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Separate the Wheat from the Chaff? Organizational Design and Signaling Issues in Brazilian Franchising

Signaling theory suggests that, in a context of informational asymmetries, entrepreneurs develop specific organizational forms as a signal, to provide relevant information to targeted receivers. This analytical framework is appropriate to study the case of new franchisors with a profitable but not yet known business concept. Organizational strategies can be developed to signal the quality of the concept to potential franchisees, the goal being to attract them and widen the franchised network. This framework finds in Brazil an exciting empirical context of interest, considering the relative youth of the local franchise system, its consequent nonsaturation, and its rate of growth. In such context, with the daily supply of new franchising options, not yet tested, thus without reputation and credibility, asymmetries of information characterizing the franchise relationship are increased. Then signaling, via organizational forms, can be a relevant entrepreneurial choice. Based on recent Brazilian data, we perform Bayesian model averaging, and provide evidence that new local franchisors with a profitable concept use the contractual design to signal their type to potential franchisees. This signaling strategy differs from what has been observed so far in developed countries.

Keywords: New business concept, Franchising, Informational asymmetries, Bayesian model averaging.



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Reconstruction discursive des carrières de pratiques œnophiles