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## DECISION-MAKING IN THE INTERNATIONALISATION OF BRAZILIAN FRANCHISING CHAINS

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**Abstract:** This research aimed to understand how the decision-making process regarding the internationalisation of Brazilian franchise chains occurred. This article intended to find out the motivation for internationalisation and the methods used in decision-making. The results we obtained from two franchise chains revealed the adoption of two different decision-making processes: one in which the decision was induced by a party that was interested in obtaining the international franchise and the other was stimulated by the franchiser. The entry modes these chains chose were distinct (establishment of a wholly-owned unit and of a franchised unit); these choices conditioned the steps they followed in the internationalisation process.

**Keywords:** Franchising Chains; Internationalisation; Decision-Making

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## 1 – Introduction

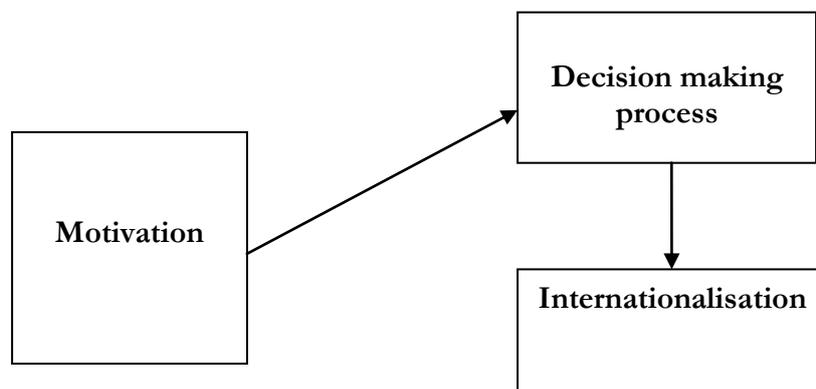
With regard to the studies which involve the “internationalised Brazilian franchising chains” it is possible to point out some studies which have been carried out in the current decade and to understand the gap that must be filled by the present research. The researches, which have already been carried out, concentrate on two tendencies: (i) quantitative exploratory studies on the internationalisation conductors (MARQUES, 2006; MARQUES, MERLO and NAGANO, 2009; BORINI, ROCHA and SPEARS, 2012; AGUIAR, CONSONI and BERNARDES, 2013), the comparative organisational characteristics between internationalised networks versus domestic ones (MELO *et al.*, 2012), the profile of the countries in which these networks actuate (MELO *et al.*, 2013) and (ii) case studies which analyse the management of the franchises abroad (RIBEIRO and MELO, 2007; KHAUAJA, 2010; BORINI *et al.*, 2013).

After the analysis of Brazilian publications on the internationalisation of Brazilian franchise chains we noted the want of researches that evidence the way in which the decision was made to internationalise. It is convenient to emphasise that to internationalise is a decision which is made in general on a strategic level in the organisations and it is permeated by uncertainty conditions; we understand uncertainty as the ignorance of the occurrence probabilities of important events, which interfere in the behaviour of the given system (WYNNE, 1992). The study of the decision-making processes, through the intermediary of models, helps to understand the conditions which permeate the decision; it helps to formulate alternatives, to provide criteria for the choice of the decision alternative and it provides conditions for the elaboration of strategies (RUSSO, SCHOEMAKER, 1993; HAMMOND, KEENEY and RAIFFA, 1999; BAZERMAN, 2004).

With this, we hope that the present research can contribute academically to fill the gap which involves the Brazilian franchising chains and the process of decision-making on internationalisation. In addition to this, we hope to provide a managerial contribution by describing the decisions Brazilian franchisers followed when they opted for internationalisation, which is useful for the chains that intend to have international operations.

Taking into consideration what we exposed, we hope to answer the following research question: *How does the decision-making process occur with regard to internationalisation in the Brazilian franchise chains?* Our objective is to know: the motivation for internationalisation and the decision-making process they followed. Therefore we analysed two Brazilian internationalised franchising chains.

Figure 1 synthesises the proposal of this research in a framework:



**Figure 1: Model of analysis**

Source: Authors

This article is structured in the following way: theoretical foundation, followed by the research methodology and by the presentation and analysis of the cases. Finally, we present the conclusions of the research work we carried out.

**2 – Theoretical foundation**

Decision-making is part of the daily life of the companies. They are decisions which are permeated by certainty or uncertainty conditions, that is to say, conditions that are associated with the situations in which it is possible or not to exert control over the elements which influence the decision.

We can consider that the decisions that are made on a strategic level by the high administration are generally under uncertainty conditions. Specifically with regard to the strategic decision to internationalise, the companies face choices – generally complex – which involve period of time (when), country (where?) and mode of entry into this country (how?). Given the importance of this decision, we had to seek information in the specific literature, mainly with regard to the process which permeates decision-making in order to be able to analyse the trajectory the Brazilian franchising chains followed, which culminated in internationalisation.

**2.1. Decision-making process**

With respect to the organisational tendency of the literature regarding the decision-making process, we must signalise the contribution of researchers to the development of guiding methodologies of the scenario preparation. (HONTON and HUSS, 1987; BRAUERS and WEBER, 1988; GODET, 1993; GORDON, 1994); we understand scenario as a narrative, which is based on selected premises and events, that relates the present situation to that which is conjectured for the future in a logic and coherent way.

According to Bradfield *et al.* (2005), these methodologies can be classified into three categories, in accordance with their foundation: intuitive logic, tendency which is impacted by probability and prospective. These authors carried out a comparative study of the most important characteristics of the three methodologies we pointed out and they concluded that they all involve subjectivity and intuition and that the application of these two characteristics includes internal and external specialists in the organisation and that they use quantitative techniques (such as simulation or cross-impact matrix, for example). It is necessary to emphasise that the conduct of these two methodologies presupposes the identification of events and their respective probabilities, which constitutes itself into a complex task for one individual and it is susceptible of distortions due to its mode of judgement (cognition) or to its wish to fulfil the expectations (motivation) of other actors that are involved in the process (TVERSKY e KAHNEMAN, 1974).

As far as the mode of judgement is concerned, Tversky and Kahneman (1974) pointed out three mental mechanisms, called heuristics, which, influence estimations and decisions. On the basis of other researchers' studies, Bazerman (2004) alerts to the

simplifying strategies (heuristics) which individuals follow in decision-making, such as, for example, the availability that leads to link estimations with the facts which are more easily remembered. With regard to heuristics, Tonetto *et al.* (2006) affirm that the abbreviation of logic generates a vicious circle which provides mental short cuts. This situation tends to reduce the complexity of a decision and generates errors and biases.

Considering the errors and difficulties which are subjacent to the decision-making processes, researchers developed normative models and recommendations, in an attempt to mitigate them. Hammond, Keeney and Raiffa (1999) and Bazerman (2004), for example, proposed processes for effective decision makings which are composed of eight and six stages, respectively, according to Table 1:

Stage	Hammond, Keeney and Raiffa (1999)	Bazerman (2004)
1°	To clearly identify the problem (motive)	To define the problem (motive)
2°	To define objectives	To identify criteria
3°	To create alternatives with imagination	To weigh up criteria
4°	To understand the consequences of each alternative	To generate alternatives
5°	To compare the negotiation items to concurrent objectives	To classify alternatives according to each criterion
6°	To clarify uncertainties	To identify an optimal solution
7°	To analyse the implicit risk tolerance in each decision alternative	
8°	To examine the decisions which are interlinked in time	

**Frame 1: Process of effective decision-makings**

**Source:** Adapted from de Hammond, Keeney and Raiffa (1999); Bazerman (2004).

It is convenient to emphasise that, although there are similarities between the described processes, we must stress the importance Hammond, Keeney and Raiffa (1999) attach to the risk and to the uncertainty which can permeate decision-making. It is what we note in the sixth stage they delineated – to clarify uncertainties – in which they draw attention to the situations, in which “at the moment of the choice [of decision], it is possible to know what *maybe* happens, but one cannot determine *with certainty* what will happen.”; and since there are uncertainties, “[...] one must think about them systematically and understand the various results which can occur, the probability of their occurrence and their impacts” (HAMMOND, KEENEY and RAIFFA, 1999, p.102). And, in the seventh stage, they alert not to neglect the risk tolerance of the decision-maker, because “somebody’s attitude with relation to risk is as individual as his own personality” (HAMMOND, KEENEY and RAIFFA, 1999, p.124).

Besides these considerations, studies, such as Chermack’s study (2003), alert to the fact that each individual’s decision-making process is involved in his **mental model** of reality (constructed on the basis of his beliefs, experiences, perceived variables, suppositions and premises) and that it is difficult to modify this model. According to this author, it is important that the decision-maker seeks to make this model explicit and that, when it reveals to be inappropriate for a given situation, he seeks to modify it.

In this sense, we must also consider **mental processes** which are being constituted, according to Hammond, Keeney and Raiffa (1999), into real psychological traps for the decision-maker. These authors present ten traps, which are described in Table 2; some of them were based on Tversky's and Kahneman's studies (1974):

Trap	Description
Anchorage	To condition estimations to a determined initial value
Maintenance of the <i>status quo</i>	To chose the most suitable alternative of the maintenance of the condition in vigour
Protection to the decisions which were made before	To decide on the basis of incurred costs/previous invested capital
Confirmation of the evidences	To rely too much on information which is linked to the personal instinct or viewpoint
Framing	To decide on the basis of a badly-framed problem
Self-reliance	To excessively rely on the personal capacity to establish previsions and estimations
Memory	To ground on recent information or easily remembered occurrences
Base rates	To ground on presumed proportions of the occurrence of an event
Caution	To decide on the basis of certainty, in order to avoid the occurrence of unfavourable scenarios
Prediction	To perceive patterns where there are fortuitous events
Surprises	To strongly rely on coincidences

**Frame 2: Mental processes**

**Source:** Adapted from Hammond, Keeney and Raiffa (1999).

Decision-making in group can be an alternative which attenuates or even neutralises the difficulties that are pointed out in individual decision-making. However and according to Buchanan and O'Connell (2006), the consensus which is easily obtained is suspect, because it can indicate that the motivation to create and evaluate alternatives, on the part of participants of a coherent group, was substituted by the wish to guarantee unanimity; this way of thinking was known as groupthink. Besides this, according to Choo (2007), groups have the tendency to centre the discussion on the information which most of the participants know to the detriment of the information which only the minority knows and they are also able to make more extreme decisions than the members would make individually.

To have recourse to the Delphi method can avoid falling into the trap of groupthink, or that individuals with a strong personality or who are hierarchically superior influence the other members of the group. This method consists in holding sessions so that specialists make evaluations regarding a topic of interest; there is a feedback of answers to the participants, without identifying their senders and interaction between the members of the group is not allowed; at the end of some interactions (generally after three) one can come to the consensus or consider it unviable (FUSFELD and FOSTER, 1971; VIANNA, 2007). We emphasise that in studies which involve the scenario preparation, the probabilities of occurrence of these scenarios can also be estimated by means of the Delphi method.

## 2.2 Internationalisation of franchise networks: motivators and entry modes

The motives which lead franchising chains to seek international operations are of different kinds, reactive as well as pro-active. Reactive internationalisation occurs because of market limitations, which reduce the domestic growth opportunities. On the other hand, pro-active internationalisation derives from the search for international markets even before the national market faces limitations (QUINN, 1998).

Marques (2006) and Marques *et al.* (2009) signalise that the Brazilian franchising chains seek international markets by means of pro-active motivators, that is to say, this does not occur because of the saturation or limitations on the Brazilian market. Among the three main reasons there are, in the first place (i) the strengthening of the brand, which increases its status as a brand internationally, (ii) gaining know-how on the international market and (iii) the presence of the internationalisation plan in the expansion strategy of the chain.

The research Melo *et al.* (2012) carried out with 67 Brazilian franchising chains having operations abroad demonstrates that the market saturation does not present itself as a motivator for the internationalisation of the Brazilian chains. On the other hand, on the part of the chains with minor prestige on the domestic market there is a greater initiative to strengthen their brand via international operations.

In their turn, the modes of entry into international markets the franchising chains use differentiate themselves in terms of control and investment, which gives rise to different levels of information asymmetries. The concerns about information asymmetry occur because of the risk that the image of a determined franchise brand can be deteriorated in a certain country, thus creating negative associations, which hamper the growth on other markets in a posterior international expansion (QUINN e DOHERTY, 2000).

The choice of the entry mode is linked to the strategy the franchising chain uses for a determined market in its international actuations. This choice is based: (i) on the time which is necessary for the pay-back of the investment; (ii) on the control level they want to have over the operations abroad; (iii) on the available resources for the international expansion and (iv) on the flexibility which must be conferred upon the local partners (SANGHAVI, 2003).

There are four configurations the franchising chains commonly use as modes of entry into the international scenario: (i) the franchiser's wholly-owned units, (ii) direct franchising, (iii) master franchisee (iv) joint venture (MENDELSON, 1994)

## 3 – Research methodology

The methodological justification is based on the adoption of the case study, that which is appropriate when questions which are related to “how” or “why” are applied to a set of contemporary events, over which the investigator has little or no control, as it is the case of the characteristics of the present study (YIN, 2010). In this research the case study can be classified as exploratory, because there is still little understanding about the phenomenon which is being studied and explanatory because the research deals with operational relations which must be traced in the course of time (YIN, 2010). Case studies can still be used in order to provide a description of events, to test or to generate theory (EISENHARDT, 1989).

For the selection of the two franchising chains we analysed we took as a reference Melo *et al.*'s study (2012) which demonstrates the greater presence of chains with minor prestige on the domestic market in international operations. After consulting a list of franchising chains having operations abroad the Associação Brasileira de Franquias [Brazilian Franchising Association] sent us, we analysed the criteria the authors, we mentioned before, had established. After that we made contact with the franchising chains, which fulfilled the condition to be companies that operate in the same segment, in order to verify which ones agreed to participate in the research. Two companies of the alimentation segment accepted to answer these questions; they internationalised when they were small-sized enterprises, according to the SEBRAE – Serviço Brasileiro de Apoio às Micro e Pequenas Empresas – Brazilian Service of Assistance to Micro and Small Enterprises - criterion.

In addition to this, we must emphasise that to study these two cases proved to be relevant also from another perspective: the literature review indicated that the decision-making processes which are used in internationalisation were the targets of various studies, but they were for the most part either directed at big enterprises or they partially focused on stages of this process. On the other hand, Rialp and Rialp (2001) and also Wright, Westhead and Ucbasaran (2007) pointed out the lack of works directed at the internationalisation of small and medium-sized enterprises and they stimulated the carrying out of researches by taking into consideration the knowledge of the decision-making process and of the entry strategies these enterprises used in the internationalisation process.

We obtained the information of the chain Special Steak from one of the shareholders, who is responsible for the development of the internationalisation plan of the company; we conducted the face-to-face interview at the beginning of March 2013, at a time before the opening of the restaurant and it lasted approximately 90 minutes. With regard to Sul Lunch & Dinner, we obtained the information, which was necessary for the research protocol in October 2012, by means of questionnaires the shareholder-directors of the company filled in personally.

In virtue of the fact that the internationalisation process had begun when the chains we studied were small-sized, only the process conductors were in condition to provide answers to our investigations, since it was not possible to examine documents regarding this process in the companies. This scenario is aligned with the results we found in Falcão's research; he thinks that, although the small-sized companies we studied start to get involved in the new administration patterns, their management is “[...] involved in more traditional characteristics of a centralising, authoritarian and informal management, which is a legacy of their experience in a micro entrepreneurial structure [...]” (FALCÃO, 2010, p.124, we underline).

We collected additional information from articles which were published specifically about these companies, with the purpose to carry out the triangulation of the data sources, according to what Yin (2010) indicates when he refers to the reliability of case studies.

We adopted fictitious names, here denominated Special Steak and Sul Lunch & Dinner, in order to maintain the confidentiality of the information we collected.

We collected information regarding the business performance in the area of food services at the Associação Brasileira de Franchising (ABF) – Brazilian Franchising Association - and they were useful for the contextualisation of the studies we carried out.

For this purpose we elaborated a research protocol, which reunited questions that are related to the following variables, among other aspects, according to Table 3:

Topic	Variables	References
<b>Motivators</b>	<ul style="list-style-type: none"> <li>▪ The manager's initiative (the idea of international expansion came from the manager/entrepreneur, in order to strengthen the brand).</li> <li>▪ Invitation (an international entrepreneur was interested in the business)</li> <li>▪ Positioning on the national market (economic motivation: local saturation and subsequent search for international markets).</li> <li>▪ Others</li> </ul>	Dunning(1980); Johanson and Vahlne (1997,1990, 2009);Barney (1991); Quinn (1998); Rocha and Almeida (2006)
<b>Decision-making process</b>	<ul style="list-style-type: none"> <li>▪ Objectives (brand strengthening; gaining know-how on the international market; others).</li> <li>▪ Generated alternatives (international expansion plan deferred: alternative countries and entry modes discarded after analysis).</li> <li>▪ Criteria used for the examination of alternatives (maximisation of the expected/other value.</li> <li>▪ Clarifying of uncertainties (seeking consultative support for internationalisation: guiding entities of the internationalisation process of the company).</li> <li>▪ Examination of the decisions which are interlinked in time (analysis of the crossed impact / Delphi/scenario/other).</li> </ul>	Hammond, Keeney and Raiffa (1999); Bazerman (2004); Bradfield <i>et al.</i> (2005); Marques (2006); Vianna (2007); Choo (2007); Marques <i>et al.</i> (2009); Melo <i>et al.</i> (2012);

**Frame 3: General directives of the research protocol**

**Source:** Authors.

## 4 – Presentation of the franchise chains

### 4.1. Special Steak

The franchise chain Special Steak was founded in 2009, in the city of São Paulo, by four partners and it has 34 employees. It is a restaurant, which has as an only dish the *entrecôte*, a special meat cut. The sauce is the great differential of Special Steak in relation with its direct competitors, according to the interviewee's textual words: "*our sauce is unique, special, our differential and therefore the recipe is a well kept secret*". And, in an article, which was published on the economy page of the site Terra (2012), there is the information that this sauce is produced with more than twenty one ingredients and it takes 36 hours to prepare it.

At the time of the internationalisation it had only one franchised unit in Brazil, but in 2014 it has already a wholly-owned unit in the United States, in the city of Miami (FL), which has been functioning since the beginning of 2013 and has a total of five franchised units in Brazil. The internationalisation plans of the chain include the establishment of another nine unities in the USA and the way to enter Mexico, Chile and Argentina (VELLUTO, 2013).

The company received the internationalisation proposal in 2012 from the majority shareholder, who, besides sharing and leading a holding, which is composed of 13 franchise chains that are located in Brazil, entertained the wish to establish a unit in the USA. Since the internationalisation plan was one of the prospective strategies for his holding, the shareholder we referred to opted to operationalise this strategy in Special Steak. This fact is supported by Jennings and Beaver (1997), who consider the management of a small-sized enterprise as inseparable from the owner/entrepreneur's personality and experience and by Yu (2001), who considers that the future of the small-sized enterprise is strongly linked to the entrepreneur's viewpoint (CÉRA; ESCRIVÃO, 2003, p.805).

In order to carry out this project they counted on the consultative support of professionals (lawyer, administrator and franchising specialists) who are settled in the USA because the operational manager was assigned to the elaboration of the project; minority shareholder of the Brazilian unit, who had graduated in Administration in the USA, he had worked during ten years in Miami, which provided him with fluency in the language, knowledge about the local culture and network development. Thus the chain sought to overcome the limitations deriving from the little experience and knowledge of the majority shareholder in the international area.

The macro scenario we analysed in the political, economic and social dimensions of the chosen region to establish the unit, after the analysis of impacting events, proved to be favourable to the enterprise. They chose the region of Brickell (Miami), which has company offices, bank agencies, trading and high-standard residences. Besides this, communication is facilitated because the city shelters many Latino-Americans and tourists, mainly from Brazil. Moreover in the past years the city has experienced notorious growth and development and there were indicators (growth of immovable property, among others the company cited) that this would also be the tendency for the following years.

According to the interviewee, the shareholder team was broadened from four to seven; they sought to incorporate investors "coming from powerful families in order to help to dilute the high costs, about US\$ 1.3 million".

## 4.2 Sul Lunch & Dinner

Having its headquarters in the city of São José, in the State of Santa Catarina, it was founded in 2002 and it actuates in the food sub-sector Café & Cia. It initiated its franchising chain in 2005 and, in 2013, it reached 12 franchised units in Brazil which are dispersed on eight States; there are two units in Angola, in the municipalities of Luanda and Soyo; these two units were initiated in 2011 and 2012, respectively. The holding, to which Sul Lunch & Dinner is linked, encompasses three brands and they had a significant growth (SCOCIMARA, 2012). Besides this, according to what the shareholder-director explained, "*The market of Angola is one of the most expensive of the world and the operating margins are very attractive*".

The internationalisation process occurred by means of the induction of a party that was interested in establishing a franchise in Angola. The shareholders made the decision without broad discussion with internal or external professionals. However the proposal to have a franchised unit in Angola was well received due to the fact that there was the ease of the Portuguese language and the possibility to make good business with three other brands of the holding.

The Angolan unit was established in the short term of 60 days, counted from the decision-making to internationalise on. In its turn, the second franchised unit in Angola also belongs to the franchisee by means of whom the internationalisation of the chain began. Besides the international franchises we cited, the chain has a representation in Portugal and two master franchisees, one located in Angola and the other in the USA. According to the answerer,

“in Portugal we actuate by means of a couple of ex-franchisees; they are Portuguese, they stayed in Brazil for four years and they were our franchisees for two years and a half, but they went back to Portugal. Their function is to capture possible franchisees for Portugal and Spain in a first moment. In the United States, the first unit will be in Orlando”.

Europe and the USA are prospective markets for the chain; this is the reason for this investment.

## 5 – Analysis of the results

The analysis of the results of the two case studies focused on two aspects: motivation for the internationalisation and the decision-making process which was followed.

### 5.1. Special Steak

#### 5.1.1. Motivation and Decision-making Process for Internationalisation

The Special Steak case demonstrated that the motivation for internationalising came from the majority shareholder and that there was predilection for the international expansion in a culturally close market, especially in order to settle in a place where there is a great concentration of Latin-American public, which meets other studies on the internationalisation of Brazilian franchising chains that detected a significant presence of chains in culturally close markets (MARQUES, 2006; MARQUES *et al.*, 2009; BORINI, ROCHA and SPEARS, 2012; MELO *et al.*, 2013) and the classical theory of the enterprise internationalisation the School of Uppsala defends (JOHANSON and VAHLNE, 1977).

Since we deal with the question of the methodologies of decision-making, we must emphasise the fact that a strategic internationalisation plan was elaborated, which is based on a careful scenario preparation that is oriented by the knowledge of specialists of the USA market (HONTON and HUSS, 1987; BRAUERS and WEBER, 1988; GODET, 1993) and which involved the use of the crossed impact matrix, according to what Gordon (1994) indicates. Nonetheless it is convenient to emphasise that the decisions which were made for the elaboration of the plan can have suffered the influence which derives from the majority shareholder's power, because the open debate between the participant

shareholders was allowed, which does not combine with that which is proposed in the Delphi method. However, in general we observed the partial alignment with the directives for effective decision-makings Bazerman (2004) proposes, since they did not think about other countries for investments besides the USA (or, according to the author we referred to, they did not generate alternatives in this sense).

Nonetheless, we observed that they took care not to walk again into psychological traps, like that of self-reliance (the idea the majority shareholder launched was discussed in a meeting, thus avoiding to put all the trust only in that shareholder's estimations) and caution (the discussed estimations were not only supported in the worst delimited scenario) Hammond, Keeney and Raiffa (1999) describe.

With regard to the risk which was perceived in this international initiative, it is convenient to note that the dilution of the costs between the seven investors can have contributed to their reduction, independently from the individual risk tolerance.

In synthesis, the process this enterprise followed, on the basis of the available information, can be approached by means of the following stages:

- I. Motivation: the majority shareholder's wish
- II. Process:
  - a) Problem: market diversification by means of internationalisation
  - b) Objectives: to strengthen the image of the brand
  - c) Alternative generation:
    - with regard to the receptor country of the company, State and city: they only considered the USA, Florida and Miami, respectively; in Miami different areas were considered for the establishment of the restaurant;
    - with regard to the entry mode: only wholly-owned unit (legal exigencies and restrictions the regulating organ interposed made the starting of a franchise unviable);
  - d) Identification of criteria for the choice of the place where the unit was to be established: similarity (physical and demographic) with the area where the unit of São Paulo is located and potential growth. The region of Brickell, (Miami) is quite similar to the district of São Paulo where **Special Steak** is established.
  - e) Clarifying of uncertainties: designation of the minor shareholder, with experience in administration and life in the USA, for the search for consultative support with specialists in the context of that country and also of Brazil.
  - f) Examination of the decisions that are interlinked in time: delimitation of the macro scenarios and analysis of the impacts on the business; open discussions in the Shareholder council for the decision-makings which grounded the strategic internationalisation plan.

With respect to the case we exposed, it is possible to consider that, in decision-making, Special Steak followed the process which comes close to Hammond, Keeney and Raiffa (1999) and Bazerman's proposal (2004) and it resembles what Vianna and Almeida

found (2011), in the internationalisation of a big Brazilian company which used the direct foreign investment as entry mode.

## 5.2. Sul Lunch & Dinner

### 5.2.1. Motivation and Decision-making process for Internalisation

The franchising chain Sul Lunch & Dinner represents a case of “induced internationalisation”, a fact which has been commonly observed in Brazilian franchising chains, according to what Aguiar, Consoni and Bernardes (2013) point out in a research they carried out recently. The motivation for this internationalisation process was regulated by investors who were interested in acquiring and expanding franchises, it was not an internationalisation plan the franchiser traced previously.

Considering this motivator and the information the shareholder director provided, we can infer that the franchiser did not use the methodologies of decision-making we described in topic 2. The decision problem seems not to have been appropriately framed by the chain shareholders, as Hammond, Keeney and Raiffa (1999) and Bazerman (2004) propose it and they did not even think of alternative countries for the analysis or even of other entry modalities into the chain in Angola.

The fact that the partners made the decision without broad discussion with internal or external professionals of the chain provides indices that the decision-makers may have fell into the trap of the confirmation of evidences, that is to say, they relied only on the information which met their personal viewpoints and mental models.

In synthesis, we can approach the process this company followed by means of the following stages:

- I. Motivation: induction of the party interested in investing in the business
- II. Process:
  - a) Problem: market diversification by means of internationalisation
  - b) Objectives: to run new businesses, inclusively with other brands of the holding
  - c) Alternative generation
    - with regard to the receptor country of the company and city: only the option Angola and the cities of Luanda and Soyo were considered; they were indicated by the party who was interested in the franchise;
    - with regard to the entry mode: only the starting of the franchise;
  - d) Identification of criteria for the choice of the place where the unit will be established: not informed;
  - e) Clarifying of uncertainties: no consultative support was sought; the information which were provided by the party that was interested in the franchise were given priority;
  - f) Examination of the decisions that are interlinked in time: not done.

In short, it was a process which was not planned, not structured, mainly based on the examination of the information that was made available by the potential investor. However we must recognise that in spite of what we exposed, in the almost three years of internationalisation the chain achieved satisfactory economic-financial results, which motivated it to seek new countries for its international expansion.

### 5.3. Comparison of the analysed cases

The analysis of table 4 makes it possible to consider that the entry mode abroad can be a factor which had led owners/entrepreneurs to adopt differentiated processes of decision-making. Since the foreign direct investment, in principle, includes financial risk which is directly related to the amount of money invested in another country, the interest in effective decision-makings in this context seems to be greater than in the situations in which it is incumbent on the franchisee to assume this risk. Obviously, there are other risks in the franchise modality, such as the risk of the brand image, but they seem to have occupied a secondary position when the decision to internationalise was made.

Company	Motivation	Process	Entry mode
Special Steak	The majority shareholder's wish	Planned, characterised by the search for consultative support and sequence of stages which come close to those Bazerman (2004) and Hammond. Keeney and Raiffa (1999) present for effective decision-makings	Direct foreign investment (wholly-owned unit); country: USA
Sul Lunch	Induced by the party that was interested in the business	Not planned, without consultative support; stages were not clearly identified	Franchise; country: Angola

**Frame 4: Internationalisation decision-making process of the chains**

Source: Authors

## 6. Final considerations

The results revealed the adoption of two distinct decision-making processes, one being reactive, induced by the party that was interested in obtaining an international franchise and the other pro-active; in the two cases we studied the processes substantially differentiated themselves in terms of planning, search for information and sequenced stages. The entry modes these chains chose were different: the establishment of a wholly-owned unit and of a franchised unit; these seem to have conditioned the striving in the search for effective decisions according to the level of risk the manager/entrepreneur perceived.

Afterwards these choices resulted in the difficulties they faced for the implementation of the internationalisation strategy. These difficulties were mainly related to the workforce, to the geographical distance, to the implications in logistics, to the management of the unit and to the acquisition of raw material.

Thus this study *contributes*, together with the university, to analyse an aspect which has not been investigated academically yet; it deals with the decision-making processes for

the internationalisation of the Brazilian franchising chains and their brands. In the two cases we analysed it is possible to note that it is a decision-making process which is guided by cultural and relational closeness between the involved agents. In its turn the managerial contribution resides in pointing out the necessities to broaden the organisational and institutional analyses before internationalising. The decision to internationalise, which is only based on cultural and relational closeness, can contain limitations when one intends to establish broader expansion plans.

The *limitations* of the research regarding the decision to internationalise culminated in the selection of some methods for the basis of decision-making without considering the analysis of all the existent methods of support for decision-making that exist in the specific literature, which can limit the understanding of the decisions the managers of the chains we studied made. Other limitations which must be emphasised: we did not obtain all the information on the decision-making process we required; the decision-makers' mental model was not thoroughly explored, although its influence on the decisions was treated in the theoretical framework; and the theory which is related to behavioural finances was not approached in this study.

According to Yin (2010) a research limitation; it is the research method which is used. Although the cases we analysed do not allow to generalise the results we obtained for other chains, they offer relevant helps for the conducting of similar researches which involve internationalised chains; we hope that the analysis of the results we obtained in the broad context of case studies can lead to generalisations.

The *suggested studies* can provide greater understanding regarding the reason for the internationalisation of small chains, which are in a stage of maturation on the domestic market. Additional questions to those we proposed in this research can be made in future studies such as, for example: Would it really be strategic on the part of a franchiser to head for other countries before consolidating himself in his market of origin? Is the decision-making process influenced by the intended entry mode into the other country? Do the internationalisation strategies, which are formulated according to the decisions that were made on the basis of the precepts of the decision theory, in comparison with those that are guided by the decision-maker's intuition, lead the franchising chains to an expansion with minor financial risks and brand risks?

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## PROCESSO DECISÓRIO NA INTERNACIONALIZAÇÃO DE REDES DE FRANQUIAS BRASILEIRAS

**Resumo:** Esta pesquisa teve como propósito compreender como ocorreu o processo decisório referente à internacionalização de redes de franquias brasileiras. Pretendeu-se conhecer a motivação para a internacionalização e os métodos utilizados na tomada de decisão. Os resultados obtidos junto a duas redes de franquias revelaram a adoção de dois processos decisórios diferentes, sendo um deles induzido por interessado em obter uma franquia internacional e outro proativo, incentivado pelo franqueador. Os modos de entrada escolhidos por estas redes foram distintos (estabelecimento de unidade própria e de unidade franqueada) e condicionaram as etapas seguidas na internacionalização.

**Palavras-chaves:** Redes de Franquias; Internacionalização; Tomada de Decisão

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