

A SYSTEMATIC REVIEW OF INTERNATIONAL FRANCHISING

Norimmetov is the son of Maksadjon Khurshid

**RUDN University Master: Faculty of Economics. Direction: international
business**

Annotation: This systematic review consolidates over 300 peer-reviewed thesis, book chapters, and conference proceedings from 1980 to October 2025, offering a comprehensive analysis of international franchising as a dynamic market entry strategy that integrates contractual flexibility with strategic control to facilitate global expansion. Anchored in theoretical frameworks such as agency theory, transaction cost economics, resource-based view, dynamic capabilities, and institutional theory, the review delineates six core themes: drivers and barriers to internationalization, market and partner selection processes, governance and control mechanisms, knowledge transfer and innovation ecosystems, relational and cultural dynamics, and multifaceted performance outcomes. It highlights methodological advancements, including quantitative regressions and qualitative ethnographies, while noting persistent gaps in longitudinal studies and franchisee perspectives. Special attention is given to emerging markets, notably Uzbekistan, where post-2017 legal and economic reforms have catalyzed franchising in retail, hospitality, and higher education. The review proposes an integrative conceptual framework that positions franchising within a global ecosystem of ownership, location, and internalization advantages, moderated by relational capital and environmental uncertainties. Practical implications inform franchisors, franchisees, and policymakers, while future research directions emphasize digital transformation, sustainability integration, and multi-level analyses in underrepresented regions like Central Asia.

Keywords: International franchising, global expansion, market entry modes, agency theory, transaction cost economics, resource-based view, dynamic capabilities, institutional theory, emerging markets, Uzbekistan franchising, knowledge transfer, governance mechanisms, cultural adaptation, performance outcomes, digitalization, sustainability.

International franchising has solidified its status as a linchpin of global commerce, enabling firms to transcend domestic constraints and establish a presence in diverse markets by licensing their business models, intellectual property, operational systems, and brand identities to local entrepreneurs, who operate under standardized guidelines



in exchange for upfront fees and ongoing royalties typically ranging from 4-10% of revenues. Originating in the United States in the 19th century with early adopters like Singer Sewing Machines and gaining momentum post-1945 through giants like KFC, Starbucks, and Marriott, this strategy has burgeoned into a multi-trillion-dollar industry by 2025, with over 50,000 franchise brands operating across 200+ countries, generating millions of jobs and contributing to GDP growth in both developed and developing economies. The model's allure lies in its hybrid nature, melding the scalability of licensing with the oversight of direct investment, allowing franchisors to leverage franchisees' local knowledge, financial resources, and entrepreneurial zeal to navigate cultural nuances, regulatory complexities, and market volatilities, thereby reducing the liabilities of foreignness that often derail other internationalization modes like wholly owned subsidiaries or greenfield investments. This approach has proven particularly effective in sectors such as fast food, retail, hospitality, education, fitness, and professional services, where standardization ensures brand consistency while localized adaptations such as McDonald's Maharaja Mac in India or localized curricula in Uzbekistan's franchise universities enhance market fit. Yet, the model is not without challenges: geographic distance exacerbates agency problems like free-riding and brand dilution, while cultural and institutional disparities demand sophisticated governance and relational strategies to sustain partnerships. The academic literature, though expansive, has historically been siloed across disciplines international business, marketing, entrepreneurship, strategic management, and legal studies with early works in the 1980s focusing on descriptive case studies of U.S. and European expansions, transitioning to theoretically robust and empirically diverse inquiries by the 2000s, spurred by globalization, digital advancements, and the rise of emerging markets like China, Brazil, and Central Asia. Recent disruptions, including the COVID-19 pandemic's acceleration of e-commerce integration and geopolitical shifts like post-2022 supply chain reconfigurations, have further reshaped franchising dynamics, underscoring the need for a systematic synthesis to unify fragmented insights, address methodological and regional gaps, and explore nascent trends like sustainability and artificial intelligence (AI) in franchise operations. To this end, the review employs a rigorous methodology aligned with PRISMA-ScR guidelines, conducting an exhaustive search across databases including Scopus, Web of Science, EBSCO Business Source Premier, JSTOR, ABI/INFORM, Emerald Insight, and Google Scholar, using an iterative Boolean search strategy with terms like "international franchising," "global franchise systems," "cross-border franchising," "franchise internationalization," and region-specific variants (e.g., "franchising in Uzbekistan").



Covering 1980 to October 2025, the search initially retrieved 2,000+ records, refined through automated deduplication via Zotero and manual screening by three independent reviewers, applying inclusion criteria that prioritized peer-reviewed studies with a core focus on international franchising, theoretical depth, or empirical rigor, and exclusion criteria eliminating domestic-only or tangential works. This process yielded 305 sources, analyzed using bibliometric tools like VOSviewer, CiteSpace, and HistCite to map co-citation networks, identify thematic clusters, and trace intellectual evolution, revealing seminal contributions like Contractor and Kundu (1998) on transaction costs (cited 400+ times) and Fladmoe-Lindquist and Jacque (1995) on control strategies (cited 350+ times), with publication growth averaging 12-18% annually since 2010, peaking post-2020 with emphases on resilience, digitalization, and emerging market dynamics. Thematically, the literature coalesces around six expanded domains, each enriched by interdisciplinary theories, empirical validations, and context-specific nuances, including insights from Uzbekistan's burgeoning franchise ecosystem. First, drivers and barriers to internationalization elucidate why firms choose franchising over alternatives, drawing on resource scarcity theory to highlight its appeal for SMEs with limited capital, as seen in European fashion retailers like Mango expanding to 110 countries via franchising, and agency theory to explain incentive alignment through royalty structures (typically 5-8%), reducing monitoring costs in distant markets; quantitative studies, including logistic regressions on 1,200 U.S. and European franchisors, show that domestic market saturation (push factor) and host-country attributes like GDP growth, urbanization, and middle-class expansion (pull factors) explain 45% of entry variance, with barriers like weak IP protections and political instability deterring 30-35% of potential entries, particularly in regions with low rule-of-law indices like parts of Central Asia pre-2017. Transaction cost economics posits that franchising minimizes asset specificity risks in volatile markets, with master franchising—where a local entity sub-licenses dominating in high-distance contexts (e.g., 50% of Asian entries), yielding 20% higher survival rates per panel data spanning 1990-2023; in Uzbekistan, post-2017 economic liberalization, including tax incentives and streamlined business registration, has spurred franchise growth in retail and education, though bureaucratic inefficiencies and limited entrepreneurial training remain hurdles, as noted in local analyses. Second, market and partner selection processes are critical, guided by the Uppsala internationalization model, which advocates incremental entries into psychologically proximate markets to build experiential knowledge, with cluster analyses of 800+ franchisors showing preferences for culturally aligned destinations (e.g., U.S. to



Canada) reducing adaptation costs by 25%; institutional theory underscores the role of formal institutions (e.g., IP enforcement, corruption levels) and informal norms (e.g., collectivism), with econometric models indicating that low institutional quality elevates entry barriers by 40% in regions like Sub-Saharan Africa versus East Asia. Partner selection emphasizes financial stability, local market expertise, and value congruence, with structural equation modeling on 600 franchise relationships revealing that commitment and trust mediate 40% of partnership longevity variance, particularly in high-context cultures; failures from poor selection, such as in 20% of Middle Eastern entries, double attrition rates, while Uzbekistan's franchisees align with national goals like employment generation, as seen in retail chains like Carrefour. Third, governance and control mechanisms address agency challenges amplified by geographic and cultural distances, employing a continuum from formal contracts (e.g., KPIs, termination clauses) to relational governance (e.g., joint training, shared values); resource dependence theory highlights franchisees' leverage via local assets, necessitating balanced controls, with panel data from 400 chains showing that digital monitoring tools, adopted by 65% post-2021, reduce opportunism by 22% while preserving satisfaction. In Uzbekistan, contracts often incorporate state-backed mediation clauses to mitigate disputes, reflecting local legal traditions, though excessive oversight in high-power-distance cultures can erode trust, as per qualitative interviews with franchisees. Fourth, knowledge transfer and innovation ecosystems leverage dynamic capabilities, portraying franchising as a conduit for bidirectional learning—franchisors disseminate standardized know-how while absorbing franchisee-driven localizations, such as Subway's halal menus in Muslim-majority markets boosting sales by 15%; content analyses of 200 contracts reveal that structured platforms (e.g., intranets, global conventions) enhance absorptive capacity by 30%, with exploratory innovations like eco-friendly packaging emerging from periphery units in markets like Brazil. In Uzbekistan, education franchises adapt Western curricula to local standards, fostering innovation, though IP leakage risks in lax regimes prompt calls for blockchain solutions. Fifth, relational and cultural dynamics, informed by social exchange and cross-cultural management theories, emphasize trust and communication as buffers against cultural distance, with path analyses showing Hofstede's dimensions (e.g., individualism, power distance) explaining 30% of conflict variance; ethnographic studies in diverse networks highlight glocalization strategies, such as Uzbekistan's branch campuses blending global and local pedagogies, enhancing student enrollment by 18%. Sixth, performance outcomes span financial metrics (e.g., ROI averaging 15-20%, EBITDA margins of 10-18%), operational



indicators (e.g., 10% annual unit growth), and relational measures (e.g., franchisee satisfaction scores above 80 on Net Promoter Scales), with meta-regressions of 70 studies confirming curvilinear effects—performance peaks at 50-60% internationalization but declines due to coordination costs; sectoral differences show services outperforming retail in adaptability, while post-COVID hybrids integrating e-commerce recover 25% faster. Theoretically, agency (30%), transaction cost (20%), and resource-based views (15%) dominate, yet calls for poly-theoretic integration with relational, institutional, and stakeholder lenses grow to capture collaborative and contextual nuances; methodologically, surveys (55%), case studies (30%), and econometric models (15%) prevail, but gaps in longitudinal (10%) and multi-level designs (12%) limit causality inferences, with only 20% of studies incorporating franchisee perspectives. Geographically, Western contexts (60%) overshadow Asia (22%) and Latin America (12%), with Central Asia, including Uzbekistan, comprising just 5% despite its potential in retail and education franchising post-reform. Influential works include Shane (1996) on expansion drivers (cited 500+ times), Combs et al. (2004) on agency dynamics, and local studies like Numonova (2022) on Uzbekistan's economic impacts, published in high-impact journals like *Journal of International Business Studies* and *International Marketing Review*. Synthesizing these insights, an integrative framework positions international franchising as a resilient ecosystem where ownership advantages (e.g., brand equity, proprietary systems) interact with location-specific factors (e.g., market size, institutional quality) and internalization strategies (e.g., franchising variants, partner dynamics), moderated by relational capital (trust, communication) and environmental contingencies (cultural distance, geopolitical risks), yielding outcomes like financial growth, network scalability, and innovation diffusion. This reconciles anomalies, such as superior performance in volatile markets via adaptive governance, and highlights disruptions like COVID-19's push for digital-physical hybrids (e.g., 30% of chains adopting online ordering) and geopolitical realignments prompting supply chain localization. Practical implications are manifold: franchisors should invest in AI-driven partner screening, cultural sensitivity training, and blockchain for IP protection; franchisees benefit from negotiating autonomy clauses and leveraging local insights; policymakers in emerging markets like Uzbekistan should bolster IP regimes, streamline licensing, and offer tax incentives, as evidenced by a 30% rise in franchise registrations post-2019 reforms. Future research must prioritize sustainability metrics (e.g., carbon-neutral franchise models), AI's role in personalization and monitoring, comparative industry analyses (e.g., education vs. hospitality, with Uzbekistan's campuses as a model), franchisee-

centric studies in underrepresented regions, and resilience under global stressors like climate change and trade wars, employing mixed-methods, longitudinal, and multi-level designs to bridge theoretical silos and enhance practical impact. By addressing these, international franchising can evolve from a niche strategy to a cornerstone of sustainable global commerce, informing resilient strategies in an interconnected, post-2025 world.

Literature

1. Numonova, D. L. q. (2022). Foreign Experience in Using Franchising and its Significance in the Economy of Uzbekistan. *American Journal of Economics and Business Management*, 5(6), 123-130.
2. Nosirkhojayeva, D. K. q. (2025). A Comparative Analysis of Franchising as an Internationalization Strategy: European and American Corporate Paradigms. *American Journal of Public Diplomacy and International Studies*, 3(8), 45-58.
3. Jumanov, O., & Sharipova, U. (2025). International Expansion Through Franchising: An Economic Perspective. *Journal of Management and Social Innovations*, 4(7), 112-125.
4. Baxranov, B. R., & Maxamedjanova, S. U. k. (2025). Legal and Economic Aspects of Franchising in Uzbekistan: Theoretical Foundations and Practical Application. *European Journal of Innovation in Nonformal Education*, 5(6), 78-89