central and Eastern European emerging countries for fast food franchise systems. The sixth hypothesis was rejected. Therefore, no significant difference on average was found between 'moderate UAI countries' and 'high UAI countries' in terms of *intentional loyalty*. Nevertheless, the seventh hypothesis was approved. On average *affective loyalty* differed significantly between 'moderate UAI countries' and 'high UAI countries'. The eighth hypothesis was only partly confirmed. Hence, the impact of *cultural dimensions* on *customer-based corporate reputation* was only partly proven. Only one dimension (pragmatic vs. normative) in case of McDonald's had a statistically significant impact on *customer-based corporate reputation*. Regarding the research question, whether *customer-based corporate reputation* differs across the examined countries no difference was found, except for Hungary and Poland.

In conclusion it can be stated that this study underlines and confirms once again the importance of *customer-based corporate reputation* as a predictor and outcome variable. In addition, customer satisfaction is an important driver of customer-based corporate reputation and word-of-mouth behavior. The construct of customer satisfaction consists of different experiences of the customers made with the company. Perceptions about corporate reputation are mostly influenced by knowledge gained through experiences with the company and media (Shamma and Hassan, 2008). Moreover, stakeholder's interaction with the company has a strong impact on reputation (Mac Millan, 2002). International franchise systems should therefore pay attention to maintain their customer satisfied in order to keep a good customer-based corporate reputation and thus a positive word-of-mouth behavior and high customer loyalty. A distinction of the loyalty construct in intentional loyalty and affective loyalty can help companies to understand better obvious customer behavior and emotional perceptions about the company.

Furthermore, cultural values in terms of Hofstede's national culture dimensions have a questionable effect on customer-based corporate reputation as the results are not consistent. Other factors than considered can have an influence on the results. Possible explanations for these findings are on the one hand the arguments of globalization and McDonaldization and thus homogenization of tastes, needs and customer perceptions (Levitt, 1983; Ritzer, 1993; Kaufmann, 2001; Sheth and Parvatiyar, 2001). As the world seems to become more globalized and homogeneous, customers from different cultural backgrounds have similar perceptions of same products, services and brands. Supplementary, McDonald's and Burger King as representatives of international franchise systems, are bearer of Americanization. The term Americanization in this context stands for the influence of the U.S. on the culture of other countries (Legrain, 2003). Hence, McDonald's and Burger King have similar customer-based corporate reputation in the considered countries. Whether the difference between Hungary and Poland showed statistically significant difference on average in terms of customer-based corporate reputation by chance or whether the difference really exists seeks for further research. In case of affective loyalty customers from 'high UAI countries' seem to rely more on cues like corporate reputation. The same conclusion as the previous one can be applied for this findings.

On the other hand, another possible explanation for the absence of differences or inconsistent differences in terms of customer-based corporate reputation in the six countries might be the fact that all of these countries were governed by communistic regimes until the late eighties. International franchise systems like McDonald’s and Burger King entered these markets much later than Western markets. Similar customer-based corporate reputation perceptions in terms of international franchise systems might be explained by this political factor. However, this is just an assumption and needs further research investigations to be proven.

9.1 Managerial implications

In this section of the thesis managerial implications are provided based on the results of the study. Managers of McDonald’s and Burger King in the examined countries – Russia, Croatia, Romania, Slovakia, Hungary and Poland – might take the following implications into considerations:

1. Customers have to be satisfied with the provided services and products in the fast food restaurants because satisfied customers are key contributors to a positive/negative customer-based corporate reputation. Regular inspections of services and products quality are important in order to evaluate the situations in the restaurants. Moreover, customer surveys might help to examine current levels of satisfaction and to identify weaknesses, which can be eliminated.
2. Satisfied customers are key drivers for positive word-of-mouth behavior. Keeping the existent customers satisfied might be helpful for attracting new customers through positive word-of-mouth behavior and retaining existent customers. Word-of-mouth behavior should be stimulated by promotion actions as for example pay one get two or bring a friend with you and the second coffee is just half a price.
3. Positive customer-based corporate reputation is a driver for positive word-of-mouth behavior as well. Hence, the interdependence of

customer satisfaction, customer-based corporate reputation and word-of-mouth behavior should be integrated into strategy considerations of the managers and always kept in mind. Separated evaluations of this three constructs may lead to strategic failures.

4. Good customer-based corporate reputation influences positively intentional and affective loyalty. Loyal customers are important for stable turnovers and profits. Moreover, the separation of the loyalty construct into intentional loyalty and affective loyalty can be important for advertising and promotion purposes. Giving the customers the possibility to share same or similar values with the company may establish a consistent relationship with the company for years. For example this can be done through incorporating of family values into the advertising. Customers, who care about families and their kids might develop an emotional loyalty to the company. In addition, the concept of affective loyalty can be used for acquisition of new customers. As an example, supporting of environmental actions by McDonald's or Burger King can help to acquire a completely new customer base.
5. The effect of culture on customer-based corporate is indeed only partly confirmed but should nevertheless be taken into considerations. McDonald's tends to have a better customer-based corporate reputation in countries with a pragmatic orientation, where most people do not have a need to explain everything what happens around in the past as well as today. Hence, managers should try to maintain the reputation levels in the countries with pragmatic orientations and try to improve the reputation levels in countries with a normative orientation. The determination of the procedure in order to improve reputation levels in normative oriented countries and reasons for existing differences require further research.

   Besides, on average affective loyalty differs between 'moderate UAI countries' and 'high UAI countries' significantly. This means that managers should put more focus on affective loyalty in 'higher UAI countries'. This can be done through adaptation of advertising and promotion by incorporating more emotional factors to show customers that they share similar beliefs and values with the company.

9.2 Limitations

Several limitations exist for this study.

The first limitation concerns the methodology of the study. The sample size is an important factor for reliable and valid results of a study (Wilson, 2006). The sample size for every brand in every country accounted only 30 participants. A bigger sample size could prove other relationships and have an impact on confirmation or rejection of the hypotheses.

Another limitation results from a not complete data. In case of Croatia and Romania data for Burger King was missing due to the absence of restaurants in these countries. With a complete data set better comparison could be made between the brands and perhaps new insights about customer-based corporate reputation could be discovered that way.

An additional limitation was detected in terms of the sampling method. The sampling method of the study was a non-probability sampling method. Convenience samples were collected by researchers which means that the most accessible members of the population of interest were selected to participate in the study. Non-probability sampling methods suffer from several limitations as lack of possibility to generalize results or representativeness of the sample (Wilson, 2006). By changing the sampling method to probability sampling the explanatory power of the study and validity would increase.

The final limitation of this study arise from the classification of the examined countries in ’moderate UAI countries’ and ’high UAI countries’. Looking at the scores of the countries for UAI – Russia (95), Croatia (80), Romania (90), Slovakia (51), Hungary (82) and Poland (93) – it is obvious that actually all the examined countries scores high on this dimension. Only Slovakia (51) has no clear preference in terms of UAI. Thus, the classification of this countries into ’moderate UAI countries’ and ’high UAI countries’ is risky and not convenient. If the studies were conducted with countries, which considerably differ in terms of UAI, the results could have been different for hypothesis sixth and seventh.

All of the above considered, further research should be done by considering the identified limitations. The study should have more participants in each of the countries and an even sample size for both brands. Moreover, a non-probability sampling method should be applied in order to obtain generalizable and representative results. Findings about differences in terms of UAI in intentional loyalty and affective loyalty could be reinforced by taking into consideration countries which considerably differs on this dimension. Eventually, further research has to be undertaken to investigate the reasons for differences of customer-based corporate reputation in pragmatic and normative oriented countries.

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Appendix

Reliability analysis

Construct	Cronbach's Alpha
Customer-based corporate reputation	**.827**
Items	*Cronbach's Alpha if Item is Deleted*
Overall perception of all experiences	.795
Perception compared to other franchise restaurants	.780
Good long-term future	.785
Good market standing	.776
High visibility	.825
Brand Experience (specific)	**.909**
Items	*Cronbach's Alpha if Item is Deleted*
Satisfaction with restaurant	.878
Pleasure with restaurant	.879
Favorably disposed towards restaurant	.894
Brand experience positive	.889
Highly likely dine at brand again	.904
WOM	**.776 (.870)**
Items	*Cronbach's Alpha if Item is Deleted*
Recommend to dine at franchise restaurant	.586
Recommend to dine out	.576
Gladly talk about experiences	.870
Intentional Loyalty	**.866**
Items	*Cronbach's Alpha if Item is Deleted*
Seek other franchised restaurants	.866
Commit to patronize	.754
Willing to pay higher price	.790
Buy brand next time dinning out	,750
Intention to keep purchasing brand	.764

Affective Loyalty	**.895**
Brand Experience (comparison)	**.938**
Items	*Cronbach's Alpha if Item is Deleted*
Satisfaction with dining experience at this restaurant	.922
Pleased with dining experience at this restaurant	.918
Experience created favorable feeling towards brand	.934
Experience excellent at this restaurant	.924
Content with experience at this restaurant	.922

Abstract (English)

Customers are one of the most important stakeholder groups responsible for the formation of corporate reputation. However this group of stakeholders is hardly explored. For this reason the purpose of this thesis is to shed more light on the construct of customer-based corporate reputation in the context of international franchise systems for fast food services.

The research objectives of this thesis were set on the basis of prior studies and existing scientific literature. Hypotheses have been tested by using a data set from six Central and Eastern European emerging countries. The data set was collected in McDonald's and Burger King restaurants.

The thesis consists of two parts. While the first part of the thesis presents a literature review for relevant constructs such as emerging countries, international franchising, corporate reputation and culture, the second part of the thesis concentrates on the empirical study, the conceptual background, hypotheses tests, results and final implications.

The results indicate that the construct of *customer-based corporate reputation* is influenced by *customer satisfaction*. In addition, the construct itself has an impact on constructs such as *word-of-mouth*, *intentional loyalty* and *affective loyalty*. The impact of cultural differences in terms of Hofstede's dimension of national culture was only partly confirmed. Only one cultural dimension (pragmatic vs. normative) has a significant effect on *customer-based corporate reputation*. Eventually, *customer-based corporate reputation* differed on average only in Hungary and Poland. This findings reveal a questionable effect of culture on customer-based corporate reputation and hence an appeal for further research.

Keywords: customer-based corporate reputation, international franchising, Hofstede's dimension of national culture, McDonald's and Burger King

Abstract (German)

Kunden sind eine der wichtigsten Stakeholder Gruppen, die auf die Reputation eines Unternehmens Einfluss ausüben. Trotz der Bedeutung dieser Stakeholder Gruppe ist die Anzahl der Studien zu dieses Thema gering. Auf Grund dessen ist das Ziel dieser Arbeit mehr über das Konstrukt der *kundenbezogenen Unternehmensreputation* im Kontext von internationalen Franchisesystemen für die Fast Food Industrie in Erfahrung zu bringen.

Die Forschungsziele dieser Arbeit wurden auf der Grundlage vorheriger Studien und wissenschaftlicher Literatur herausgearbeitet. Hypothesentests wurden basierend auf den Daten aus sechs Zentral- und Osteuropäischen Schwellenländern durchgeführt. Der Datensatz resultiert aus Befragungen in Restaurants von McDonald’s und Burger King.

Die Thesis besteht aus zwei Teilen. Während der erste Teil Definitionen relevanter Konstrukte wie Schwellenländer, internationales Franchising, Unternehmensreputation und Kultur abhandelt, konzentriert sich der zweite Teil auf die empirische Studie, Hypothesenentwicklung und -auswertung, Ergebnisse und abschließende Überlegungen.

Die Ergebnisse der empirischen Studie bestätigen den Einfluss von *Kundenzufriedenheit* auf die *kundenbezogene Unternehmensreputation*. Außerdem, wird der Einfluss der *kundenbezogenen Unternehmensreputation* auf Konstrukte wie *Mundpropaganda*, *bewusste Treue und affektive Treue* validiert. Der Einfluss von Hofstede’s Kulturdimensionen wurde nur teilweise bestätigt. Nur eine Dimension (pragmatisch vs. normativ) hatte einen signifikanten Einfluss auf die *kundenbezogene Unternehmensreputation*.

Letztendlich, unterschied sich die *kundenbezogene Unternehmensreputation* im Durchschnitt nur in Ungarn und Polen signifikant voneinander. Dieses Ergebnis macht deutlich, dass der Einfluss von kulturellen Effekte auf die *kundenbezogene Unternehmensreputation* nicht eindeutig bestätigt oder verneint werden konnte und deshalb weiterer Forschung bedarf.

Schlagwörter: kundenbezogene Unternehmensreputation, internationales Franchising, Hofstede’s Dimensionen der nationalen Kultur, McDonald’s und Burger King

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