CRISIS MANAGEMENT IN A COLLECTIVISTIC COUNTRY DURING THE COVID-19 PANDEMIC

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ABSTRACT

Objective: The article aims to analyze crisis management in the franchising sector of a collectivistic country during the Covid-19 crisis.

Method: The empirical research, using qualitative exploratory methods, was based on three in-depth interviews with franchising sector stakeholders, in addition to the thematic analysis of six webinars promoted by the ABF from April 15 to 28, 2020. According to Hofstede's country rating system, data collection took place in Brazil, a highly collectivistic country.

Findings: Findings show that franchise chains had to rethink their relationships with various stakeholders such as customers, employees, suppliers, and the government, as collectivistic countries are more likely to value a brand’s approach to society in times of crisis. Moreover, franchisors developed alternative sales channels such as websites, and social media, among others. Additionally, what sustained those companies during the crisis was their connection with their purpose.

Relevance: This study presents contributions to other companies in similar cultural settings by exploring the actions taken by the franchise chains during the crisis and identifying the best practices and paths taken by a collectivistic country.

Contribution: This article contributes to investigations of the effects of the Covid-19 public health crisis in the franchising sector, one of the most relevant economic sectors, in a collectivistic country. Thus, it adds to existing franchising literature by associating a cultural trait with crisis management.

Keywords: franchising, crisis management, covid-19, collectivistic country

INTRODUCTION

In March 2020, the World Health Organization (WHO) officially declared that the COVID-19 outbreak had become a pandemic. The disease is caused by SARS-CoV-2 coronavirus and can lead to severe respiratory illness. The first cases were reported in the city of Wuhan, China, in December 2019. Between the second half of February and the beginning of March 2020, the epidemic was already disturbingly present in Europe. In Brazil, the first case was confirmed by the Ministry of Health on February 26, 2020. The Brazilian government recognized community transmission in the country on March 20, 2020 (Anderson, Heesterbeek, Klinkenberg, & Hollingsworth, 2020; Opitz et al., 2020; Rodriguez-Morales et al., 2020; Surico & Galeotti, 2020).

Several countries have adopted social distancing measures to slow down the transmission and flatten the Covid-19 curve. These measures sought to reduce the burden on healthcare systems and save lives. However, the restrictions brought significant economic impacts, such as the collapse of firms, especially small companies with limited cash resources. For this reason, countries have needed to implement supporting measures to help companies and
society endure the economic impacts (Żak & Garncarz, 2020).

Brazilian health authorities have implemented lockdowns and temporary restrictions for people entering and leaving the country. Other measures were also taken to mitigate the impact of the crisis on public health, the economy, and to support companies and employees during the coronavirus outbreak, including employment-related initiatives, direct and indirect tax reductions, and economic incentives (“Brazil - KPMG Global,” 2020; Croda et al., 2020; Secretariat for International Economic Affairs, 2020).

Some of the sectors most affected by the pandemic were civil construction, food services, fashion, and retail, and the franchising sector, which predominantly covers retail and service activities, has been dramatically impacted. The franchising sector is responsible for more than 1 million jobs in the country. The crisis has had consequences on the franchise system’s commercial activities, finances, and integrity, creating additional challenges to the dynamics between franchisors and franchisees (Abell, 2020; Sebrae, 2020).

In this sense, this article aims to analyze the effects of the Covid-19 pandemic in the franchising sector in Brazil, a collectivist country, and to identify the main strategies companies adopted to mitigate the negative impacts of the crisis. We seek to verify which actions have been developed by franchising sector stakeholders and understand how the franchisors conducted crisis management, considering that Brazil is a collectivistic country. The study used a qualitative method to analyze webinars content and in-depth interviews with some of the most important franchising stakeholders.

This article contributes to investigations of the effects of the public health crisis in franchising, one of the most relevant economic sectors. It also presents contributions to other companies in a similar situation by exploring the actions taken by the franchise chains during the crisis in a collectivistic country, identifying the best practices and paths taken, as well as discussing the changes that will effectively remain in the post-pandemic.

The remainder of this article is structured as follows. After this introduction, the following section presents the literature review about franchising in Emerging Markets, stakeholder management in a collectivistic country, and crisis management. The following section describes the methodology adopted. Finally, we discuss the findings and present the conclusions of the study.

1. LITERATURE REVIEW

1.1 Franchising in Emerging Markets

Franchising consists of a contractual relationship between two legally independent entities — franchisor and franchisee — in which the franchisee pays fees to the franchisor for the right to sell products or services using their brand and business system (Castrogiovanni, Combs, & Justis, 2006; Dant & Grünhagen, 2014). The franchise sector has shown steady growth as a business model worldwide. According to the World Franchise Council, the top ten countries in several franchise brands have a total of 25,483 franchisors and the top ten most significant countries in several franchise units have a total of 2,197,716 facilities (ABF, 2020).

The franchising sector’s economic contributions include job creation, economic modernization, and entrepreneurship development. This potential for generating income and jobs, and its consequent social impact, can be observed in mainly emerging markets (Alon, 2004; Welsh, Alon, & Falbe, 2006). For instance, according to a survey conducted by the World Franchising Council in 2017, India, Taiwan, and Brazil are among the top five countries in the number of franchise brands globally. South Africa is the second country with the most significant share of its overall GDP generated by the franchise sector, 15.3%. Brazil ranks fifth in jobs created by the franchise sector, with approximately 1.2 million in 2019 (ABF, 2020; FASA, 2020).

In this context, the harmful effects of the pandemic in those countries have adverse consequences for the integrity of the franchise sector, as well as commercial activities and socio-economic development. The franchising sector
covers a wide range of activities, and for this reason, it is affected by the crisis in different ways. A study developed by the Ibero-American Franchising Federation - FIAF (2020) showed that franchises in the retail segments, followed by food service franchises – precisely the two commercial activities where franchises are most present – are the most affected by the coronavirus crisis and the social distancing measures, which are necessary for preserving lives (Bretas & Alon, 2020).

1.2 Stakeholders Management in a collectivistic country

Stakeholders are interest audiences, groups, or individuals that affect and are significantly affected by an organization’s activities: Customers, employees, shareholders, suppliers, distributors, the press, the government, and the community, among others (Harrison, 2005). Figure 1 shows a symbolic representation of how stakeholders can influence and are influenced by the organization in a two-way relationship, symbolized by double-headed arrows.

Customers are the most studied stakeholders because companies would not exist without them, having anyone to purchase their products or services. The press is another important stakeholder and requires attention since it can interfere in companies’ direction both positively and negatively by disclosing information about the company.

Government agencies and administrators are the public entities that regulate companies' performance in specific branches. For instance, in Brazil, the ANVISA (National Health Surveillance Agency) has a strong influence on the performance of organizations. Financial intermediaries are banks that assist in financing, loans, and long-term investments. The unions act on behalf of employees’ and employers’ interests, aiming at maintaining a good relationship between the two.

Suppliers represent an essential stakeholder as they participate directly in the company's...
production chain, offering products and services. Activist groups act as representatives of social interests vis-à-vis organizations. These groups have grown a lot more powerful in the battle for companies to act in a socially responsible way. Greenpeace and other NGOs are some examples. The competitors are other companies fighting for the same market share. Finally, local communities are individuals or companies surrounding the organization’s physical space or which they are in contact with.

There are specific franchising system stakeholders, namely the franchisor, franchisee, and committees formed by franchisees. From the stakeholders’ perspective, the relationship between the franchisor and franchisee can be understood as reciprocal. The franchisee’s commitment to the network generates value for the franchisor, which, in turn, strengthens the support of the franchisee (Ortega, Melo, Boaventura, & Mascena, 2016).

Measuring the relationship between organizations and their stakeholders has been a challenge for companies and is strategically important for assessing performance, establishing criteria, and interpreting data, as shown in Table 1 (Freeman, 1984).

<table>
<thead>
<tr>
<th>Stakeholder category</th>
<th>Short-term measurement form</th>
<th>Long-term measurement form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td>Raw material cost. Delivery term. Inventory. Raw material availability.</td>
<td>Growth rates of (1) raw material costs; (2) delivery term; (3) inventory. Innovations from suppliers.</td>
</tr>
<tr>
<td>Shareholders</td>
<td>Valuation of shares. Increased company profitability. Growth capacity using own resources.</td>
<td>Ability to convince shareholders about the growth strategy and increased return on investment.</td>
</tr>
<tr>
<td>Employees</td>
<td>Several suggestions. Productivity. Several complaints.</td>
<td>Several internal promotions. Turnover.</td>
</tr>
<tr>
<td>Government</td>
<td>Several new laws affecting the company. Access to key members and employees.</td>
<td>Several new regulations affect the industry as a whole.</td>
</tr>
<tr>
<td>Clients</td>
<td>Several complaints. Several meetings. Several alliances were formed. Several lawsuits.</td>
<td>Several changes in the policy of regulatory bodies (Procon, Idec, etc.).</td>
</tr>
<tr>
<td>Environmentalists</td>
<td>Several meetings. Several alliances were formed. Several complaints to the Ministry of the Environment. Several lawsuits.</td>
<td>Several policy changes are due to environmentalists.</td>
</tr>
</tbody>
</table>

Source: adapted from Freeman (1984, p. 179)

Moreover, it is pivotal that we remember that relationships ultimately involve people and human behavior, guided by their cultural backgrounds. For instance, according to Chen, Frey & Presidente
countries with lower Hofstede’s “Individualism Index” are more likely to submit to COVID 19 public gathering restrictions for the benefit of the group. Even though these authors Ozdemir & Hewett (2010) and Sresnevsky, Yojo, Veloso & Torresi (2020) also associate collectivism with a population that highly values the importance of relationships in retail settings. Brazilian luxury buyers go as far as connecting with salespeople on social media, gifting them, or even inviting them to social events, even though some brands from individualistic cultures, such as France, Italy, and United Kingdom, frown upon their employees accepting any of those (Sresnevsky et al., 2020). Brazilian consumers also share their shopping experiences and trips to retailing environments with their peers (Sresnevsky et al., 2020), and according to Kongsompong, Green & Patterson (2009), higher collectivistic traits result in higher levels of community influence in buying decisions.

Thus, a brand’s relationship with its employees, with the society it belongs to, and naturally with the consumer has been tested during the pandemic. As the external crisis caused internal problems, such as employee and supplier dismissals, retailers were in the spotlight of public opinion on how they would contribute (or not) to their society during these difficult times (Kim & Woo, 2021). Araújo, Pessanha, Alves & Silva Filho (2021) performed a Twitter sentiment analysis for the Brazilian brand Havan, Madero & Giraffas after their shareholders publicly positioned themselves against Covid-19 sanitary measures, such as social distancing. Results showed Brazilian people did not condone such individualistic thoughts, and tweets associated with those brands were the most severe criticism of their lack of empathy.

On the other hand, brands such as Itau, Ambev, and SAP, who invested in socially responsible actions during the Covid-19 crisis by tending to their employees or the community, had great results in their social media presence and reputation in general (Ferreira & Maradei, 2021). Moreover, even though the pandemic is expected to fade away eventually, not all the changes in consumer behavior will disappear. According to Alharthi, Alamoudi, Shaikh & Bhutto (2021) and Bargain & Aminjonov (2020), consumer behavior changes in times of crisis may persist even after recovery. Likewise, consumer and public opinion on how brands acted during COVID 19 will probably affect how they are perceived in the retailing landscape.

1.3 Crisis Management

A crisis can be defined as an event, revelation, allegation, or set of non-routine, unexpected, and sudden circumstances that create uncertainty and threaten the reputation, integrity, or survival of an individual or organization and shall cause financial losses (Cleeren, van Heerde, & Dekimpe, 2013; Coombs, 2007; Sabriel, 2003; Siomkos, Triantafillidou, Vassilikopoulou, & Tsiamis, 2010). A crisis can affect the functioning of the organization or its future interests. Crisis management experts argue that, although unexpected, crises are not entirely unpredictable – most of them send out signals. However, such signals are neglected and ignored (Neves, 2002).

What differentiates the speed of an organization’s response to the crisis is developing a crisis management plan with a set of measures, attitudes, and internal consequences. The crisis management plan is intended to define how the organization shall behave during the crisis, what actions shall be taken, which people shall be called upon, and what each of them shall do (Rosa, 2004).

Conflicts in a franchise network are relatively common due to the long-standing relationship between the franchisor and the franchisee. Contractual and royalties collection issues are often the cause of frictions in the relationship between franchisees and franchisors, generating long-drawn legal actions that can affect the chain’s brand image. However, macro-environmental situations such as economic recessions and public health issues are more complex to solve and generate conflicts that culminate in crises (Sebrae, 2017).

The Covid-19 pandemic forced governments to order the closure of malls, stores, and retail operations and services in general, often restricting working hours and, in many cases, allowing only home delivery services. In Brazil, franchisors and franchisees had to close their stores in late March 2020.
The main implications for the franchise networks are related to the contributions of franchisees' royalties, the rental costs before the closing of the business due to quarantine, labor aspects, the costs of adapting to new possible solutions such as home deliveries, and new challenges generated for the relationship between franchisors and franchisees.

According to the survey "Brazilian Franchising Performance - 1st quarter of 2020" carried out by the Brazilian Franchising Association, 68% of franchise chains experienced a reduction in sales in March 2020 compared to March 2019. The crisis also caused 52.3% of franchisees to reduce or postpone their expansion plans. A recession in the franchising sector can significantly impact the Brazilian economy regarding employment and income. In 2019, the Brazilian franchise sector's income totaled BRL186.755 billion, with 2,918 franchisors operating 160,958 facilities. Brazilian franchisors were responsible for 1.36 million direct jobs in the country (ABF, 2020).

2. METHODOLOGY

This section describes the empirical research method adopted and the procedures to ensure the study's reproducibility. We conducted exploratory qualitative research following the protocol suggested by Yin (2017), describing the goals, main questions, the selection of the webinars analyzed, and the procedures adopted in the three in-depth interviews.

2.1 Fieldwork Procedures

To encapsulate a phenomenon in which contextualization was necessary, we adopted the qualitative approach, which allows the use of descriptive data as well as direct contact between researcher and research subjects, seeking to understand the phenomenon studied from their perspectives (Godoy, 1995).

As a means for data collection, we analyzed the six webinars held by the Brazilian Franchising Association from April 15 to 28th, 2020, and conducted three in-depth interviews via Zoom, two with ABF executives on 29th and June 30, 2020, and one with a franchisee on July 3, 2020, to validate the findings of the data analysis.

All six webinars and the three in-depth interviews were recorded and transcribed. The choice of webinars held by ABF was due to the association's relevance in bringing together franchising system stakeholders from all over Brazil. The association has over 1,100 members, including franchisors, potential franchisors, franchisees, suppliers, and consultants. We omitted the interviewees' names and kept only the companies they represent. The six webinars with franchisees, franchisors, and consultants took place from April 15 to 28th, at the peak of the crisis when most retail chains were closed. The companies that participated in the webinars are listed in Table 2. The transcription of the entire material resulted in over 100 pages of Microsoft Word, Times New Roman, single-spaced.
Table 2. Participants in Webinars and in-depth interviews

<table>
<thead>
<tr>
<th>Webinar</th>
<th>Participants</th>
<th>Segments</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenges and practices adopted by franchisors and franchisees in the face of the COVID-19 crisis</td>
<td>Franchisors and Franchisees</td>
<td>Food, Education, Fashion, Health, Beauty &amp; Wellness</td>
<td>04/15/2020</td>
</tr>
<tr>
<td>How is the Franchisees’ reality one month after the start of the COVID-19 crisis</td>
<td>Franchisees</td>
<td>Food, Education, Health, Beauty &amp; Wellness</td>
<td>04/20/2020</td>
</tr>
<tr>
<td>The future of companies in the new normal</td>
<td>Franchisors and Consultants</td>
<td>Food, Health, Beauty &amp; Wellness</td>
<td>04/21/2020</td>
</tr>
<tr>
<td>The New Normal</td>
<td>Franchisors and Consultants</td>
<td>Home and Construction, Fashion</td>
<td>04/21/2020</td>
</tr>
<tr>
<td>Challenges and Practices adopted by Microfranchises in the face of the COVID-19 crisis</td>
<td>Franchisors</td>
<td>Food, Cleaning and Maintenance, Services and other businesses</td>
<td>04/27/2020</td>
</tr>
<tr>
<td>Planning for the Recovery</td>
<td>Franchisors and Consultants</td>
<td>Fashion</td>
<td>04/28/2020</td>
</tr>
<tr>
<td>ABF Training Officer</td>
<td>Franchisor and ABF</td>
<td>Fashion (as a businesswoman)</td>
<td>06/29/2020</td>
</tr>
<tr>
<td>ABF Relationship Officer</td>
<td>Franchisor and ABF</td>
<td>Beauty (as a businessman)</td>
<td>06/30/2020</td>
</tr>
<tr>
<td>Owner of three Women’s Clothing Franchises</td>
<td>Franchisee</td>
<td>Fashion (as a businesswoman)</td>
<td>07/03/2020</td>
</tr>
</tbody>
</table>

Source: the authors

2.2 Thematic Analysis Procedures

According to Vaismoradi, Turunen, and Bondas (2013), thematic analysis is often used interchangeably with content analysis. Researchers usually employ one of them to assess large amounts of qualitative information when aiming at a less complex level of interpretation rather than ground theory or hermeneutical phenomenology.

However, it is essential to convey the main similarities and differences between these two approaches: both are based on data analysis to find patterns and themes (Vaismoradi et al., 2013), but the thematic analysis is a method for organizing and translating these patterns into rich data sets (Braun & Clarke, 2006), while content analysis offers the opportunity to (1) quantify such data sets (Bardin, 2011; Vaismoradi et al., 2013) and (2) allow new contents to appear during the analysis process. Krippendorff (2004) believes that the analyst’s contribution should not be ignored, as identifying and organizing the information contained in the raw data is key.

Sandelowski and Barroso (2016) classify qualitative findings according to the degree of transformation of data into findings. The degree ranges from raw data (without discoveries) to the most complex data (interpretive explanation). Thematic research is placed in the middle and is associated with exploratory research since it reflects an attempt to list topics (or subjects raised by the participants) to describe themes (or the standardized responses found by the researchers on the topic covered)” (Sandelowski & Barroso, 2016, p. 912).
The thematic analysis focuses on capturing emerging topics and organizing raw data into useful information rather than applying high levels of theoretical and technological knowledge (Braun & Clarke, 2006). Thus, it is considered a more accessible method of analysis, particularly for qualitative exploratory research on still little-known topics (Vaismoradi et al., 2013), as is the case with this study on the effects of Covid-19 on Retail. Thematic analysis was developed from the technique indicated by Braun and Clarke (2006). We followed the steps in Table 3 to perform the data analysis.

**Table 3. Process of Preparing the Data Analysis**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Thematic Analysis Process Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Familiarisation with the data</td>
<td>Data transcription (if necessary), data reading and rereading, and notes of initial ideas.</td>
</tr>
<tr>
<td>Initial encoding</td>
<td>Encoding interesting data characteristics systematically throughout the data set, collecting relevant data for each code.</td>
</tr>
<tr>
<td>Search by themes</td>
<td>Group codes in potential themes, gathering all relevant data for each potential theme.</td>
</tr>
<tr>
<td>Themes review</td>
<td>Verifying that the themes work with the coded extracts (level 1) and the entire data set (level 2), generating a thematic map of the analysis.</td>
</tr>
<tr>
<td>Naming the themes</td>
<td>Analysis in progress to refine each theme's specificities and the general story told by the analysis, generating clear definitions and names for each theme.</td>
</tr>
<tr>
<td>Creating the data analysis report</td>
<td>The final opportunity for the analysis of selected extracts, returning to the analysis of the research question and literature, producing an academic report of the analysis.</td>
</tr>
</tbody>
</table>

Familiarisation with the data: The webinars and in-depth interviews were transcribed from the recordings, as recommended by Bardin (2011). This manual work allowed the researcher to conduct a free-floating reading and make preliminary reflections on the content. The initial readings of the interviews allowed the organization of the data in the form of a conceptual map with data sources and groups of information.

Initial Encoding: This study's initial coding presented each of the groups or categories of information in an Excel table for each source of information.
Table 4. Initial Stakeholders Coding

<table>
<thead>
<tr>
<th>Initial coding of Stakeholders involved with Covid-19 for franchise networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship with customers</td>
</tr>
<tr>
<td>Relationship with Employees</td>
</tr>
<tr>
<td>Relationship with the Government</td>
</tr>
<tr>
<td>Franchisor - Franchisee Relation</td>
</tr>
<tr>
<td>Relationship with Suppliers, Malls and Real State</td>
</tr>
<tr>
<td>Relationship with Investors and Banks</td>
</tr>
<tr>
<td>Relationship with the Community and Society</td>
</tr>
</tbody>
</table>

Source: own elaboration

Researching Themes: based on the initial coding, we organized the information by stakeholder, creating a new categorization.

Reviewing, Defining, and Naming Themes: Marlow (2006) also recommends outlining significant research points to facilitate conclusions. Thus, we used the Cmaptools software to build the concept maps, applying visual analysis mapping techniques in this project (Langley, 1999). We defined the themes based on the pillars chosen to conduct the analysis. The term 'pillar' was first mentioned by the president of a large franchise chain in the Cosmetics sector, and the concept was confirmed in interviews with the ABF executives, as shown in Table 5.

Table 5. Pillars used in the thematic analysis

<table>
<thead>
<tr>
<th>Pillars</th>
<th>Pillars that sustained the networks during the pandemic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>Members of the entire production chain and end customers (health, financial, emotional...)</td>
</tr>
<tr>
<td>Continuity</td>
<td>Actions aimed at business continuity in the face of the challenges and restrictions imposed by the crisis</td>
</tr>
<tr>
<td>Purpose</td>
<td>It can be divided into 1) individual businesses, the essence of the brand and 2) the franchiser-franchisee business model</td>
</tr>
<tr>
<td>Solidarity</td>
<td>Activities to support the community, donations, production of PPE, alcohol gel, etc. In addition to emotional support for the most vulnerable franchise employees</td>
</tr>
<tr>
<td>Recovery</td>
<td>Actions aimed at the safe reopening of businesses considering the &quot;new normal&quot;</td>
</tr>
</tbody>
</table>

Source: own elaboration

3. RESULTS AND DISCUSSION

This section presents the research results analyzed from a theoretical perspective. Excerpts from franchisors', franchisees', and consultants' statements in webinars and interviewed specialists were inserted to illustrate and base the analysis developed in this study.

From the content of the webinars and interviews conducted, it was possible to observe a considerable concern in maintaining a constant exchange of information and mutual support in this unprecedented context, one that brings significant risks to physical, financial, and mental health for the entire chain. According to ABF, 86% of franchise chains engaged in orientation and
training actions on Covid-19 prevention. The actions taken involved the various stakeholders of the franchising system to maintain reciprocal relationships characteristic of the business model (Ortega et al., 2016). As the franchisor of a food chain summarised: "Human characteristics, empathy, and collaboration, which are present within franchising, have been elevated to the hundredth power since March 15".

The intensity and the timing of implementation of measures varied mainly according to segment and the size of each franchise's operations. The franchise sector covers several types of activity, and each segment has its characteristics. One consultant pointed out, "It is a crisis that has helped some sectors and damaged others".

Therefore, the crisis affects each type of business differently, and the chains need to take specific actions in response (Bretas & Alon, 2020). Besides, the size of the chain is another relevant factor concerning the measures adopted. ABF's training director stressed that "the bigger the chain, the more complex the problem, with different negotiations and reopening at different times". Size is also an issue for franchisees. An education franchisee said: "The biggest challenge is for fellow franchisees with more than 300, 400 employees".

However, the results suggest that, despite the specificities of each segment, most franchise chains rely on five pillars to respond to the crisis generated by the Covid-19 pandemic, involving all stakeholders of the franchising system. The identified pillars are safety, continuity, solidarity, purpose, and recovery (Rosa, 2004).

3.1 Pillar 1 – Safety

The safety pillar refers to the need to maintain all stakeholders' physical, emotional, and financial health. As highlighted by a franchisor in the cleaning segment: "We understand that we have to act at all levels, with all stakeholders". Franchise chains have adopted several measures focusing on safety, such as adaptations in the workplace and the manufacturing and distribution processes, acquisition of safety equipment, orientation and training content, and cash flow review. The franchisor of a cosmetics chain carried out "a very intense job to provide people with a safe position". The franchisor of a food chain, on the other hand, hired a dialectologist to assist in reviewing the processes: "And the objective was very clear: to assist in the creation of protocols with a focus on preserving the health of our employees and customers."

The franchise model has the fundamental characteristic of expanding the brand through small businesses, the franchisees. Although they are part of bigger brands with national presence and strength, many franchised units are owned by small families with few employees. ABF launched the #Franchisestogetherforall campaign, reinforcing that franchisees are, in many cases, small entrepreneurs behind big brands and encouraging the consumption of products and services offered by franchisees.

These small businesses rely on the franchisor's structure for more complex issues. In general, franchisees do not have professionals focused on legal or personnel training issues. Many franchisors have brought specialists in several areas to guarantee compliance with safety measures and the agility demanded by the situation.

A franchisee with two food service brands' operations stated, "The [franchisor] used his legal team to guide us. The commercial team of the brand is defending us, one by one in each mall". The franchisee of a cosmetics chain also highlighted the franchisor’s role: "They helped a lot in the negotiation with all the suppliers".

Concerning the employees from both franchisors and franchisees, the information collected identified the implementation of several online training sessions, documents, booklets, and even occasional individual assistance for specific questions. "We are trying all the time to get information on how to stay healthy emotionally and financially, with gymnastic tips, books that are available online, movies that can be interesting and that bring a little of this sweet side of life in a moment of pain, in a moment of stress."

ABF's training director stressed that the safety pillar is not necessarily the first to be adopted by all franchise chains. A representative of a foodservice
chain highlighted: "We went through some of these phases in a different order". However, the analysis of the results revealed that this pillar influences most of the decisions in the franchise sector. A franchisor stressed: "We are guided by the safety of our employees, our business partners, and their employees".

3.2 pillar 2 – continuity

The pillar of continuity bases actions to preserve the business in the face of challenges and restrictions, mainly finance-related, imposed by the Covid-19 crisis. A feature of the franchising system that contributes to business continuity during a crisis is the cooperation between competing companies. According to ABF’s training director, "in the franchising sector, brands are working together, which will make a difference in the recovery". Through ABF, for instance, franchisors have joined forces to understand the economic, financial, and social scenarios to generate knowledge for their entire network. ABF’s experts have made significant efforts to understand and translate the government’s legal acts to the franchising sector stakeholders during the pandemic.

More in-depth knowledge of legal, tax, and financial factors provided by the franchisors and the association benefits the franchisees’ relationship with suppliers, financial intermediaries, and other stakeholders who accepted agreements and alternative actions. These actions enabled the maintenance of businesses, supply, and credit to each small franchisee. "ABF made a very relevant document available to the group of multi-franchisees, which made all the difference for our negotiation with the property owners".

ABF negotiated with banks better conditions for access to credit, as highlighted by the president of the entity: "ABF has been doing uninterrupted work with private and public banks". Negotiations were also carried out with the Brazilian Association of Shopping Malls, as pointed out by the director of franchisees: "ABF made another request to the shopping center association asking for the reduction of the rent until the end of the year, exemption from the advertising fund, deduction of the proportional condominium fee, and proportional reduction to opening hours." This type of collective effort in the sector translates into what the ABF training director calls competition in the franchise sector in Brazil. It is possible to check on the ABF website the various actions promoted to disseminate information and contribute to the continuity of its members’ business. The association also offers seminars, webinars, and other communication forms to the stakeholders of the franchising system.

Interestingly, even though most of the information, training and innovations disseminated in the franchise chains occur from franchisors to franchisees, there were reports of knowledge sharing in the opposite direction. An English school franchisor learned that a franchisee had implemented an online class system even before the chain would have the opportunity to speak about it. The franchisor sought more information about the process with his franchisee and believed that the initiative accelerated the other units’ adaptation to the pandemic scenario.

The preservation of cash flow was one of the franchisors’ and franchisees' main concerns to guarantee the continuity of operations (Bretas & Alon, 2020), as highlighted by a franchisee: "Cash is finite, and we have to be very careful with the perpetuity of the organization". According to Sresnevsky et al. (2020), Brazilian luxury consumers usually make their shopping experiences a group event, bringing their friends into the shops and asking their opinions. Furthermore, shoppers from collectivistic countries tend to spread the word throughout their communities about their opinions and experiences with brands (Kongsompong, Green & Patterson, 2009).

All these aspects of a retail shop experience presented a great challenge for franchisors and franchisees, as social distancing and economic crisis accompanied the Covid-19 pandemic. Retailers had to balance actions on being socially responsible with their economic needs and their employee’s well-being to keep their brand image positive throughout the global health crisis (Kim & Woo, 2021 Araújo, Pessanha, Alves & Silva Filho, 2021, Ferreira & Maradei, 2021). The search for the
chain’s financial balance occurs in both directions, starting from the franchisor to the franchisee and vice versa.

Franchisors with a better cash flow situation offered better payment terms to their franchisees. Meanwhile, franchisors whose franchisees had a better cash flow offered discounts for advance payments to maintain their corporate activities during the pandemic. There have also been cases in which franchisees with a larger number of units and higher revenue voluntarily gave up the financial advantages offered by franchisors in favor of the chain itself or fellow franchisees in greatest need.

3.3 Pillar 3 – Solidarity

The solidarity pillar encompasses activities to support society and emotional support for franchises’ most vulnerable stakeholders, as is the case of employees. Just as the legal, financial, and management knowledge made available by franchisors for franchisees helped in chain security and the continuity of business in the franchise sectors, they also played an important role in maintaining employment in the sector. To a large extent, both franchisees and franchisors looked for alternative ways to keep their employees on their boards, even though they could not work due to quarantine, by taking advantage of existing government acts and provisional measures, such as reducing the work hours and salary.

As for solidarity towards external stakeholders, such as society in general, several actions have been taken by the retail franchise sector to mitigate the effects of the pandemic. Examples include alcohol gel and personal protective equipment production in the cosmetics chain facilities for donation to hospitals. ABF itself dedicates space on its home page to support campaigns related to Covid-19. Socially responsible actions toward their stakeholders create a great impact on a brand’s image (Kim & Woo, 2021; Araujo et al., 2021 and Ferreira & Maradei, 2021), especially in highly collectivistic countries, as the group’s well-being is perceived as a priority in these communities (Chen, Frey & Presidente, 2021).

One interviewee states that: “in addition to the importance of the solidarity pillar, these actions also have a long-term reach. Solidary companies bring pride to their franchisees and employees, who become more capable of engaging the end consumer and strengthening their presence at the front” — That shows that the solidarity pillar is here to stay.

3.4 Pillar 4 – Purpose

The purpose pillar is divided into each company’s essence and the essence of the franchise system itself. In times of crisis, a company needs to seek strength from different sources to maintain its financial assets and history. The way a company deals with the crisis must not go against its mission and vision, on which its values are based. Crisis moments put these values to the test, but to face the difficulties integrally, a company must also ask itself what its space in society is, its role in the community, and whom the company would fail to serve if it ceased to exist or if it distanced itself from its essence. A major franchisor in the foodservice segment said he had revisited the group’s purpose to adapt to the new situation. According to the interviewee, companies need to align the understanding of their role and purpose of management for people. It is in the purpose that we find the meaning”.

The term coopetition is also a demonstration of the essence of the franchise system. Because franchisors are large conglomerates in terms of the size of their brand but widely dispersed in their distribution of capital, which belongs to franchisees, they seek to optimize their resources through associations such as ABF to carry out market research together, share knowledge and also negotiate agreements with government and financial entities. According to the interviewee: "What happened at that moment is that the chain’s relationship has strengthened a lot. It is time to listen to the franchisees, to maintain the connection with them. Franchisees are feeling more like the brand owners and with more access to the chains".

This collaborative essence probably has its roots in the sector’s format. As stated by the ABF
campaign #franchisestogetherforall, franchised units are representations of large brands but owned by small entrepreneurs, often family members. Through this system, franchisors promote knowledge transfer and good work practices and develop networks of mutual support in different areas of expertise, such as finance and management, among others. In return, franchisees provide human and financial capital and bring empirical knowledge of the day-to-day operation of franchisees.

3.5 Pillar 5 - Recovery

The fifth pillar is the one that contemplates the actions aimed at the safe reopening of business, considering the "new normal" that will come after the quarantine period. It seems to be a consensus among the professionals present at the analyzed webinars that major structural changes will occur in all business sectors. Among the main changes is the need for technical knowledge in several areas such as healthcare, management, and finance, concerns about health security, and the acceleration of digital processes.

In retail, many changes to guarantee business continuity could already be seen during the quarantine period, such as online sales and reducing the number of employees to comply with safety protocols. Most of these changes can be permanent, changing the business structure and the roles of all stakeholders involved. According to one franchisee, "[in] the recovery plan, I understand that our team will have to be a more digital team".

As the franchise sector is focused mainly on brick and mortar stores, many franchisors and franchisees still did not have processes to sell their products and services through digital channels. Thus, franchisors and franchisees generally sought to offer training and platforms to make their services and products available online: "Our role will also be to help this digitalization of the sales team through courses, through tips".

The technical knowledge, which proved essential to franchisees and their employees during the pandemic, is likely to become indispensable in the new normal. It will be necessary to create knowledge transfer systems that guarantee constant updating of information between franchisees and franchisors.

Safety concerns, essential in times of a pandemic, should bring new, stricter standards into the new normal. Especially in collectivistic countries, as Covid-19 policy compliance is much higher where individual freedom lies below the community's well-being. This should largely affect those franchises where end consumers and employees had more direct contact with products, such as clothing and food. Consuming food and trying on clothes and accessories will have to undergo major changes, affecting the behavior of customers and employees and impacting store layout, people flow within each environment, and interaction. For example, according to a clothing franchisee: "After the pandemic, the mall asked not to allow trying on clothes at the store."

Finally, as a response to the new normal, there should also be an acceleration in the use of new technologies in retail. The use of modern technologies by small firms is a survival strategy, helping them to avoid a complete shutdown in several cases (Akpan, Soopramanien, & Kwak, 2020; Marona & Tomal, 2020). Contactless payment methods were already a reality before the pandemic, but reports at trade shows and other essential businesses showed that the aversion to physical money and broken prices that demand change in coins and small bills increased. This trend is likely to spread the use of virtual payment portfolios and contactless card machines in a relevant way. Other technologies such as virtual fitting rooms can also find space to grow and develop in the current context.

CONCLUSIONS

This study discusses the effects of the Covid-19 pandemic on the franchising sector and its stakeholders in a collectivist country. We conducted qualitative research through thematic analysis of six webinars and three in-depth interviews. The analysis was based on five pillars: safety, continuity, purpose, solidarity, and recovery.
One of the contributions of this article was to present sequentially the steps taken by the chains, which at first were concerned with safety, leading them to suspend their operations temporarily. Then, the concern with the continuity of their operations led those chains that had better customer records to maintain sales through their websites and even WhatsApp. This issue showed the need to have an updated database and create a relationship between customers and the brick and mortar store.

The third concern was related to the company’s purpose. This pillar can be divided into the purpose of the company itself, which is to assist franchisees, and the essence of the franchise system – a role was well played by ABF, which brought much information to franchisees and franchisors through the webinars. Many of ABF’s webinars discussed topics related to the franchisor, such as how to rescue the essence of the business and the reason for the company’s existence from the entrepreneurs’ perspective. In several chains, this purpose appeared linked to the community, which was the fourth concern, closely connected to solidarity actions.

For many chains, taking solidarity actions at the time of the crisis is essential, as this is when the chain must show its reason for existing beyond profits.

The last concern, that is, the fifth pillar, is associated with recovery. In Brazil, the first wave of the pandemic lasted a long time, more than five months, and the reopening of businesses happened differently from city to city. This required much control from the chains, as in some cities the stores were closed, in others they opened for 4 hours, while others operated during regular hours. Much flexibility had to exist on the part of the chains and the franchisees, as well as negotiations of payrolls to cope with the situation.

As management recommendations for collectivist countries, where it is important to build up trustworthy and long-lasting relationships, we highlight 1) Investing in Digital Marketing, which is here to stay, with communication channels on the web, Instagram, TikTok, Facebook, among others; 2) Building a database with the customer’s purchase history and keep that data always up to date, which facilitates new sales through new channels, such as WhatsApp or others; 3) Listen to franchisees. These actions occurred during the pandemic, but they must be maintained. Much innovation comes from the edge, and networks need to keep their ears open; 4) Assist in negotiations with suppliers, banks, shopping malls, and others. It is not yet possible to know which percentage of the networks will survive the pandemic, but in a crisis, it is essential to have greater bargaining power than a single store negotiating rents may not have. The network should seek to assist these negotiations; 5) Take care of employees’ health by implementing hygiene protocols, social distancing, and work shifts. This concern is here to stay, as Covid-19 proved that we are much more connected than imagined.

As suggestions for future studies, a survey with chains from different segments is recommended to monitor other actions developed in the five pillars suggested in this study and could compare countries more individualistic against collectivism in Hofeste’s analyses.

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GESTÃO DE CRISE NO SETOR DE FRANQUIAS BRASILEIRO DURANTE A PANDEMIA DE COVID-19

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<table>
<thead>
<tr>
<th>DETALHES DO ARTIGO</th>
<th>RESUMO</th>
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</thead>
<tbody>
<tr>
<td>Recebido em: 10 de setembro de 2021 Aceito: 09 de novembro de 2021 Disponível online: 17 de março de 2022</td>
<td>Método: A pesquisa empírica, utilizando métodos exploratórios qualitativos, foi baseada em três entrevistas em profundidade com stakeholders do setor de franquias, além da análise temática de seis webinars promovidos pela ABF de 15 a 28 de abril de 2020.</td>
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<td>Sistema de revisão “Double blind review”</td>
<td>Resultados: Os resultados mostram que as redes de franquias tiveram que repensar seus relacionamentos com vários stakeholders, como clientes, funcionários, fornecedores e governo. Além disso, os franqueadores desenvolveram canais alternativos de venda como sites, redes sociais, entre outros. Além disso, o que sustentou essas empresas durante a crise foi sua conexão com seu propósito.</td>
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<td>Editor Científico Ilan Avrichir</td>
<td>Relevância: Este estudo apresenta contribuições para outras empresas em situação semelhante, explorando as ações realizadas pelas redes de franquias durante a crise e identificando as melhores práticas e caminhos tomados.</td>
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