

## How Transactional and Relational Quality Affects Franchisee Satisfaction in Indonesia

Lim Sanny

School of Business Management, Bina Nusantara University,  
Jl. K.H. Syahdan No. 9, Palmerah, Jakarta, Indonesia

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**Abstract:** The primary purpose of this research is to investigate franchisees satisfaction based on transactional and relational quality from franchisees perspective. The research methods used in this research is qualitative method. The research was conducted on educational franchise industry in Indonesia with franchisees as the unit analysis. This study utilize online questionnaire by taking a sample using simple random sampling. Data analysis was performed by using of Structural Equation Model (SEM) and processing using program Warp PLS 3.0. Results of this study stated that in the hypothetical sample of education franchise industry in Indonesia, the relationship of transactional quality determines the relational quality. This finding had successfully proven a fact that relational quality in franchising is influenced by the transactional quality. Further, finding showed that both of transactional and relational quality affects franchisees satisfaction, however the effect of the relational quality is greater than the effect of transactional quality. The study offers valuable insight for strategic management especially for franchising business, for a better relationship between franchisor and franchisee. This research is particularly valuable to franchisor and franchisee for expanding their franchising business.

**Key words:** Transactional, relational, franchisee satisfaction, franchising, Indonesia

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### INTRODUCTION

Competition in the globalization is very intensifies, all companies are competing to get larger market share, by optimizing resource and company capabilities. One of the strategies that can be used is partnership strategy. Franchise is one type of strategic alliances, in addition to diversification and synergistic alliances (Ireland *et al.*, 2011). Franchising is a strategy known as the American findings because initially the strategy is implemented and works well in America (Dant, 2008). Franchising is also one of the most effective business acceleration and proven in many countries (Campbell *et al.*, 2009).

The successful cooperation within the franchise system is largely determined by the quality of the relationship between the franchisor and the franchisee (Monroy and Alzola, 2005). Franchise relationship in product or business format; operate as a system of interdependent relationships, leading to relational exchange bounded by contractual agreement between both parties (Harmon and Griffiths, 2008). Relations between the 2 parties in a franchise system can generally be divided into 2 parts, namely; the transactional and relational (Monroy and Alzola, 2005).

Transactional is a contractual relationship between the parties (the franchisor and the franchisee) which

describes the content of the cooperation agreement on the length of the period of cooperation, oversight by both parties, payment of royalties to be made by the franchisee to the franchisor, the source of raw materials, pricing and training provided by the franchisor to the franchisee (Cochet and Garg, 2008). Transactional quality between the franchisor and the franchisee in a franchise business is very importance and concern to researchers in the field of franchising because the contractual aspect is intended to oversee the operations of both sides to keep it well maintained and also determines the relational quality (Pizanti and Lerner, 2003; Monroy and Alzola, 2005).

Relational quality is a relationship of cooperation between the franchisor and the franchisees that are not contained in the agreement (Monroy and Alzola, 2005) but the relationship is crucial relational long-term cooperation relationship as it involves factors such as relational norms of commitment, trust and communication between the 2 sides (Morgan and Hunt, 1994). Relational quality in the franchise system is indispensable for the success of the business because the successful of franchising is not only determined by the operation but also determined by long-term cooperation (Monroy and Alzola, 2005).

The relationship between the franchisor-franchisee relationship is dynamic and most of studies from

franchisor perspective and the franchisee perspective has received little attention in the academic franchising (Grunhagen and Mittelstaedt, 2000). In fact, if seen from the success of a franchise system not in spite of the success of franchisees. Franchisee plays an important role because the franchisees who run the business day-to-day and also have direct access to the consumer, so the success of franchisees is the beginning of success of the entire franchise system (Brookes and Altinay, 2011; Shane, 1996).

Until now has not been much research exploring the relationship between the transactional and relational qualities. Poppo and Zenger (2002) conducted a study to explore the relationship between contractual aspects and relational, the results are complementary but the contract must be made cooperative for the long-term goals and the mutual trust between the 2 sides. On the other hand, relational will support the collaboration already underway with the contractual terms of these but the research is still in general not in the franchise industry. Then Monroy and Alzola (2005) conducted a study on the relationship of the transactional and relational quality in franchise systems. Monroy and Alzola (2005) states that the concept of a franchise system, relational quality is determined by the success of transactional quality. However, this research is still a conceptual, so it needs empirical studies to prove it.

Research has been done on the effects of the transactional quality to the franchisee satisfaction (Choo and Bowley, 2007; Hing, 1995; Roh and Yoon, 2009). While research on the effects of relational quality on franchisee satisfaction has also been done by Chiou *et al.* (2004), Meek *et al.* (2011) and Grace and Weaven (2011). However, research involving both aspects of the transactional quality and relational quality of ties together the franchisee satisfaction is still not done, so this research can contribute.

**Literature review:** Franchising as a form of organization, continues to grow and is increasingly becoming a concern because of the things offered by this business such as provision of services, self-employment and professional opportunities. The debate on the phenomenon of franchising is increasingly widespread and reaches a variety of disciplines including management, marketing, economics, sociology, psychology, law and entrepreneurship (Stanworth and Curran, 1999). In terms of definition, much debate has been done by experts but Stanworth and Curran (1999) tried to give a general definition of the franchise which was made to give answers to the questions that are often raised in public debates as follows:

A business form essentially consisting of an organization (the franchisor) with a market-tested business package centered on a product or service, entering into a contractual relationship with franchisees, typically self financed and owner-managed small firms, operating under the franchisor's trade name to produce or market goods and services according to a format specified by the franchisor (Stanworth and Curran, 1999)

The success of the strategy of cooperation is inseparable supervision and conduct of both parties. Both sides exchanged supervise the other hand, the supervision of the organization, monitoring the behavior of others and the uncertainties where the relationship can be explained by the agency theory that describes the relationship between the principal and agent relationship where there is supervision carried out by each side of the organization, behavior, uncertainty and information (Eisenhardt, 1989; Jensen and Meckling, 1976; Shapiro, 2005). In agency theory says that agents recruited by the principal, both of which are bound in the agreement that contains the rights and obligations of the principal and the agent (Eisenhardt, 1989). The agreement was made by the principal binding agent in order to perform activities on behalf of the principal and delegate authority to the agent to make certain decisions (Miles, 2012).

Agency theory is a theory that has proven in research on relationship within franchise system and it can consistently explain the franchisor-franchisee relationship (Lafontaine, 1992; Shane, 1996; Pizanti and Lerner, 2003). Agency theory is very useful to solve the agency problem as moral hazard and adverse selection. As based on behavior by looking at the results of the contract which is one of the considerations for someone to join a franchise system compared to open his own business (Carney and Gedajlovic, 1991; Dant *et al.*, 2011). But, the weakness of agency theory not involving social aspects whereas in reality a partnership between the franchisor-franchisee also affected the social aspect.

Social exchange theory (social exchange theory) is one theory that can be used to explain the social aspect. An exchange perspective of franchising recognizes the important role that both the franchisor and franchisee assume in developing and maintaining sustainable relationships (Grace and Weaven, 2011). The basic assumption underlying the whole analysis in the social exchange theory is that individuals voluntarily enter and remain in relationships only as long as the relationship is quite satisfactory. In the marketing concept, a partnership needs to consider the social aspect involving the

commitment factor and also the confidence of both parties to achieve good cooperation relationship (Morgan and Hunt, 1994). The purpose of social exchange theory is the party involved in the collaboration will mutually benefit (Blau, 1964; Das and Teng, 2002; Miles, 2012). The benefits will be felt by all parties, if there is dependence between the parties involved. Dependence would be felt if each party keeping with the norms of good cooperation, such as commitment and trust in the other party (Holmes, 1981).

Transactional quality from the franchisees perspectives generally can be divided into 2 parts: The content and the support provided by the franchisor to the franchisees business success (Monroy and Alzola, 2005). The dimension of content includes training and operational information regarding what should be done by the franchisee so that franchisees can comprehend and understand what must be done for running a franchise business (Hing, 1995; Monroy and Alzola, 2005). While the dimensions of the support include things like supporting the operational activities of the managerial assistance is aimed to create uniformity in the franchise system that will support the successful cooperation between the 2 sides (Bradach and Eccles, 1989; Fulop and Forward, 1997; Monroy and Alzola, 2005).

According to, Bradach and Eccles (1989) stated that the contract is not fully franchisor-franchisee relationship. Furthermore, Michael (2000) also added that for the detailing and pour in a contractual relationship quality is very difficult and complex. Hence, the need for harmonized relationship between transactional or contractual aspects of the relational view. Monroy and Alzola (2005) also states expressed satisfaction with the quality of transactional business which is the initial step to foster long-term relationships while the quality of the relational ties needed for long term business success. Based on the arguments earlier it constructed hypothesis H<sub>1</sub> as follows:

H<sub>1</sub>: Transactional quality has a significant positive affect on the relational quality

The relational quality in a franchise system is a long-term relationships aimed at improving the transactional quality and maintain the effectiveness of the contract has been made and agreed upon by both parties. In addition, the relationship is dynamic, so for long term cooperation both parties must be confidence, good communication and commitment (Monroy and Alzola, 2005). In the franchise business, some researchers have used a relational quality to see its effect on satisfaction and performance. In this study the dimension of the relationship quality consists of trust, commitment, communication and relationalism (Monroy and Alzola, 2005).

Satisfaction is the results from a comparison between a consumers expectations and his or her perception of the performance really offered by the product. Hing (1995) describe satisfaction is at the heart of post-purchase evaluation and satisfaction is a feeling that is felt by a person in the context of his research. In the case of franchisees, measured the satisfaction of the relationship between franchisee franchisees with what is expected by the franchisee in accordance with what is stated in the contract between their business (Hing, 1995). Further, satisfaction in addition to quality franchise systems and finance are also affected by the behavior of all parties in running the business, franchisee satisfaction dimensions used in this study is the interaction of social, financial, insurance and competence (Abdullah *et al.*, 2008).

The quality of the transactional perspective franchisee covering all performance is evaluated by the franchisee franchisor start cooperation. Performance assessed by the franchisee franchisor is all the activities that have been performed by the franchisor (Monroy and Alzola, 2005). The activity associated with franchisee success in running the business, because the franchisor to franchisee support, in accordance with the cooperation contract. Quality early or quality transactional support provided by the franchisor will provide the franchisee satisfaction effects (Lusch, 1976; Lewis and Lambert, 1991; Hing, 1995). Choo and Bowley (2007) which states that affect satisfaction with training and support in the franchise system. The same opinion was also expressed by the Roh and Yoon (2009) empirical research on ice cream franchise company in Korea, it was well before the franchisor support terwarala business running until the business is running very supportive franchisee business success and also it gives satisfaction to the franchisee. Based on the arguments earlier it constructed hypothesis H<sub>2</sub> as follows:

H<sub>2</sub>: Transactional quality has a significant positive affect on franchisee satisfaction

Relational quality relationship is a relationship between the organization and the quality of partnership cooperation bound. Smith (1998) and Garbarino and Johnson (1999) states relational quality is an overall evaluation of the strength of the cooperation of both parties for good cooperation if both parties can understand and have the same goals for long-term cooperation. Sarkas *et al.* (2001) stated the need for a relational quality of long-term success of the franchisor-franchisee and franchisee satisfaction is also influenced by the ability of the franchisor to support the long-term success of the relationship between the

franchisor-franchisee. A similar argument was also put forward by Groth (1995), Morgan and Hunt (1994), Reichheld (2001), Rust and Zahorik (1993) and Zabkar *et al.* (2003) which states that the quality of the relational ties have a significant positive effect on satisfaction. Based on the arguments earlier it constructed hypothesis H<sub>3</sub> as follows:

H<sub>3</sub>: Relational quality has a significant positive affect on franchisee satisfaction

### MATERIALS AND METHODS

Data for this study (Table 1) was collected from education franchisee in Indonesia via an on-line survey. The unit of analysis in this study is the franchisees while the data used is a cross sectional. The study sample was a study in which researchers examined some of the elements of the population. The population in this study is a franchise of 137 franchise brands education where the No. of franchisees as 1730 and the No. of outlets in Indonesia is 3012. The sampling technique used in this study is simple random sampling. The sampling frame used was a database of 1,730 franchisee contacts. From the sampling, 500 e-mail addresses were randomly generated and respondents were invited by e-mail to participate in the survey. This resulted in 124 surveys being completed, representing a 24.8% response rate. The methodology used in this study is a quantitative method. The method of analysis used in this study is structured equation modeling (Structural Equation Model/SEM) to test the hypothesis that relationships between variables used in the study. While processing the data using a program Warp PLS 3.0 (Kock, 2012).

### RESULTS AND DISCUSSION

The gender split of the franchisee sample was 81% female, 29% male and the mean age was 40 years. On average, respondents had been self-employed for 10 years and 89% were single unit owners while the remaining 11% were multi unit franchise owners. In terms of education, 76% had university degree, 15% had diploma and 9% were educated to secondary school level. The 60% of the sample had prior business experience before purchasing their current franchise. The distribution of respondents by region shown in Table 2.

About 2 criteria must be met in measurement model, namely; convergent validity and discriminant validity. The purpose of the validity of the analysis to show how well the results obtained from the use of size-fits with the theory underlying the test design.

Table 1: Indicator of each variable

Variables	Indicators (5 measurement scale)
Transactional quality	<b>Content</b>
	Training
	Curriculum
	Availability of teaching material
	Monitoring teacher's performance
	Monitoring operations
	Brand popularity
	<b>Support</b>
	Accounting system support
	Curriculum development
	Recruitment of new employee
	Promotion support
	Suggestions standardization room
Relational quality	<b>Trust</b>
	Trust with the content of the cooperation agreement
	Trust with the information provided franchisor
	Trust with the ability of franchisor
	<b>Commitment</b>
	Commitment of both sides
	Commitment to improve relations
	Commitment for long term collaboration
	Strong sense of loyalty to each other
	<b>Relationalism</b>
	Improvement efforts from both sides for mutual business success
	Cooperation between the two sides tied to business success
	Family conflict resolution
<b>Communications</b>	
The information provided helps resolve the problem	
Pertanyaan ditanggapi	
Saran ditanggapi	
Franchisee satisfaction	<b>Social interaction</b>
	Useful advice given
	2 way communication
	Regular communication
	Franchisee involved in determining policy changes
	Franchisee involved of strategic plans for business development
	<b>Service support</b>
	Training as needed
	Periodic operational support
	Operational guide
	<b>Finance</b>
	Appropriate promotional costs
	Appropriate franchise fee
Royalty fees charged in accordance	
Course tuition costs for establishing appropriate Assurance	
There is a feeling of security in doing business in the long run	
Conformity operational support	
Territorial limitation	
<b>Competence</b>	
Competence franchisees in running a business	
Competence franchisees in developing business	
Competence franchisees in promoting business	

The convergent validity can be established by using the correlation analysis between the components of the constructs. The correlation coefficient values range indicates a moderate positive relationship between the

Table 2: Respondents by region

Region	No. of questionnaire
Jakarta	30
West Java	28
Central Java	9
Yogyakarta	8
East Java	9
Sumatra	13
Borneo	8
Bali	7
Lombok	3
Sulawesi	9

dimensions of each variable. Convergent validity of scores obtained with 2 different instruments that measure the same concept shows a high correlation. An indicator measuring convergent validity is said to have a high value if the indicator understood by respondents and indicators related to the latent variable being measured (Kock, 2012). The significant terms of an indicator if the p-value of each indicator value of less than or equal to 0.05 (Hair *et al.*, 2011).

While the discriminant validity was analyzed by looking at the correlation between latent variables by comparing the value of square roots of the Average Variance Extracted values (AVE's) are seen diagonally. Value of square roots should ideally be of greatest value when compared to the value of correlation with other variables which means that the indicator is only correlated with latent variables measured. Conversely, if the correlations value of the indicator of the other latent variables is bigger, it means that indicators related to other latent variables, so that the measurement model of the research model is not valid (Kock, 2012). The results of the correlations among latent variables were expressed correlation between variables. The results of the correlation between variables are called the value of square roots of Average Variance Extracted (AVE's). The value of square roots of Average Variance Extracted (AVE's) the good must be greater than the value of the correlation of other variables, thereby questions the indicator is very good and appropriate and not related to other variables. Based on the calculation of all indicators in each of the variables, it all had  $p < 0.05$  which means that all the indicators used in this study is valid. The results of the calculations are shown in Table 3.

While the discriminant validity was analyzed by looking at the correlation between latent variables by comparing the value of square roots of the average variance extracted values (RD's) are seen diagonally. Value of square roots ideally proficiency level is of greatest value when compared to the value of the correlation with the latent variable being measured.

Table 3: Test of convergen validity

Indicators	Loading factor	SE	p-value	Sig.
<b>Content</b>				
Content 1	0.811	0.110	<0.001	Sig.
Content 2	0.794	0.090	<0.001	Sig.
Content 3	0.742	0.109	<0.001	Sig.
Content 4	0.745	0.080	<0.001	Sig.
Content 5	0.632	0.104	<0.001	Sig.
Content 6	0.305	0.159	0.029	Sig.
<b>Support</b>				
Support 7	0.510	0.156	<0.001	Sig.
Support 8	0.686	0.146	<0.001	Sig.
Support 9	0.715	0.156	<0.001	Sig.
Support 10	0.730	0.171	<0.001	Sig.
Support 11	0.781	0.162	<0.001	Sig.
Support 12	0.828	0.177	<0.001	Sig.
Support 13	0.506	0.142	<0.001	Sig.
Support 14	0.392	0.163	0.009	Sig.
<b>Trust</b>				
Trust 15	0.616	0.162	<0.001	Sig.
Trust 16	0.779	0.132	<0.001	Sig.
Trust 17	0.761	0.109	<0.001	Sig.
<b>Commitment</b>				
Commitment 18	0.680	0.123	<0.001	Sig.
Commitment 19	0.658	0.101	<0.001	Sig.
Commitment 20	0.786	0.111	<0.001	Sig.
Commitment 21	0.713	0.103	<0.001	Sig.
<b>Relasionalism</b>				
Relasionalism 22	0.718	0.097	<0.001	Sig.
Relasionalism 23	0.793	0.094	<0.001	Sig.
Relasionalism 24	0.775	0.084	<0.001	Sig.
<b>Communications</b>				
Communications 25	0.687	0.070	<0.001	Sig.
Communications 26	0.711	0.055	<0.001	Sig.
Communications 27	0.834	0.067	<0.001	Sig.
Communications 28	0.746	0.068	<0.001	Sig.
<b>Social interation</b>				
Social intr. 29	0.704	0.111	<0.001	Sig.
Social intr. 30	0.774	0.076	<0.001	Sig.
Social intr. 31	0.777	0.160	<0.001	Sig.
Social intr. 32	0.778	0.135	<0.001	Sig.
Social intr. 33	0.754	0.096	<0.001	Sig.
<b>Service support</b>				
Service support 34	0.677	0.095	<0.001	Sig.
Service support 35	0.847	0.208	0.021	Sig.
Service support 36	0.722	0.146	<0.001	Sig.
<b>Finance</b>				
Finance 37	0.692	0.135	<0.001	Sig.
Finance 38	0.716	0.096	<0.001	Sig.
Finance 39	0.713	0.095	<0.001	Sig.
Finance 40	0.427	0.208	0.021	Sig.
<b>Assurance</b>				
Assurance 41	0.663	0.146	<0.001	Sig.
Assurance 42	0.814	0.088	<0.001	Sig.
Assurance 43	0.811	0.088	<0.001	Sig.
<b>Competence</b>				
Competence 44	0.815	0.075	<0.001	Sig.
Competence 45	0.856	0.070	<0.001	Sig.
Competence 46	0.758	0.094	<0.001	Sig.

Conversely, if the correlation value of the indicator of the latent variables other bigger shows that indicators related to other latent variables.

However from the results of calculations in this research model, there are 2 values square roots that results are not optimal, the indicators support which results square roots of AVE's of 0.629 when the value of

Table 4: Reliability test

Indicators	R <sup>2</sup> coefficient	Composite relab. coef.	Cronbach's α coeff.	Reliabilitas
Content	0.884	0.839	0.767	Reliable
Support	0.884	0.854	0.803	Reliable
Trust	0.604	0.764	0.537	Reliable
Commitment	0.694	0.834	0.733	Reliable
Relationalism	0.743	0.806	0.639	Reliable
Communication	0.617	0.806	0.639	Reliable
Social Interaction	0.686	0.871	0.814	Reliable
Service Support	0.587	0.795	0.611	Reliable
Financial	0.637	0.737	0.528	Reliable
Assurance	0.580	0.809	0.644	Reliable
Competence	0.617	0.852	0.738	Reliable

Table 5: Square roots of average variance extracted

Indicators	Square roots of AVE's
Content	0.668
Support	0.629
Trust	0.700
Commitment	0.711
Relationalism	0.729
Communication	0.742
Social interaction	0.731
Service support	0.726
Financial	0.633
Assurance	0.764
Competence	0.767

the correlation biggest is the support with content that is equal to 0.673, it shows that the question content and support repeat of the question but the difference in numbers square roots of AVE's the value of correlation biggest indicator is not too large and is also still in the same variable, so that both indicators can still be expressed quite well but if the correlation biggest indicators of a variable other then one of these questions should be re-examined, as is suspected that the double-indicator variables used in the study. Furthermore, the results of the calculation of square roots of AVE's the relationship between the indicator variable is also known that franchisee satisfaction variables have the results of the square roots of AVE's for 0.742 but the correlation between the largest franchisee satisfaction with social interactions redemptions of 0.801. Nevertheless, it is still within tolerable limits, given the social interaction is an indicator of franchisee satisfaction, so questions in all indicators expressed quite well and not repeat any questions that confuse respondents.

After the analysis of convergent and discriminant validity are met then performed testing reliability of any dimension. Reliability testing consists of the value of R<sup>2</sup> coefficient, composite reliability coefficient and cronbachs α coefficient. Coefficient-square only suggests a relationship between endogenous variables, so the exogenous variables do not have the R<sup>2</sup> value. R<sup>2</sup> values indicate goodness of git from each latent variable to the observed variables (Hair *et al.*, 2011). From the results of the R<sup>2</sup> coefficient can be seen that the effect of each

variable is quite large if the value of R<sup>2</sup> is >0.5. While the composite value realibility coefficient and Cronbach alpha (α) coefficient shows the relationship between latent variables to measure the reliability of each dimension. Composite reliability coefficient value must be equal to or >0.7 but Nunnally and Bernstein (1994) states that a dimension may have a Cronbach α value of at least 0.6 if the dimension other in the same variable-value was earlier 0.7. Based on the analysis performed for each indicator is known that all reliable indicators on each variable. The results of the calculations can be seen in Table 4.

Furthermore, the results of calculations based on the results of the research model latent variable coefficients which consists of the value of R<sup>2</sup> coefficient, composite reliability coefficient and Cronbach's α coefficient, as shown in Table 5. R<sup>2</sup> coefficient only suggests a relationship between endogenous variables, so KHT as exogenous variables do not have the R<sup>2</sup> value. R<sup>2</sup> values indicate goodness of fit testing of each latent variable to the observed variables.

From the results of the R<sup>2</sup> coefficient is seen that the effect of each variable is quite large (>0.5). Composite score realibility coefficient and Cronbach's α coefficient shows the relationship between latent variables to measure the reliability of each indicator. From the calculation looks realibility composite coefficient value should be equal to or >0.7 (Nunnally and Bernstein, 1994). So, if seen from realibility composite coefficient, all the indicators are reliable. However, if viewed from the Cronbachs α coefficient turns out there are several indicators of value is <0.7. However based on research, Nunnally and Bernstein (1994) in which a variable may have a Cronbachs α value of at least 0.6 if other indicators in the variable value was earlier 0.7. From the test results obtained from this study is that the variable values are not reliable but because it is still worth 0.5 and not too far from the requirements, so the variable is not eliminated.

The next step after the analysis of the measurement model can well explain the relationship between indicators of the dimensions, the latent variables were observed between the indicators and the relationship with the other variables in the structural model analysis. In the analysis of the structure of the model, the main requirement that must be met is that the model must have a goodness of fit.

Measurements show the model have a fit model if it meets the requirements of the 3 categories Average Path Coefficient (APC), Average R<sup>2</sup> (ARS) and Average Variance Inflation Factor (AVIF) as shown in Table 5. As for the number of p-values for APC and ARS in this study demonstrate the value of p<0.001 where the

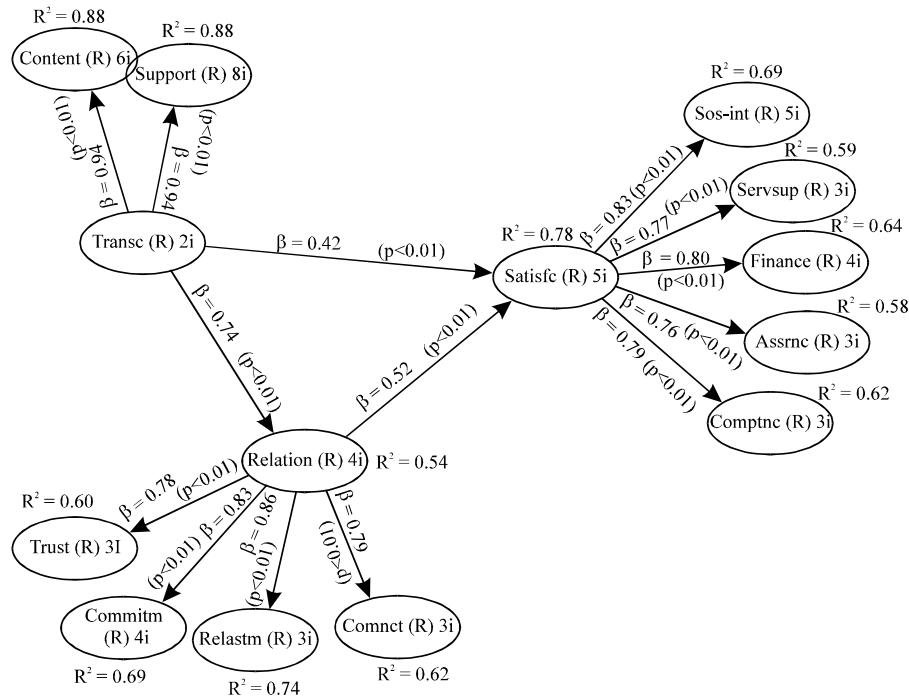


Fig. 1: Model diagram

Table 6: Model fit indices and p-value

Indicator	Values	p-value
APC	0.768	<0.001
ARS	0.681	<0.010
AVIF	2.398	

Table 7: Path coefficient

Factors	Path coef.	p-values	Sig.	SE	Effect size
Transc~content	0.940	<0.001	Sig.	0.02	0.84
Transc~support	0.940	<0.001	Sig.	0.12	0.84
Relation~trust	0.777	<0.001	Sig.	0.20	0.56
Relation~commitm	0.833	<0.001	Sig.	0.04	0.62
Relation~relastm	0.862	<0.001	Sig.	0.05	0.70
Relation~comnct	0.785	<0.001	Sig.	0.07	0.56
Satisfc~sos-int	0.829	<0.001	Sig.	0.04	0.64
Satisfc~servsup	0.766	<0.001	Sig.	0.06	0.52
Satisfc~finance	0.798	<0.001	Sig.	0.09	0.50
Satisfc~assrnc	0.761	<0.001	Sig.	0.06	0.50
Satisfc~comptnc	0.786	<0.001	Sig.	0.04	0.59
Transc~relation	0.740	<0.001	Sig.	0.06	0.48
Transc~satisfc	0.420	<0.001	Sig.	0.06	0.31
Relation~satisfc	0.520	<0.001	Sig.	0.06	0.43

Table 8: Hypothesis test

Hypothesis	$\beta$	p-value	Results
H <sub>1</sub> : Transactional quality has a significant positive affect on the relational quality	0.74	<0.01	Accepted
H <sub>2</sub> : Transactional quality has a significant positive affect on franchisee satisfaction	0.42	<0.01	Accepted
H <sub>3</sub> : Relational quality has a significant positive affect on franchisee satisfaction	0.52	<0.01	Accepted

minimum requirement should be <0.05, so the structural model and the measurements in this study already have a good fit model. In addition, the third category is the value

of value AVIF is 2.462 where the terms of a model can be said to have a goodness of fit model if AVIF <5. So, the model already have a goodness of fit model and can proceed to the next test (Table 6). Path coefficients and p-values indicate a relationship where the variables are in the columns are variables whereas latent predictor variables in the line shows the criteria. The results of the calculations are shown in Table 7, 8 and Fig. 1.

### CONCLUSION

Based on the results of the analysis, for the franchise context of education in Indonesia, the transactional quality is the basis of the relational quality and is of great influence the succesful of relational quality. This is because the quality of relational ties can not occur without a transactional relationship quality, so it is very important for the franchisee to provide initial support to franchisees because the support is greatly determines the quality of the relational ties that are long-term support for the franchisees. Relational quality is of paramount importance to franchisees for the satisfaction of franchisees largely influenced by the relational quality, although direct transactional quality was also affected but the effect is smaller than the direct effect of relational relationship quality. So that, franchisees need to notice that the partnership between the 2 sides can be run in the long term.

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