

Franchising as an alternative form of outsourcing

- Länsförsäkringar Stockholm's opportunities to expand the franchise concept by including home insurance inspections

Anna Berge



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Abstract

Through the years at the market Länsförsäkringar has built up an organization with a strong brand, great economy and a good customer base, which create a great starting point to build up a franchise chain from. Today there are also two well-developed and successful franchise organizations within insurance and real estate agency. On this basis, there is possibility for Länsförsäkringar to consider if an advantageous future development could be to develop the franchise concept.

Since each regional company within Länsförsäkringar has its own operations, the arrangement of the performance of the services that Länsförsäkringar offers is designed differently in different regional companies. Home inspection is an example of a service performed in various ways in different regional companies. Some regional companies choose to outsource all home inspections, while others choose to perform all home inspections in-house. Länsförsäkringar Stockholm is an example of a regional company that has selected a combination of these two performances.

Home inspections can largely be seen as a service that is closely linked to one of Länsförsäkringar's core businesses - insurance. When Länsförsäkringar should insure a house it wants to conduct a home inspection to be aware of the object's current state. This information creates a basis for to which degree Länsförsäkringar chooses to insure the house. At the same time damage prevention can be done since the home owner becomes aware of the object's shortcomings and risks. When the home inspection within Länsförsäkringar Stockholm is outsourced, it is difficult to fully take advantage of all the information and the exchange that the inspection could give. Through a performance of the home inspection under a franchise concept, it is also possible for Länsförsäkringar to take the opportunity to create customer relationships and build brand.

The aim of this study is to provide theoretical explanations for Länsförsäkringar Stockholm's opportunities to expand the franchise concept by including home inspections. In particular, the study examines whether the current franchisees are interested in broadening the franchise concept with additional services. The theoretical starting point for the study is the Transaction Cost Theory and the Agency Theory, which form the basis for the formulation of a number of hypotheses which become tested empirically. Through a web-based questionnaire, which is sent out to the 103 franchisees within insurance, quantitative data is collected.

The result of the study shows that there is a demand among today's franchisees to expand the current range with additional services. For those franchisees home inspection is considered to be the most attractive service. The franchisees do not perceive any significant uncertainty about the future. However, they perceive that an expanded franchise concept would be very positive if it contributes to a creation of interdependence between the parties for a future cooperation. Whether an expanded franchise concept would lead to a creation of interdependence between the parties is, however, linked to what type of service that the franchise concept would be expanded with. If it becomes expanded with home inspection the franchisees would have to do extensive transaction-specific investments. Within Länsförsäkringar Stockholm, and several other regional companies, a large part of the knowledge of home inspection already exists, which gives Länsförsäkringar a superior position of control. This study shows that a combination between franchise autonomy and relational forms of governance would be preferable for Länsförsäkringar to create the greatest possible growth in the long term for Länsförsäkringar and the entire franchise chain.

Sammanfattning

Länsförsäkringar har under åren på marknaden byggt upp en organisation med ett starkt varumärke, god ekonomi och en bred kundbas, vilket skapar ett bra utgångsläge för att bygga en franchiseverksamhet. I dag finns det också två väl utvecklade och framgångsrika franchiseorganisationer inom försäkrings- och fastighetsförmedling. Utifrån denna grund finns det möjlighet för Länsförsäkringar att överväga om en framtida gynnsam utvecklingsmöjlighet skulle kunna vara att utveckla franchisekonceptet.

Eftersom varje länsbolag inom Länsförsäkringar har sin egen verksamhet är utförandet av de produkter och tjänster som Länsförsäkringar erbjuder utformat på skilda sätt inom olika länsbolag. Nyteckningsbesiktning är exempel på en tjänst som utförs på olika sätt i olika länsbolag då en del länsbolag väljer att outsourca hela besiktningsverksamheten, medan andra väljer att utföra all besiktning i egen regi. Länsförsäkringar Stockholm är ett exempel på ett länsbolag som har valt en kombination av dessa två utföranden.

Nyteckningsbesiktning kan i hög grad ses som en tjänst som är nära förknippad med en av Länsförsäkringars kärnverksamheter – försäkring. När Länsförsäkringar ska försäkra ett hus genomförs besiktningar för att bli medveten om objektets nuvarande skick. Denna information skapar grund för hur Länsförsäkringar väljer att försäkra huset samtidigt som ett skadeförebyggande arbete kan utföras genom att husägaren blir medveten om objektets brister och risker. När nyteckningsbesiktningen inom Länsförsäkringar Stockholm outsourcas är det dock svårt att fullt ut dra nytta av all den information och det utbyte som besiktningen skulle kunna ge. Genom ett utförande av nyteckningsbesiktning i en franchiseverksamhet är det dessutom möjligt för Länsförsäkringar att ta tillfället i akt för att skapa kundrelationer och bygga varumärke.

Syftet för denna studie är att ge teoretiska förklaringar till Länsförsäkringar Stockholms möjligheter att utöka franchisekonceptet genom att inkludera nyteckningsbesiktning. I synnerhet studeras huruvida de nuvarande franchisetagarna inom försäkring är intresserade av att bredda konceptet med ytterligare tjänster. Den teoretiska utgångspunkten för studien är Transaktionskostnadsteorin och Agentteorin, vilka ligger till grund för utformandet av ett antal hypoteser som testas empiriskt. Genom ett webbaserat frågeformulär, som skickas ut till de 103 franchisetagarna, insamlas kvantitativ data.

Resultatet för studien visar på att det finns en efterfrågan hos dagens franchisetagare att utöka det nuvarande utbudet med ytterligare en tjänst. För dessa franchisetagare anses just nyteckningsbesiktning vara den mest attraktiva tjänsten. Franchisetagarna känner inte någon betydande osäkerhet inför framtiden. Dock upplever de att ett utökat franchisekoncept skulle vara väldigt positivt om det bidrog till att det skapades ett ömsesidigt beroende till ett framtida samarbete mellan parterna. Huruvida ett utökat franchisekoncept skulle leda till att det skapas ett ömsesidigt beroende mellan parterna är dock kopplat till vilken typ av tjänst som franchisekonceptet utökas med. Om franchisekonceptet utökades med besiktningsverksamhet skulle det leda till att franchisetagarna fick göra omfattande transaktionsspecifika investeringar, medan en stor del av kunskapen kring besiktning redan finns inom Länsförsäkringar Stockholm, och flera andra länsbolag, vilket skulle ge Länsförsäkringar ett överläge. Denna studie visar på att en kombination mellan självständighet hos franchisetagaren och relationsanpassad styrning (relational forms of governance) skulle vara att föredra för Länsförsäkringar för att skapa största möjliga tillväxt för Länsförsäkringar och franchisekedjan på lång sikt.

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1 Introduction

1.1 Problem background

In a value chain a product or service is created to satisfy the end customers' demand (Coughlan et al., 2006). How the value chain is organized and coordinated to meet this demand can look differently. One of the decisions is to structure who that will perform what in the value chain. On the market it is a general trend that companies must achieve both higher productivity and efficiency (Greaver, 1999). Therefore companies must accomplish more with fewer resources. To meet this situation, companies focus their limited resources on those activities that are most essential and work thus toward specialization. Thereby it has been an extensive increase of strategies for outsourcing, which is when an organization entrusts another firm to perform activities that would otherwise be performed within the organization itself.

Until the late 1980s, companies' operations for an extended period had been characterized by focus on volume and economies of scale, and thus the focus was on production capacity (Greaver, 1999). At this time, companies instead began to increasingly focus on knowledge and value creation. More and more companies achieved increased capacity by outsourcing, and thereby replacing the lack of internal capacity that existed in some parts of the operations with an external knowledge. Since the 1990s, the reason to why companies choose to outsource has shifted from focusing on production process to instead focus on the service that is linked to the product. Today the strategy to outsource certain functions is regarded as an ability to focus on the core business, and thereby increase the flexibility (Fan, 2000). Other common reasons for companies to choose to outsource a function are an expectation of lower costs and economies of scale, associated with higher quality of service (Abrahamsson et al., 2003).

When outsourcing is used in the best way, it can lead to major positive effects, but if outsourcing is seen as the only solution there are risks that the company fail to improve their performance (Abrahamsson et al., 2003). For example, a performance of activities in-house sometimes increases the coordination of the different functions, compared to when activities are outsourced (Coughlan et al., 2006). Another option to outsource an activity is cooperation with a deeper degree of integration. A deeper integration creates a higher dependence between the parties and thereby they achieve a greater coordination. An example of integration is when two companies form a strategic alliance and thus strive towards a common goal. A strategic alliance is characterized by that more trust can be created between the parties thanks to the shared goal.

One type of strategic alliance is franchising, which is a form of cooperation between parties that, in terms of ownership, are independent to each other (Coughlan et al., 2006). The franchisor owns a business concept that other can rent for its own business. Franchising gives the franchisor the opportunity to expand its business and mission, without an increase in capital and a risk-sharing (Ideström and Fernlund, 2009). The franchisee can, through this partnership, take part of an already tested and profitable business idea, while the franchisor gets access to economies of scale and become part of a network of other operators who do exactly the same thing. The franchisee gets part of an accumulated structural capital, in form of procedures, methods and systems, which facilitates the work (Persson, 2000). This increases the predictability in the franchisee's business, which reduces the franchisor's risks

significantly. However, the cooperation through franchising entails risks for both parties since the integration is based on that both parties need to trust each other to a great extent. These risks can be reduced if both parties perceive that there is a higher degree of interdependence. When cooperation works well the organization through franchise provides opportunities for the parties to share the workload in a rational and efficient way.

Today it is 700 franchisors in Sweden with combined sales of approximately 215 billion SEK (Internet, Swedish franchise, 1, 2015). The franchise operations account for near six percent of Sweden's GDP. Actually Sweden is, seen by the number of inhabitants, one of the countries with most franchise operations in Europe (Idestrom and Fernlund, 2009). In the US, however, the market share of franchising is the double against Sweden. Since 2002, the number of franchises in Sweden has increased by 222 percent to today comprise about 30 thousand companies, which employs 110 000 people (www, Svensk Franchise, 1, 2015). Just in the last five years the trend has been that the number of franchisees has increased by 18 percent and this trend expects to continue. Today, franchising is a business form that is suitable for many industries, but traditionally the largest proportion of franchised businesses existed in the retail. Even today, however, 30 percent of the franchise companies operate in this industry. The bankruptcy rate in the retail was 1.5 percent in 2012, and the share of bankruptcy in the Swedish franchise was 0.8 percent. This comparison shows that franchise businesses have a much lower frequency bankruptcy.

Länsförsäkringar is one of the organizations in Sweden that has a franchise organization. Today Länsförsäkringar performs franchise operations within both life- and property insurance and real estate agency (pers.comm. Johansson). The franchise operation within life- and property insurance started in 1998 when Länsförsäkringar acquired Wasa in 1998, which since 1984 had a franchise organization. Länsförsäkringar increased the number of services in 2006 when the real estate agency became a new business that only is performed under a franchise concept.

Besides insurance and real estate agency Länsförsäkringar also has operations within banking (Internet, Länsförsäkringar, 1, 2015). Insurance is, however, Länsförsäkringar's most extensive operation which, besides the franchise organization, also is performed through Länsförsäkringar's own employees. Through the years at the market Länsförsäkringar has built up a strong brand, good economy and a solid customer base (pers.comm. Johansson). These grounds have formed the potential for a franchise concept, which has been created in the organization. Within insurance Länsförsäkringar today has franchise operations in twelve of the 23 regional companies that Länsförsäkringar consists of. The franchise operation within insurance has 137 franchisees that have access to Länsförsäkringar's developed business concept. To manage and coordinate the franchise operation within insurance a Council and a Committee of franchise is established.

In 2008 the Swedish Franchise Association appointed Länsförsäkringar to the year's franchise system (Internet, Svensk Franchise, 2, 2015). In the grounds mentioned that Länsförsäkringar is a very fine ambassador for Swedish franchise systems and that the concept has yielded success for a long time with a very good profitability in the franchisee and franchisor stages, a strong franchise architecture, diverse leadership and strong franchise expertise (pers.comm. Johansson).

1.2 Problem

Today Länsförsäkringar has built up an organization around franchising that is strong. It is base to consider that Länsförsäkringar has opportunities to take synergies from this organization and thereby expand the franchise concept by including more products and services. Länsförsäkringar offers services in insurance, banking and real estate agency today. The entire real estate agency is conducted under a franchise concept, while the sales of insurance partly are conducted by Länsförsäkringar's own employees and through a franchise organization.

Among Länsförsäkringar's operations Länsförsäkringar's most extensive segment is insurance (Länsförsäkringar, 1, 2015). Especially, Länsförsäkringar is dominating on the market of property insurance, where Länsförsäkringar has a market share of 30 percent (Internet, Svensk försäkring, 2015). Thus, insurance can be regarded as one of Länsförsäkringar's core businesses. A service that is closely connected to the insurance business is home insurance inspections (home inspections) (pers.comm. Öhman). Through the home inspection the insurance company investigates the condition of the house that is going to be insured. Further, the insurer becomes aware of the risks that the house is associated with and whether the house already has been afflicted with shortcomings. This risk situation forms the base for whether the insurance company chooses to Full Value Insure the object or not, which determines whether the insurer has full responsibility for payment of any damages.

A well-executed home inspection results in damage prevention, because the owner of the house becomes aware of the house's potential gaps and gets appropriate action proposals (pers.comm. Öhman). The damage prevention helps thereby to limit the risk of future damage such as fire- and water injury. In next step the damage prevention can reduce the cases of damage that Länsförsäkringar must manage and regulate.

Unlike parts of the insurance business within Länsförsäkringar, the home inspection is not performed by a franchise organization (pers.comm. Johansson). It is different between the regional companies within Länsförsäkringar how they choose to perform the home inspection, since some have the strategy to outsource the execution while others perform it in-house. Further it is also different to which degree the regional companies choose to perform damage prevention. Länsförsäkringar Stockholm is one of the regional companies who perform the home inspections through a combination of executions (pers.comm. Öhman). The risk Länsförsäkringar Stockholm evaluates a house is associated with determines who perform the home inspection. Today this has lead to that around 90-95 percent of the houses within Länsförsäkringar Stockholm is inspected by an external supplier.

The home inspection can also be seen as an opportunity to have a physical meet with the customer. In this meeting Länsförsäkringar Stockholm could get to know the customer better and strengthen the relationship which is difficult to develop to a greater extent for companies within insurance and banking. In this customer meeting Länsförsäkringar Stockholm's brand can be strengthened, due to that Länsförsäkringar Stockholm shows a commitment to the customer's safety and its house value, which is both in the customer's and the insurer's interests.

Increased damage prevention could benefit the entire activity of Länsförsäkringar's property insurance and at the same time give an opportunity to additional sales. Furthermore increased damage prevention results in that houses in a greater extent could be measured by the risk

they hold, which from the collective perspective gives better proportioned insurances. A strategy with expanded damage prevention can result in that the customer can obtain different values than the lowest price, and thereby Länsförsäkringar can stand out in the market that otherwise is dominated by an intense price pressure (Internet, Länsförsäkringar 2, 2015).

Since home inspection can be considered as an activity that is closely linked to one of Länsförsäkringar's core businesses – insurance - there are grounds to investigate whether it would be preferable to perform a greater proportion of this services in-house than today. If it had been preferable to execute more home inspections in-house, an alternative to execute the examinations by Länsförsäkringar's own employees is to develop the already existing and successful franchise organization. In such cases an alternative is that the existing franchisees within insurance expand their range of products and services to also include home inspections.

1.3 Problem analysis – clarifications and delimitation

The reasoning in the previous section shows a strategic position that all organizations and value chains face, namely who should do what, in the creation of customer value. More and more organizations have chosen to outsource the activities that are not the organization's most essential. Länsförsäkringar Stockholm chooses, from the situation that is today, to outsource the most of the executions of home inspection to a third party. There is however room to study whether the home inspection can be considered as closely connected with Länsförsäkringar's core business - insurance – and thus if it is preferable to perform this activity in-house. Strategy decisions regarding sourcing is, however, highly specific for each case. Thus, the study of the conditions that exist around this value chain cannot lead to general conclusions can be drawn about the general factors affecting the choice of execution.

Home inspection

Potentially there are many options of services that the franchise concept could be extended with. This study, however, has no room to give a picture of which opportunities Länsförsäkringar Stockholm has to expand the franchise concept with other products and services than home inspections.

Länsförsäkringar

Many of the conditions, about how Länsförsäkringar Stockholm and its value chain should be designed, are the same for the other regional companies within Länsförsäkringar. For example, regional companies have similar needs of which activities they should perform and similar demand around what these activities should contain. However different regional companies face diverse geographical markets. These geographical markets have different types of customers and various options of suppliers and partners, which have generated that the regional companies have chosen to perform the service in various ways.

Thus, it is specifically one regional company, Länsförsäkringar Stockholm, which the focus is on in this study and which specific conditions form the basis for the opportunities that is raised in this study. Therefore, the study of the conditions that exist just for Länsförsäkringar Stockholm cannot lead to that a general conclusion can be drawn about the general factors affecting the choice of execution in all regional companies. At the same time, there is reason to discuss whether all regional companies should have an integrated strategy around what the purpose of the home inspections are and what it thus should contribute to.

Franchisees

The study of the current franchisees' views of being able to offer additional products and services to their customers is, however, based on what the franchisees in the twelve county companies are asking for. It is likely that the franchisees' demand and interest do not differ in different regional companies substantially due to their different markets. Instead it is likely that the difference in demand rather differ as a result of various conditions of a more personal nature.

In the twelve regional companies, there are 137 franchises that offer life- and property insurance. Among these 137 franchisees there are 103 people working full-time with their business. This study is limited to only study the full-time worker franchisees' views of an expanded franchise concept.

In reality, it is probably not just Länsförsäkringar's current franchisees in life- and property insurance that could constitute alternatives for the future franchisees who might be interested in being part of an extended franchise concept with examination. Potentially, even the actors that currently provide home inspections on the market could be potential franchisees. Many of these actors already have a functioning organization with great knowledge. At the same time these actors have difficulty getting any bigger turnover, largely because of a lesser known brand, which creates favorable conditions for a franchise concept with a great exchange between the parties. This study is, however, limited from including whether the actors who offer home inspections on the market today would be interested in being part of Länsförsäkringar's franchise concept.

Theory

In the choice of execution of service, namely whether the best alternative is to perform a service in-house or outsourcing it, the *Transaction Cost Theory* is a possible and suitable approach. In the exchange between two parties transaction costs arises, for example to administer and implement the transaction. Through *Vertical Integration*, such as strategic alliances like franchising, actors can coordinate activities that have a common final propose, and thus increase the efficiency and reduce the costs. This reduces the incentive to spend resources, for example to control the other party, since a mutual control is created.

The Theory of Transaction Costs is the study's main approach, but this is also supplemented with the *Agency Theory*. When two parties integrate vertically a contract normally is established between them to reduce the risk of misunderstandings and complications. These inter-organizational relationships can be problematic when the parties have different conditions, which are highlighted in the Agency Theory. For example, problems can arise by an uneven distribution of information or when one party is deceptive against the other. Lower costs for the agent and the principal can be achieved through that information is exchanged more equally between the parties.

Empirical study

The theories will form the basis for an empirical study that investigates Länsförsäkringar Stockholm's existing franchisees' interest to offer customers an expanded range of products and services. Thus, a questionnaire is sent out to the 103 franchisees that work full-time with their business.

1.4 Aim

This study aims to provide theoretical explanations of Länsförsäkringar Stockholm's opportunities to expand the franchise concept by including home insurance inspections, which today are outsourced to a high degree. In particular, the study examines whether the current franchisees in insurance are interested in broadening the franchise concept with additional products and services.

1.5 Approach

In *chapter 2*, there is a statement of Länsförsäkringar's operations and in particular how the inspections of newly signed houses are performed today within Länsförsäkringar Stockholm. Furthermore, *chapter 3* is composed of a description of the theories that underpin the study; Transaction Cost Theory and Agency Theory. Based on these theories and the study's problem a number of hypotheses are added which are going to be tested through the empirical study.

Chapter 4 presents the empirical study's approach and discusses how the choice of approach affects the result. *Chapter 5* presents the results and analyzes of the empirical study through the questionnaire. *Chapter 6* consists of a discussion of the empirical data with a theoretical basis. The study ends with *chapter 7* where the conclusions of the study are drawn from the empirical findings.

2 Business descriptions - Länsförsäkringar

2.1 The Länsförsäkringar Alliance

Länsförsäkringar is a unique insurance and banking group seen to that it is both customer-owned and locally based (Internet, Länsförsäkringar, 3, 2015). The Länsförsäkringar Alliance consists of 23 independent regional insurance companies (regional companies) owned by its 3.5 million property insurance customers (Internet, Länsförsäkringar, 4, 2015). The regional companies provide security to customers' home by caring for their money and security. Through the regional companies the decisions within the Länsförsäkringar Alliance are decentralized greatly, while the regional companies work together and have a common business through its subsidiary Länsförsäkringar AB (Internet, Länsförsäkringar, 3, 2015). Thus, the Länsförsäkringar Alliance, in the legal sense, is not a group with group management and group functions at the top. Instead Länsförsäkringar can be seen as a federation, and can be described by an inverted pyramid (see Figure 1).

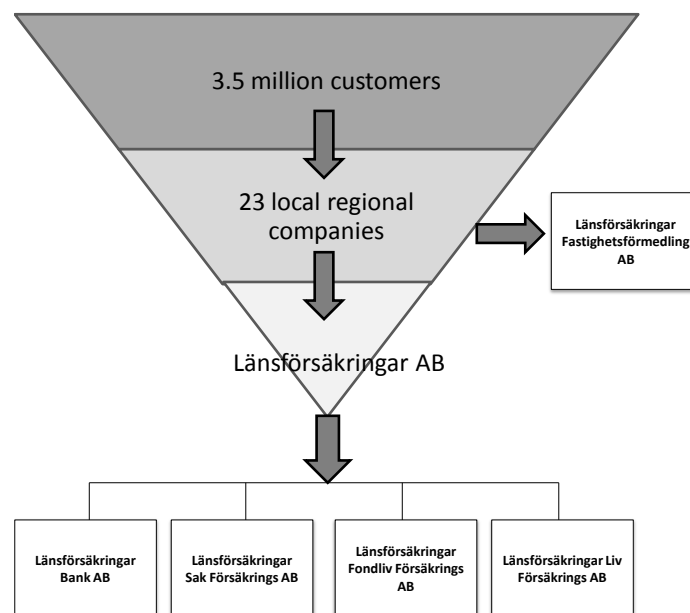


Figure 1: The Länsförsäkringar Alliance's structure (Source: Länsförsäkringar, own processing)

Länsförsäkringar's history dates from 1801 when the first regional company, Länsförsäkringar Kronoberg, was formed which was followed by formations of additional regional companies (Internet, Länsförsäkringar, 4, 2015). In 1917 the collaboration between regional companies began that currently takes place through the jointly owned Länsförsäkringar AB. From the beginning, this collaboration primarily was focused on experience (Internet, Länsförsäkringar, 5, 2015). Today the interaction is rooted in the creating of conditions for regional companies to be successful in their respective markets. Currently Länsförsäkringar AB serves as the nexus for conducting strategic development and as a provider of services to the regional companies in areas that create efficiencies and economies of scale.

Länsförsäkringar AB's mission is to conduct the Länsförsäkringar Alliance's joint insurance and banking (Länsförsäkringar, 5, 2015). In addition to Länsförsäkringar AB, regional companies also have common ownership of the subsidiary Länsförsäkringar's real estate

agency, which thus is separate from Länsförsäkringar AB. In turn, the Länsförsäkringar Alliance includes Länsförsäkringar bank, Länsförsäkringar property insurance, Länsförsäkringar linked insurance and Länsförsäkringar life insurance and subsidiaries to them.

2.2 Operations

In total the Länsförsäkringar Alliance's operating income was 1.47 billion SEK in 2014 and all business segments strengthened the results (Internet, Länsförsäkringar, 4, 2015). Among Länsförsäkringar's business segments insurance is greatest (Internet, Länsförsäkringar, 1, 2015). The business within property insurance is conducted within health insurance, animal insurance and transportation insurance and certain responsibility, property and motor insurance (Internet, Länsförsäkringar, 6, 2015). Länsförsäkringar's life insurance conducts traditional life insurance. For property insurance Länsförsäkringar has a market share of 30 percent, which is a leading position on the Swedish market (see Figure 2) (Internet, Svensk försäkring, 2015). Every second house and housing cooperative in Sweden, as well as every second holiday homes, is insured by Länsförsäkringar.

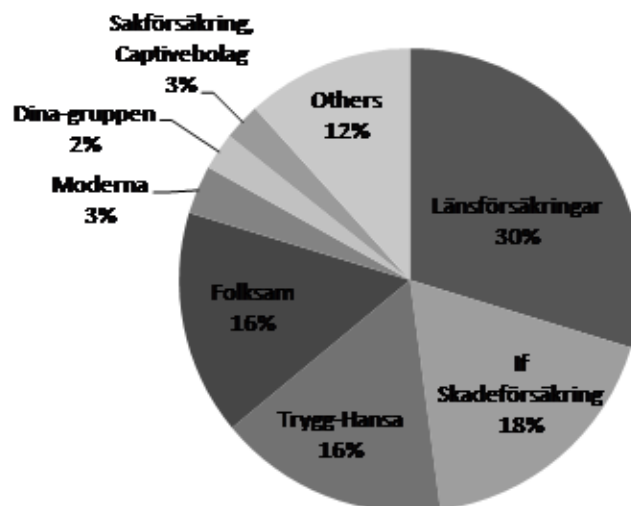


Figure 2: Insurance companies' market share in Sweden in property insurance
(Source: Svensk försäkring, own processing)

Länsförsäkringar's business segment linked insurance has a market share of twelve percent, while the market share is ten percent for the real estate agency. For premium income of life insurance Länsförsäkringar has a market share of over eight percent, while the market share for banking is five percent (Internet, Svensk försäkring, 2015).

2.3 Länsförsäkringar's franchise organization

Länsförsäkringar has developed two franchise concepts within the organization, since both Länsförsäkringar's real estate agency and Länsförsäkringar's life- and property insurance are performed under franchise concepts (pers.comm. Johansson). Länsförsäkringar Fastighetsförmedling was started in 2006 and is, like the two largest players (Swedbank and Svensk Fastighetsförmedling) on the market for real estate agency, executed through a franchise concept (Internet, Svenska Dagbladet, 2015). Today Länsförsäkringar's real estate

agency is Sweden's third largest provider of real estate agency with its 158 offices around the country (Internet, Länsförsäkringar, 6, 2015).

The franchise organization of insurance within Länsförsäkringar started in 1998, when Länsförsäkringar acquired Wasa, which today is a subsidiary of Länsförsäkringar Bank AB (pers.comm. Johansson). Some part of Wasa had already since 1984 been under a franchise organization. The acquisition of Wasa resulted in an investigation that led to recommendations on development, attitudes and a franchise strategy. For example this investigation resulted in the positions adopted that respective regional company has the customer responsibility and liability for the franchise, as a whole. Furthermore, it should be clearly stated that the franchisee represents Länsförsäkringar in marketing and customer relations. Moreover it was advised that questions about the policy, identity, franchise concepts, remuneration structures, etc. should be treated on a common level for all regional companies. Finally, a further recommendation was that the Franchise Council shall be responsible for the management of Länsförsäkringar's franchise strategy.

Today the franchise organization in insurance is executed in twelve of the 23 regional companies, of which eleven have both life- and property franchisees (pers.comm. Johansson). All these regional companies have franchisees in the corporate market, four in the private market and three of them have franchisees engaged in farming franchise. Länsförsäkringar has 123 franchisees that, in turn, on average have one person employed.

Länsförsäkringar's franchise concept for insurance is based on the franchise agreement that is made between regional companies and franchisee (pers.comm. Johansson). Around this franchise concept, Länsförsäkringar has built up a franchise organization, through a Franchise Committee and a Franchise Council. The Franchise Committee constitutes an opportunity for consultations between Länsförsäkringar and franchisees in global issues such as the continued development of policies, concepts, standard contracts and a handbook of the concept. Länsförsäkringar's Franchise Council includes representatives from regional companies and managers of Länsförsäkringar's Franchise Support. This Council determines the organization's franchise strategy and franchise policy. In addition, the Franchise Council conducts work that aims to support the franchisors and franchisees to increase sales, brand image and to achieve greater customer satisfaction and compliance with regulations. The franchise organization, with accompanying Franchise Support, accounts for control, the operating of the franchise manual and the implementation of skills development. Länsförsäkringar's vision is to always have the most attractive franchise concept in the corporate market.

2.4 Länsförsäkringar Stockholm

Länsförsäkringar Stockholm's history started in 1844 when the organization began to insure people and objects (Internet, Länsförsäkringar, 7, 2015). As people's changing lifestyles and needs, the supply has expanded and evolved. Since the customer is the owner all activities of the organization are adapted to meet customers' ownership interests. The customers who have property insurance with Länsförsäkringar Stockholm elect representatives to represent them in the General Council (see Figure 3). In turn, the General Council has the task to appoint the Board of Directors. Länsförsäkringar Stockholm's board is responsible for the organization, management and appoints the organization's CEO. Länsförsäkringar Stockholm's CEO appoints a management team with ongoing responsibility for different parts of the business.

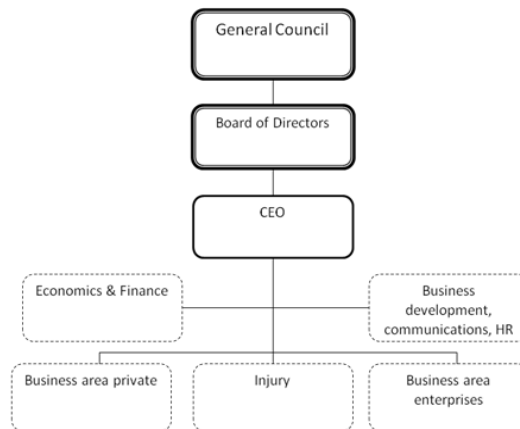


Figure 3: Länsförsäkringar Stockholm's organization and management
(Source: Länsförsäkringar, own processing)

In comparison with the other 22 regional companies, Länsförsäkringar Stockholm employs most people (327 people), second to Länsförsäkringar Skåne (Internet, Länsförsäkringar, 4, 2015). The year of 2014 became one of the strongest years in long time for Länsförsäkringar Stockholm, since the operating profit amounted to 465 million SEK (Internet, Länsförsäkringar, 8, 2015). This strong year can be attributed to reduced operating costs, increased sales and significantly lower damage costs.

The increased sales and reduced operating costs can be attributed to a change in Länsförsäkringar's distribution, increasing customer processing and more efficient working methods (Internet, Länsförsäkringar, 8, 2015). Within the Länsförsäkringar Alliance a new offer to customers in insurance and finance has been launched. This new offer has, together with improved working methods, led to that more of the customers of Länsförsäkringar's real estate agency also choose to insure and finance their new property within Länsförsäkringar.

2.5 Home insurance inspections

Home insurance is one of the property insurances that Länsförsäkringar Stockholm, and the other regional companies, offers (Internet, Länsförsäkringar, 9, 2015). When a customer signs home insurance with Länsförsäkringar Stockholm the insurance provides a basic protection for his/her home and the persons. In the next step, the home insurance can be combined with any *type of resident insurance*, such additional home insurance or condominium insurance. Finally, the insurance can be maximized by a *supplementary insurance*.

When a customer has signed a home insurance Länsförsäkringar Stockholm wants to execute a home inspection to investigate the house's current condition and thus become aware of the risks that the house is associated with (pers.comm. Öhman). The home inspection contributes also to damage prevention and thereby Länsförsäkringar can limit the risk of future damage such as fire- and water injury. If the home inspection shows that the house already has been afflicted with shortcomings, the inspection can result in that the responsibility for the damage can be imposed on the owner of the house's former insurer.

The risks that an object is associated with can emerge depending on the construction or age of the house. The investigation forms the basis for whether the insurance company chooses to *Full Value Insure* the object. For Full Value Insured objects there is no insurance amount that borders the damage compensation (Internet, Länsförsäkringar, 2, 2015). Since the pricing of

insurance is based on the risk a "normal object" is associated with, Länsförsäkringar Stockholm considers that objects that fall outside the normal risk situation should be adjusted (pers.comm. Öhman).

Länsförsäkringar Stockholm has categorized different objects by some criteria, which determines whether a house is going to be home inspected (pers.comm. Öhman). In this study, the different categories are named by the numbers 1, 2 and 3, where number 1 is associated with the lowest risk and number 3 with the highest risk.

Länsförsäkringar Stockholm acts after the starting point that houses that are newly built or up to two years old are not associated with any specific risk and thereby Länsförsäkringar Stockholm do not to inspect these houses at all (Category 1) (pers.comm. Öhman).

Länsförsäkringar Stockholm considers that houses over 250 square meters and/or houses that are built before 1930 falls outside the normal risk (Category 3) (pers. Comm. Öhman). Thereby Länsförsäkringar performs home inspections of those objects in-house by studying the houses' condition, construction and reconstruction value. If significant lavish renovation has been done Länsförsäkringar provides the property owner to insure the property for a fixed amount, through a *First Risk Insurance*, instead of a Full Value Insurance. In this way the risk spectrum become regulated for these objects that are not assumed to fall within the normal risk. The First Risk Insurance implies that Länsförsäkringar will cash regulate any future damage to the amount set at the signing of the insurance. Objects with full value do not have an amount limit for maximum compensation. If these houses are affected by fire damage the starting point is, according to the damage assessment rules, that Länsförsäkringar is responsible for building up the affected house with rational methods and materials.

The properties that Länsförsäkringar Stockholm will insure, but which do not fall within any of the categories mentioned above, Länsförsäkringar considers fall within the normal risk (Category 2) (Pers.comm. Öhman). Thereby Länsförsäkringar Stockholm considers that the risk pictures of these houses do not need to be adjusted. Länsförsäkringar offers these property owners a signing of a supplementary insurance that an external supplier in turn deliver. This supplementary insurance includes an execution of home inspection by the external supplier and thereby Länsförsäkringar ensures that even these houses become inspected. Thus, the external supplier investigates if the property has an ongoing damage or how big the risk is for future shortcomings. This makes the property owner enlightened about what measures should be taken, while Länsförsäkringar Stockholm gets a protocol which assists in the event of a process of claims settlement.

2.6 Summarized description

Home inspections can be described as a way for insurance companies to be aware of the risks a house is associated with. Länsförsäkringar Stockholm estimates that almost all newly signed properties should be inspected. Depending on to which risk category an object falls, Länsförsäkringar considers there is different weight that damage prevention, through home inspection, is performed. In summary objects in Category 1 (new houses) are not home inspected at all, while both objects from Category 2 (house with normal risk) and 3 (house outside normal risk) does.

One difference between the home inspections, which are carried out for the two categories, is that Länsförsäkringar executes the home inspection of Category 3 in-house, while

Länsförsäkringar ensures that properties within Category 2 be inspected by the customers' sign of a supplementary insurance. Thereby the home inspections in Category 2 indirectly are outsourced. Through the boundaries of risk categories that Länsförsäkringar Stockholm does there is a risk that some insurance are not subscribed ultimate in Category 2, and that properties be Full Value Insured, instead of to subscribe a First Risk Insurance. Further the damage prevention is more limited when it is outsourced. At the same time you always have to draw the line somewhere to get efficiency. The question for this study is whether today's performing of the execution of home inspections is the best way or if home inspection possible could be performed under a franchise concept, given that home inspection is closely linked to one of Länsförsäkringar's core business – insurance.

3 Theory

3.1 Vertical Integration

Integration contributes to that the activities between the actors in a value chain can be better coordinated (Nilsson, 1991). Through integration, the parties in a cooperation that is characterized by uncertainty achieve a higher degree of coordination because the boundaries between the parties get extended at sacrifice of a lower degree of *autonomy*. In this way, the parties' *mutual control* of each other's activities get greater which use to be demanded when parties in a value chain are highly interdependent.

When the output of an activity in a value chain is well suited as input into the next activity, the parties are well integrated with each another (Nilsson, 1991). In this situation, the latter activity, with use of the input from the first, is carried out effectively and with good goal achievement as a result. This coordination can be achieved in different ways. In the market, two extreme forms, market mechanism and the central planning, are distinguished. These two forms can be described as the extremes on an axis which has many intermediary forms. The intermediary forms consist of various degrees of combinations between the extreme forms, market mechanism and central planning, which are called partial integration (see Figure 4).

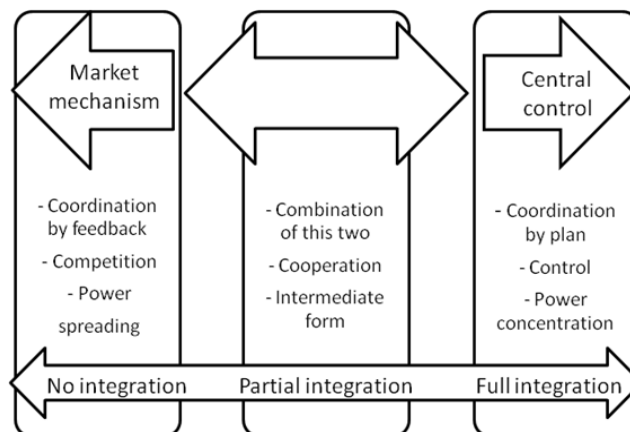


Figure 4: Scale of integration (Source: Nilsson, 1991, own processing)

Market mechanism is the extreme form when no integration exists (Nilsson, 1991). In this situation the parties, whom try to coordinate some activities, are totally independent. Coordination is instead achieved by the parties voluntarily adapt to each other on the basis of the information that is exchanged. This exchange is based on "coordination by feedback", which means that adaptation takes place along the information that parties provide to each other regarding the experience of the previous adaptation measure. The precondition for this coordination to work is that there is free competition in the market, so that power is dispersed. When market mechanism exists no party has power enough to control the other party.

The opposite to market mechanism is *central control*, which is the extreme form when there is full integration between the parties (Nilsson, 1991). In this extreme form coordination is achieved through "coordination by plan". When this market mechanism exists has one of the parties full control over the other, and is thus able to require him/her to adapt. In this situation there is complete concentration of power.

Partial integration represents the whole range that is available between extreme forms, which meaning that coordination is done through a combination between market mechanism and central control (Nilsson, 1991). Thus, the parties partly are independent from each other and partially are integrated. At partial integration cooperation is more or less associated with competition, which means that the parties have control over each other to various degrees. Thus, the power in some form of partial integration is either completely dispersed or completely concentrated.

Between actors it can be distinguished different types of integration, depending on what relationships the parties who are co-ordinate with each other have (Nilsson, 1991). Within integrations where different actors in a particular direction, and thus at the same level in the value chain, provide coordination through a joint decision is called *horizontal integration*. When the actors that instead are within the same value chain, where one party's output becomes another's input, achieves a degree of central control occurs *vertical integration*.

Examples of vertical integration is when different parties, which previously have had their own home inspection activities, will merge under a franchise concept and interacts with a third party (the franchisor) who is the owner of the concept. In this case coordination is achieved between the stage of the value chain where there is a demand that the home inspection is been made (Länsförsäkringar Stockholm) and the stage in the value chain that performs the actual inspection (franchisees). Franchising is an example of a collaborative solution where the partners conduct individual activities under a single brand.

3.2 Transaction Cost Theory

Transaction cost theory describes why it under certain conditions of inter-organizational relationships exist differently integration degrees (Nilsson, 1991; Nilsson and Björklund, 2003). Besides the cost (purchase price) for the purchased/sold product additional costs in terms of transaction costs arise (Nilsson, 1991). To achieve certain coordination actors choose the coordination solution that delivers the lowest possible transaction cost. Each transaction is associated with transaction costs to plan, negotiate, administer, implement and control the transaction. These activities are carried out to reduce uncertainty and risk in the inter-organizational relationship. In an interaction the risk always is that the counterparty is acting deceptive, for example by not keeping what is agreed. Actors can by having a greater focus on information gathering, contract writing and so on, to some extent reduce these risks.

The activities performed in connection with a transaction, which result in transaction costs, are more or less necessary, depending on the transaction (Nilsson, 1991). An actor who has high transaction costs in a given market situation are more inclined to integrate. The transaction costs must be balanced with the rising bureaucracy costs, which arise from increased integration. Examples of bureaucracy costs are increased administrative expenses and insensitivity to external changes. Thus the appropriate level of integration is determined by the relation between transaction costs and bureaucracy costs in a specific market situation. A business is seeking to minimize the sum of production and transaction costs (Nilsson, 1991; Nilsson and Björklund, 2003). This decision fits the choice of coordination solution, including whether the company should carry out the production or service in-house or outsource it. Sometimes some type of integration is the optimal solution.

3.2.1 Human factors

Transaction costs arise as a result of both human factors and environmental factors (Pfeffer and Salancik, 2003). The human factors that influence the rise of transaction costs can partly be attributed to the fact human actors are subject to bounded rationality and opportunism behavior (Williamson, 1981).

If the human actors had been fully rational, they had chosen to gather complete information prior to every decision and all economic exchange had been effectively organized by contracts (Williamson, 1981). Instead the human actors are *bounded rational*. Since there is a cost to collect and process information, the human actors choose which specific decisions they prioritize. In addition to this priority the human actors are moreover limited in its ability to understand its complex business environment. This bounded rationality causes incomplete information, *information asymmetries*, between the parties, which contribute to higher transaction costs.

Human actors are given to *behave opportunistically* due to that each operator primarily is interested in making decisions after what is best for him/her (Williamson, 1981). This behavior can sometimes cause a party to act opportunistic and be looking for its own good, which creates scope for him/her to be ready to act fraudulently in order to achieve its purpose. In cases with interaction between two parties, there is always a risk and uncertainty associated with these human factors, which create incentives to allocate resources to counter them. This allocation of resources generates higher transaction costs.

3.2.2 Environmental factors

Transaction costs are arising as a result of environmental factors and thereby as a result of the characteristics of the transaction's activity or situation (Williamson, 1981). Foremost among these characteristics that affect transactions are asset specificity, uncertainty and frequency (Williamson, 1981; Feng et al., 2013).

Since no complex contracts are complete the contracting actors take risks in their cooperation (Feng et al., 2013). This risk is extra obvious for a party that, due to the cooperation, requires *investments in transaction-specific assets*. The party that carries investments in assets that are directly tied to this specific transaction or this specific transaction party has, from several aspects, been locked into the transaction, and is thereby more or less superfluous if the cooperation ends (Nilsson and Björklund, 2003; Feng et al., 2013). An investment can be resource-bound seen to that it only is suitable for a certain type of production or to a specific geographical location. Other examples are when the investment is made in human resources, which are knowledge capital. Since there is a risk that the actor who may make this transaction-specific investment is locked in precisely this cooperation his/her options of possible partners is limited (Nilsson, 1991). If the counterparty acts fraudulently, he/she can exploit the situation and in its power obtain advantages at the expense of the other party. If both parties instead are dependent of this transaction the risk for fraudulent behavior is reduced.

For example, the franchisee's level of dependence on Länsförsäkringar is different depending on the franchisee's alternative choice of partners. A franchisee who already has built up knowledge in insurance and who now also invest knowledge capital in home inspections is largely tied to a continued cooperation with an insurance company which both demand

execution of sale of insurance and execution of home inspections. A franchisee who has previously conducted its own home inspection activity has instead already made investments in knowledge capital within home inspection and has always the option to work with inspection in any other business.

Uncertainty is also a result of imperfect contracting and when the adjustment between the parties is not done satisfactorily (Feng et al., 2013). In transactions costs are incurred as a result of the uncertainty and complexity that is associated with the activity itself and in the process where the activities that should be carried out are defined (Nilsson, 1991). Thus, there is both uncertainty that is linked to the actual situation and its complexities and uncertainties partly due to communication difficulties between the parties that are involved. An actor who experience uncertainty in its operations may have reason to integrate vertically, and thereby reducing the transaction costs. The integration contributes to that the actors get control over each other, which reduces the uncertainty.

Lastly transactions' characters are influenced by the *frequency* that the transaction is associated with, videlicet the frequency with which transactions recur (Williamson, 1981; Nilsson, 1991). If the transaction occurs with low frequency, the incentives to protect themselves against the transaction costs, through any level of integration, are too expensive (Nilsson, 1991). In this case, the total amount of resources required to establish a stronger relationship are higher than the low frequency but these result in high transaction cost, not least because the actual establishment of an integrated business is risky.

3.2.3 Transaction cost's size

The size of transaction costs are determined by the degree of uncertainty that the transaction is associated with, the presence of transaction-specific investments and the level of the frequency of the transaction (Williamson, 1981; Nilsson and Björklund, 2003; Feng et al., 2013). Moreover the transaction costs' size is affected by the factors externalities and hierarchical decomposition (Williamson, 1981; Nilsson 1991; Nilsson and Björklund, 2003).

A single actor's decision of the execution of a transaction does not fit whether his/her decision has *external* effects, positive and/or negative, on other operators (Williamson, 1981; Nilsson 1991; Nilsson and Björklund, 2003). Because these effects are not contained in the individual operator calculus, he/she has no reason to consider the indirect and long-term consequences of its actions. A solution to the market mechanism that does not work, is when the actors who are affected by each other's effects acting collectively, by some form of integration. In this way, negative externalities are reduced while positive can be promoted, which results in lower transaction costs in the long term.

In a value chain the actors' transaction costs can be reduced by *hierarchical decomposition*, when related activities in the value chain are broken down according to their optimal sizes (Williamson, 1981; Nilsson 1991; Nilsson and Björklund, 2003). Since some parts of a production activity are characterized by economies of scale, while others are characterized by the opposite, diseconomies of scale, it sometimes can be the most economically efficient to place these activities in different organizations. The risk is, however, that the two activity types are so closely linked that it is difficult to perform them completely separate.

Partial integration can be a solution to this situation and thereby the activities are performed along their optimal sizes and are well integrated with each other (Nilsson, 1991). Franchising

is a good example of this, since a large organization stands for the activities where economies of scale are important, while smaller organizations perform the activities that are beneficial to carry out small scale. At the same time there is integration between the parties. Cooperatives work at a similarly way, which Länsförsäkringar is an example of. Within the Länsförsäkringar Alliance the activities that are suited for small operations (for example client meetings) are performed in regional companies, while activities that are well suited for economies of scale (for example strategic development) are performed by a larger organization, Länsförsäkringar AB.

3.3 Agency Theory

In a value chain, or between parties within a company, there are several sources of conflicts (Coughlan et al., 2006). One of these conflicts is different, or even competing, goals which can be described by the Agency Theory. In addition, problems occur when the agent (the contractor) and the principal (the client) do not know who the respective parties' real goals and interests are (Bogetoft and Olesen, 2004). These conflicts and problems arise on the basis of assumptions about individual utility maximization, bounded rationality and information asymmetry (Nilsson and Björklund, 2003).

Individual utility maximization is based on that a conflict is created by the premise that decisions are taken with regard to a party's own benefit and interest, rather than a starting point on the entire value chain's or organization's best (Nilsson and Björklund, 2003). Competing goals create conflicts in the relationship between the agent and the principal regardless of the relationship that is regardless of the parties' personalities or the past experiences of their relationship (Coughlan et al, 2006). Conflicts such as these lead too often to that the parties personify the conflict and believe that the solution is to discontinue the relationship and initiate a new one. The fundamental conflict normally remains anyway.

In a relationship between an agent and a principal, the agent has been commissioned to act in the principal's interest (Nilsson and Björklund, 2003). To increase the probability that the project is carried out properly a contract often is written between the parties. Despite this action, it may be difficult for the principal to prevent that the agent does not act in its own interest. Since human beings are subject to *bounded rationality* all complex contracts are unavoidably incomplete (Williamson, 2002). The contracts are also costly to establish, maintain and monitor (Nilsson and Björklund, 2003). In a situation where the parties are bounded rational and where each party's goal is individual utility maximization, there is a risk for *opportunistic behavior*. These limitations of rationality are probably not the same for both parties, since they normally do not have access to the same information, which makes the existence of *information asymmetry* (Nilsson and Björklund, 2003; Bogetoft and Olesen, 2004). When information asymmetry exists, there is a greater risk that the party with more information exploits the situation to his/her advantage.

The situation between the agent and the principal may give rise to various costs. For the principal *inspection costs* arises since he/she adds resources to manage and control the agent (Nilsson and Björklund, 2003; Bogetoft and Olesen, 2004). These control costs are incurred both in the design of contracts and in follow-up of the contract compliance. The agent, in turn, has *assurance costs* for a variety of resources deployed to convince the principal that he/she acts in the principal's interests.

3.4 Previous studies

In previous studies, empirical analysis has been made of the interaction between franchisors and franchisees through the Transaction Cost Theory and the Agency Theory. For example, researchers have investigated the autonomy of the franchisee and transaction-specific factors that influence this choice. In the next step, studies have been made on how a change in the autonomy of the franchisee contributes to increased agency costs. Further, studies have been made of the environmental influences on the structures of networks. Finally, a study has been made concerning how the franchisor should manage his/her superiority of power over the franchisee, based on the entire franchise chain's best.

Transaction costs. López-Bayón and López-Fernández (2011) study which areas franchisors should leave to the franchisees and which ones should be performed by the franchisee. The starting point to this study is to increase the franchise chain's performance and in particular to reduce the risk to the franchisor fosters early termination of the cooperation. An expanded *autonomy* of the franchisee contributes partly to the positive effect that the franchise chain can utilize the franchisee's local knowledge, and partly to the negative impact that it may impair the franchise concept's homogeneity.

The authors show that it is advantageous if decisions regarding assortment and local advertising are delegated to the franchisees, since it tends to reduce the risk of early termination of the cooperation. Pricing decisions in contrast, tend instead to increase the risk of early termination of the interaction if those are delegated to the franchisee.

Mumdziev and Windsperger (2011) aim to expand the strategies in terms of *transaction costs* by connect it with the allocation of decision rights in franchise chains. In particular, the uncertainty in the transaction cost variables behavior (human factors), environment and investments in transaction specific assets are investigated. In next step these variables are related to whether the franchisor delegates decision rights. The conclusion of this empirical study is that when the franchisee has large *transactions specific assets*, as a result of the cooperation with the franchisor, the franchisor is willing to reduce the formal control. In these cases the franchisee thus tends to delegate the decision-making to the franchisee. When the franchisor instead feels that there is *environmental uncertainty*, the franchisor rather entrusts decision rights to the franchisee. Finally, when the franchisor experiences that it is difficult to monitor the *franchisee's behavior* due to human factors and measure its performance, the franchisor tends to delegate the decision to the franchisee.

Arranz and Arroyabe's (2007) study focuses on governance structures within technological networks through the transaction cost theory. An overall conclusion is that the form of governance is more *hierarchical* when the technological network has made major *transaction specific investments*, has higher *uncertainty* and greater *frequency*.

Inspection costs. Cochet et al. (2007) consider that a franchise chain where the franchisee has *autonomy* promotes the entire franchise chain's adaptability and efficiency. This autonomy, however, also contributes to increased *inspection costs* which arise as a result of a misalignment between the franchisor's and the franchisee's interests. The study's empirical results provide strong support to that franchise chains can balance the loss of control that the franchisor gets by relational governance mechanisms. Formal control mechanisms are direct as explicit contract terms, but this mechanism counteracts usually not all vulnerabilities of the organizational goal conflicts. Relational Forms of Governance instead counteracts the

cooperation from potential conflicts through an indirect control. This control occurs through unwritten codes of conduct and norms of behavior. The worse the agent's goal matches the entire franchise chain's goal, the more important this relational governance is to reduce these inspection costs.

The authors also present factors that reduce the negative effect of conflicting goals within a franchise chain. Cochet et al. (2007 p.2) define these factors as "multi-unit ownership, age of the franchise-franchisor relationship, geographic distance between the outlet and the company's head office, franchisees' past economic success and the level of perceived intra-chain competition".

Agency Theory. Ehrman and Spranger (2005) find that the franchisee is sensitive to *opportunistic behavior* both before and after the signing of a contract. When a contract is signed between the agent (franchisee) and the principal (the franchisor) parts of the contract give the agent directly mandatory and other parts gives the agent non-mandatory conditions and requirements. This is creating an *asymmetrical* allocation within the franchise chain. The agent only has little opportunity to make counterclaims, which initially creates a situation where the agent is sensitive to opportunistic behavior from the principal's side. For example, a higher uncertainty for the agent is created when the principal offers longer contract terms and when the agent is provided financial assistance by the principal. In this way the principal creates dependence for the agent to continue the cooperation, while the franchisor has room to behave opportunistically.

The empirical analysis by Ehrman and Spranger (2005) indicates that the franchisor should not use this power advantage by behaving opportunistically. Instead, a stronger growth in a franchise chain is created if the franchisor cooperates with the franchisee and operates in a credible way to alleviate this asymmetry. For example, the franchisor counters this imbalance through the adaptations of contracts, organization and economy. Furthermore, the franchisor should not control the franchisee by coercive means to a large extent. Instead, it is better for the entire franchise chain, and for each party in the long term, if the situation develops into a *mutual dependence* between the parties in which each party is dependent on the overall system's success.

3.5 Hypotheses

Based on the problem, theory and previous studies in the area seven hypotheses have been developed. The hypotheses are related to the theory, where the first two areas are linked to the Transaction Cost Theory and the third area is linked to the Agency theory. The result of these hypotheses provides theoretical explanations to Länsförsäkringar's opportunities to expand the franchise concept. These opportunities, and in particular the franchisees' viewpoints to the current and future cooperation with Länsförsäkringar, have been studied by the survey. Each hypothesis consists of two variables that constitute one respective question/statement in the questionnaire.

Environmental uncertainty and vertical integration

The uncertainty about further cooperation due to the environment can be reduced for Länsförsäkringar and the franchisees if the parties become more integrated with each other, which can be attained through an expanded franchise concept. In collaborations that are associated with uncertainty, the party who experience the greatest uncertainty has the biggest

reason to integrate vertically and in that way reduce its transaction costs. The parties' uncertainty gets reduced when they get a higher degree of control over each other. If Länsförsäkringar or the franchisees perceive that the other party gets increased incentive to continue the cooperation, thanks to an expanded franchise concept, is even that party willing to become more dependent of a continued cooperation. When both parties are dependent on the continued collaboration creates conditions for a situation where no party can exploit the other.

H1a: The less Länsförsäkringar is *dependent* on a continued cooperation today, the more the franchisees want to become *integrated* and expand the franchise concept.

H1b: The more an expanded franchise concept increases Länsförsäkringar's willingness for a continued cooperation, the more the franchisees want to become *integrated* and expand the franchise concept.

Uncertainty and investments in transaction specific assets

Franchisees that perceive that their knowledge within insurance is highly transaction-specific are also experience dependence to a continued cooperation. In such case the franchisee would be even more interested in to create a wider cooperation. Further it, from the franchisees' perspective, would be positive if even Länsförsäkringar become more dependent to a continued cooperation, so that interdependence is created. Such a situation would in fact create a smaller uncertainty for the franchisees about a future cooperation.

H2a: The more *transaction-specific* the franchisees perceive that their knowledge of insurance is, the more attractive an expanded franchise concept is for them.

H2b: The more an expanded franchise concept leads to *interdependence*, the more attractive an expanded franchise concept is for the franchisees.

Uncertainty due to human factors and agency costs

Franchise chains where the franchisor and the franchisees have different or even conflicting goals are less effective collaborations. In these partnerships the franchisor cannot provide the franchisee any greater autonomy, without generating significant agency costs. If a franchise chain consists of an integration of multiple goals the problem of this can be damped for example when the cooperation has lasted over a longer period, when the franchisee is satisfied with their financial situation as well as when the franchisees do not perceive that there is a great competition towards other franchisees and/or Länsförsäkringar's employees within insurance. If an adaption has been made between Länsförsäkringar's and the franchisees' interests, it can be advantageous for the entire franchise chain's efficiency and adaptability if Länsförsäkringar allows the franchisees more autonomy, without generating significant agent costs.

H3a: The further the *cooperation* between Länsförsäkringar and the franchisees has lasted, the greater the *adaptation* between the parties' interests has been.

H3b: The more satisfied the franchisees are of their *economic situation*, the greater the *adaptation* between Länsförsäkringar's and the franchisees' interests has been.

H3c: The less intra-chain *competition* the franchisees perceive, the greater the *adaptation* between Länsförsäkringar and the franchisees' interests has been.

4 Methodology

4.1 The choice of methodology

The study aims to investigate Länsförsäkringar Stockholm's possibilities to perform home inspections under a franchise concept. To study these possibilities, it is essential to examine who might be interested in being franchisees, and how they regard their situation today and in the future. A limitation is that this study examines only the current franchisees of Länsförsäkringar's interest in expanding the current range of products and services. Thereby the option other stakeholders would be interested in being franchisees is disregarded.

Today there are 137 franchisees that offer life- and property insurance under the brand Länsförsäkringar. This study is limited to only study the interest of the franchisees who work full-time with their business. Within Länsförsäkringar there are 103 franchisees who work full time with their operations, which therefore can be seen as the total *population* of the study. Usually, it is difficult to collect data from all that are included in a population (Denscombe, 2009). Instead, a selection is made, and hopefully this result will be consistent with the rest of the population. In this study, however, no selection needs to be made because it is possible to reach out to the entire population.

The approach of a study such as this could for example be a survey or a case study. *Survey* is the research strategy that has been the basis for this study because many units can be covered (Denscombe, 2009). In next step a survey like this can result in that an overview can be provided of the current conditions at this specific time. An advantage of case studies is that a wider depth can be obtained in contrast to surveys that instead tend to win width to the loss of depth. Case studies tend to discover information which is based on an inductive logic, while the surveys usually follow a *deductive logic* in which theories are tested. This study follows the deductive logic since a theory investigation is performed, which along with aspects from previous studies constitute a basis for the formulation of a number of hypotheses. These hypotheses form a framework for the design of a questionnaire which is selected as the data collection technique of this survey. Examples of other data collection techniques when surveys fit as strategy are interviews, documents and observations.

Questionnaires are most productive when the number of respondents is larger and then the respondents are located at different geographical locations, as well as when a standardized data is requested that does not require a personal interaction (Denscombe, 2009). The respondents in this study are located within twelve regional companies in Sweden, from Skåne to Norrland. The questions that will be asked in the questionnaire should not be controversial or extensive. In addition, the questionnaire is more productive if the majority of respondents are expected to be able to understand the questions, which is important when the researcher does not have the opportunity to ask follow-up questions. In this study, the risk that some of the respondents will misinterpret the questions is largely limited, since the population consists of a more homogeneous group of entrepreneurs who are all franchisees to Länsförsäkringar. Due to that the development of the questions have been done in interaction with Länsförsäkringar's Franchise Council, who know the target group well, is reducing the risk that respondents will misunderstand the questions.

Questionnaires have the advantages that they are easy to arrange, at the same time as they are economical because they provide a widespread basis of research data to a relatively small cost

(Denscombe, 2009). Fundamental for questionnaires is that all respondents receive an identical set of questions, which provides standardized answers. Unlike the data collection technique interview, questionnaire gives data that cannot be contaminated by interpersonal factors.

The disadvantages of questionnaires are for example that the researcher cannot ask follow-up questions to the respondents, as well as that the researcher does not have the opportunity to check the veracity of the respondents' answers (Denscombe, 2009). Thus, the researcher cannot observe an inconsistency between the answers the respondent gives and a certain factor. Another disadvantage with questionnaires is that the respondents may perceive it as limiting and frustrating to answer a questionnaire that is usually designed with pre-coded response options, unlike interviews that usually consists of questions of open character. The risk is also that these pre-coded response options distort the results so that they do not reflect the respondents' answers.

Through a survey *quantitative data* is produced (Denscombe, 2009). The fundamental difference between quantitative method and qualitative method is that the quantitative data collection technique converts the information collected by respondents to numbers and amounts. In qualitative methods are the researcher's perception and interpretation of the informants' answers form the basis of the study, which cannot or should not be converted to numbers (Holme and Solvang, 1997). A quantitative method is preferable for this study since the purpose is to be able to have a statement about this population, the population's phenomena and the extent of a certain phenomenon. In the next step secure comparisons can be made and connections can be drawn.

Based on the information that is collected in form of quantitative data, statistical *generalizations* can be made since the researcher, with some certainty, can have a statement of the population that has been studied. The design of questionnaires namely leads to standardization since all the study units get the same questions and the same response options. On the one hand, there is a risk that the respondent is governed by the response options to a certain degree, but on the other hand the standardized organization contributes to that generalization is possible.

In some studies, a *combination of approaches* may be preferable when the weak and the strong points can cancel each other (Holme and Solvang, 1997). It is not unusual that a qualitative study sometimes constitute a preliminary investigation for the quantitative study. The data collection for this study began with interviews of Urban Johansson from Länsförsäkringar's Franchise Council and an interview of Marie Öhman, Länsförsäkringar Stockholm. These interviews examined how today's franchise concept is structured and how the performance of home inspection is performed within Länsförsäkringar Stockholm today. This made the data collection qualitative initially, which gave a good preparation for the actual survey in the form of a questionnaire. This approach creates greater opportunities for a deeper understanding before the survey was designed, which reduces the risk that the information that is collected through the questionnaire is irrelevant.

4.2 Web-based questionnaire

The questionnaire can either be sent by post as postal surveys or performed by *web-based questionnaires*, which constituted the method that has been selected in this study (Denscombe, 2009). Web-based questionnaires have the advantages that they are convenient

to distribute for the researcher and convenient to return for the respondents. For the researcher the web-based questionnaire facilitates the handling of the answers since they automatically can be entered into a spreadsheet program, which contributes to a quick work with more accurate answers.

4.2.1 The structure of the questionnaire

This study's questionnaire follows, like most studies' questionnaire, a structure that is mainly composed of *fixed questions*, which allows only answers that fit into the categories that previously have been determined by the researcher (Denscombe, 2009). Among these fixed questions a small part of the questionnaire consists of the three answer options "yes", "no" and "do not know", while the majority of the questions consist of categorized questions with six possible answers. One of these alternatives are "do not know" and the rest consists of the numbers 1-5 in which the respondents are advised that "The higher number you select, the more you agree with the statement". The numbers correspond to the answers "Disagree", "Do not agree particularly well," "Neither or" "Agree rather well" and "Totally agree".

A structure with mostly fixed questions creates a good structure since it generates uniform information that usefully can be quantified and compared. The disadvantages of fixed questions are, as previously stated, that the respondents have limited opportunities to provide answers that really match their experience. Thus, the result may be distorted somewhat, while there is a risk that the respondents are experiencing a frustration of not having the opportunity to express their views fully.

Although most of the questions in this study's questionnaire consist of fixed questions, these questions are supplemented with questions of *open* character where the respondents formulate the answers. In this way, the respondents have the opportunity to supplement their answer if he/she thinks that the questions have missed to take up any area. There are thereby several advantages to have open questions, but at the same time questions of open character requires a more time-consuming analysis.

This study's questionnaire has five sections. The first section consists of a number of background questions whose answers are facts, in form of factual information about the respondents' age, number of years of cooperation, the type of insurance that he/she provides and so on. Section two aims to collect information about how the franchisees experience the current situation. Both the third and the fourth sections are connected to how the franchisees look to the future, while section four also examines the franchises' settings to an extended franchise concept. The questionnaire ends by section five with an open question where the respondents have the opportunity to present further comments and complement their previously given answers. The most of the questions in this study's questionnaire gives answers whose information can be viewed as opinions of the individual franchisee (Denscombe, 2009). In these answers, the respondents rather assess different situations and factors than describe pure facts.

What answer the respondents enter on the last question in section three determines which ending questions the respondents get. The respondents who answer "yes" or "do not know" to the question "Do you perceive yourself as an entrepreneur who would be able to perform an expanded franchise concept with additional products/services?" answer the whole questionnaire and continue thereby with section four. The respondents who answer "no" to this question automatically skip question four and begin directly on section five. This

approach was chosen because the questions in section four only involves the franchisees' attitude to an expanded franchise concept, which is considered to be superfluous to answer for respondents who do not perceive that there is an option for them to perform an expanded franchise concept.

The development of the questionnaire took in the first stage place on the basis of the theories and in next step in cooperation with Länsförsäkringar Stockholm and the Franchise Council. Thus, the questions have been tested by a handful of people within Länsförsäkringar, which reduces the risk for that the questions could be misinterpreted or irrelevant (Denscombe, 2009). In the formulation of the questions it has been essential to balance to cover the most important areas with to create a not too extensive questionnaire to reduce the risk that respondents choose to refrain from answering. It is likely that many of the franchisees choose to participate in the survey largely due to that Länsförsäkringar stands as a sub-transmitter and thereby the franchisees see this questionnaire as an opportunity to express their views to their franchisor.

4.2.2 The questionnaire's relation to the hypotheses

The seven hypotheses of the study can be derived under three theoretical fields within the Transaction Cost Theory and the Agency Theory. These hypotheses constitute the framework for the design of the questionnaire. Each hypothesis can be connected to two questions in the questionnaire, whose relationship is analyzed by statistical hypothesis testing (see Table 1).

Table 1: The relationship between the variables in the hypotheses and the questions in the questionnaire.

Hypotheses	Questionnaire: question 1	Questionnaire: question 2
H1a: Dependence, integration	LF's dependence of a continued cooperation	The attractiveness of an expanded franchise concept for the franchisees
H1b: Willingness, integration	The attractiveness of an expanded franchise concept for LF	The attractiveness of an expanded franchise concept for the franchisees
H2a: Transaction-specific	Whether the knowledge of insurance is transaction-specific	The attractiveness of an expanded franchise concept for the franchisees
H2b: Interdependence	Whether an expanded franchise concept results in interdependence	The attractiveness of an expanded franchise concept for the franchisees
H3a: Cooperation, adaptation	The length of the cooperation as franchisee and with LF at all	The franchisees' perceived adaptation
H3b: Economic, adaptation	The satisfaction over the financial situation	The franchisees' perceived adaptation
H3c: Competition, adaptation	The competition the franchisees experiencing against other franchisees and LF's employees	The franchisees' perceived adaptation

All the hypotheses are answered by the relationship between two questions in the questionnaire, except Hypothesis 3a and 3c where each hypothesis is answered by two separate relationships (see Table 1). In Hypothesis 3a the length of the cooperation with Länsförsäkringar is both related to the question in the questionnaire how long he/she has been a franchisee and the question how long the collaboration with Länsförsäkringar has been, including any years as an employee to Länsförsäkringar. Similarly, the eventual intra-chain competition that the franchisees experience can both arise in relation to other franchisees and in relation to the employees within insurance in Länsförsäkringar, which constitute two different questions in the questionnaire.

4.2.3 Cover letter

At the sending of the study's questionnaire Länsförsäkringar was undersign as a sub-transmitter. The mail consisted of a *cover letter* and a link to the web-based questionnaire (see Appendix 1). In the cover letter it was described why it was valuable that the franchisees replied the questionnaire. Furthermore it was stated that the questionnaire expects to take about ten minutes to answer and that responses are anonymous. Finally it was described when the thesis will be published and when the deadline for answering the questionnaire is. In the cover letter were contact information to the author, Urban Johansson and the author's supervisor so the respondent had the possibility to contact with any questions.

Before this e-mail was sent to the franchisees, an e-mail where only Urban Johansson, from Länsförsäkringar's Franchise Council, stood as the sender was sent (see Appendix 2). In this e-mail Urban Johansson described that an e-mail with a link to a web-based questionnaire would be sent to them within two days. He also briefly described why it is valuable for both the author and for Länsförsäkringar that they should answer the questionnaire.

4.2.4 Sending and response rate

Four sending of e-mails to the study's population have been done. Firstly Urban Johansson sent a preparatory e-mail two days before the questionnaire was sent out. The first sending of the web-based questionnaire took place on Monday the 22th of June in 2015 to 103 franchisees. The franchisees were told that the deadline for answering the questionnaire is one week later. On Thursday the 25th of June the second sending of the questionnaire was performed as a reminder e-mail (see Appendix 3) to the part of the population that has not completed the questionnaire yet. The third and final e-mail, with a reminder to complete the questionnaire, was sent to the part that by this date has not answered the questionnaire. This reminder e-mail was sent on Sunday the 28th of June, which was the day before the deadline for answering the questionnaire.

Before the first reminder was sent, 63 percent had answered the questionnaire. When the second reminder e-mail was sent out, 76 percent already had answered the survey. Until the deadline for answer the questionnaire another four percentage points of answers had been received, which gives an overall response rate of 80 percent, since 82 franchisees of the total population of 103 had answered the web-based questionnaire.

The fact that it was possible to send the questionnaire to the entire study's population, together with a response rate of 80 percent, indicate that the result has a high level of *representativeness* (Denscombe, 2009). Thereby a broad and comprehensive coverage of the study is achieved, which gives credibility to *generalize* parts of the survey's result.

Of the respondents, 82 percent answered either "yes" or "do not know" to the question "Do you perceive yourself as an entrepreneur who would be able to perform an expanded franchise concept with additional products/services?" Thus, 18 percent (15 people) answered "no" to this question and therefore they did not respond to section four in the questionnaire.

4.2.5 Non-response analysis

The 21 respondents who did not answer the questionnaire represent the study's *external non-response*, which constitute 20 percent (Patel and Davidson, 2003). When the first e-mail with the questionnaire was sent, a number of auto e-mails was sent back with notifications that the person concerned was on vacation. Nine of the 21 franchisees, that did not reply the questionnaire, can be deduced to the fact that they were not at work during the week when the web-based questionnaire was available. It is hard to know exactly what the remaining external non-response at twelve answers (twelve percent of the population) could be due to, but a hypothetical reason may be that even some of these persons were on vacation, without sending an auto responder. There is also a risk that some answers have failed to materialize as a result of an active choice not to participate in the study. The assessment is, however, that the risk of a distorted result highly is limited, since the external non-response is so little when the people who were on holiday are excluded.

Internal non-response occurs when information is missed from some respondents on some individual questions (Holme and Solvang, 1997). The risk that there would be a substantial internal non-response was limited when the structure of the questionnaire was made since all questions, except three (the open questions), are mandatory. Thereby the internal non-response is small in this study. On the questions that are not mandatory there are not added a significant weight, since they are more of a complementary nature there the respondents are able to express more about the issues in the questionnaire. The risk of making most questions mandatory is that the respondents might feel insecure about what to answer. This risk was accomplished largely because all questions were possible to answer "do not know".

The structure of the questionnaire was that those respondents who answered "no" on the last question in section three were directly referred to section five. Thereby it is a "selected" internal non-response on the entire section four of 18 percent. It is therefore essential to take into account that these responses do not reflect the entire population. Instead it reflects how the people who are willing to engage in an expanded franchise concept look at it.

4.3 Background variables

The population of the study, which in this case is the same as those who got the questionnaire, consists of 103 franchisees. These franchisees consist to 94 percent of men and to six percent of women. These men and women are franchisees in twelve different regional companies, from Skåne in the south of Sweden to Västerbotten in northern Sweden. It is most franchisees in Länsförsäkringar Göteborg och Bohuslän and in Länsförsäkringar Stockholm, which have 23 franchisees each. Even Länsförsäkringar Östergötland and Länsförsäkringar Bergslagen have many franchisees, since they have 14 respective twelve franchisees. In the regional companies in Jönköping, Stockholm, Älvsborgs, Värmland and Dalarna there are nine, seven, six, four respective two franchisees. Finally, the regional companies in Halland, Uppsala and Västerbotten have one franchisee each.

The distribution between women and men was just the same between those who responded to the questionnaire and the distribution in the population as a whole, which providing a good basis that is not distorted. Similarly, it is positive that all twelve regional companies are represented among the received answers. The external non-response is much larger in Länsförsäkringar Bergslagen compared to the other regional companies. Länsförsäkringar Bergslagen has a total of twelve franchisees and five of these have not answered the

questionnaire and has not either sent an auto responder that tells that they are on holiday. Thus Länsförsäkringar Bergslagen stands for 42 percent of the external non-response. There is some risk that this distribution between the regional companies can distort the results somewhat, while the reason for this loss is unclear. Otherwise the non-response is relatively evenly distributed between the regional companies.

Half of the franchisees have studied at university or college. The majority of the respondents (67 percent) is between 40 and 60 years old and has worked as franchisees to Länsförsäkringar in a maximum of ten years. Before the respondents were franchisees, 83 percent of them were employed by Länsförsäkringar as sellers/advisors of insurance. The largest proportion of these franchisees was employed as sellers/advisors at Länsförsäkringar for at least eight years.

The distribution is relatively even distributed between which insurance the respondents sell. More than a third sells both property- and life insurance, while the rest proportions are distributed between less than one third on sales of only property insurance and less than one third on only life insurance. This sale among the respondents occurs to 79 percent in the corporate market, to five percent in the private market, to one percent on the agricultural market and to 15 percent on more than one of these markets.

The difference is large between how the franchisees operate their businesses. The most common is that the franchisee operates his/her business without a companion, which corresponds to 26 percent of the cases. After that 23 percent of the respondents operate their franchise companies with five or more partners and 17 percent operate it with one other partner. It is most common that the business employs five or more employees, which is the case for 30 percent of the respondents. Next, it is most common that the franchisees do not have any employees.

4.4 Statistical hypothesis testing

The hypotheses of the study are tested by *Statistical hypothesis testing*, which provides an indication of whether a relation between two variables rather depends on a coincidence than a real connection (Denscombe, 2009). The Statistical hypothesis testing shows whether there is a statistically significant relationship between the variables, which in such cases can be considered reliable. Two hypotheses are set up to examine the reliability of the variables relationship:

- The null hypothesis (H0) assumes that there is not a relationship or dependence between the variables
- The alternative Hypothesis (H1) assumes that it existences a relationship or dependence between the variables

Through Statistical hypothesis testing a significance level is counted out. From a starting point with a choice of 0.05 as the highest allowed significance level the null hypothesis (H0) is assumed if the significance level gets a value that is higher than this (Bryman, 2011). If the value gets higher than 0.05, there is not a statistically significant relationship between the variables. A result between 0.000 and 0.050 shows instead that the probability that the result was just a coincidence is low. Thereby the null hypothesis is rejected, while the alternative hypothesis (H1) is assumed and the relationship between the variables is statistically significant.

4.4.1 Chi-square test

In this study, the *Chi-square test* is used as a method to find out if there is a significant relationship between the two variables (Denscombe, 2009). The Chi-square test examines the data's homogeneity and is based on the fact that if all units are distributed evenly in a correlation table's cells, there is no relationship between the variables. The null hypothesis constitutes the assumption that the two variables do not affect each other. This assumption is the expected value, which is the value that would be obtained if it was just coincidence that affected (Bryman, 2011). The Chi-square test uses the deviation in the correlation table's cells that are between what was expected and what was observed in practice, to calculate whether the observed relationship was due to coincidence or not.

Chi-square test is the most common Statistical hypothesis testing, perhaps much because it is flexible (Bryman, 2011). This test can namely be used at various levels of the structure of the questionnaire. However the Chi-square test has limitations since it requires a large sufficient data that must be sufficiently well distributed among the various categories. If any of the correlation tables' cells contains less than five observations there is a risk of lack of precision in the statistics. To circumvent this problem, the categories can be combined, which in turn affects the statistics when these "boundaries" is created by the researcher. In this study, the data is medium sized. Since many of the questions have six different possible answers, the data sometimes are not sufficiently well distributed between the categories and thereby the categories sometimes have to be combined.

4.4.2 Correlation analysis and Test of concordance

While the Chi-square test illustrates the homogeneity of the data and whether there is a significant relationship between the variables the correlation looks to the intensity of the relationship, that is, how closely linked the two variables are (Denscombe, 2009). The *Kendall's tau-b* is one type of correlation analysis, which is used in this study. When there is a strong correlation Kendall's tau-b assumes values that are either close to 1 (complete positive correlation) or close to -1 (complete negative correlation). When no correlation exists at all the correlation coefficient assumes the value 0. When the correlation coefficient takes a positive or negative value of 0.7 it is seen as a relatively strong correlation, while a positive or negative value of 0.3 represents a relatively weak correlation.

Although a Chi-square test only has seen that there is a hint of a relationship between two variables, a *Test of concordance* can show that there for example is a shift of the data in the cells (Denscombe, 2009). The Test of Concordance performs estimates that are based on concordant and discordant couples. If there is no statistical relationship between the two variables, concordant and discordant suppose equal values. The significance of this relationship can be tested by measurement of the p-value for the Test of concordance.

5 Results and analyses

The seven hypotheses can be derived under three theoretical fields which in this chapter are the sections 5.1, 5.2 and 5.3. All these section starts with a presentation of the basic result, follows by the results of the questions in the questionnaire (see Appendix 4) that are linked to the hypothesis and the result of the statistical hypothesis testing. Each section ends with an analysis. Chapter 5 ends, through section 5.4, with a summary of the result.

5.1 Environmental uncertainty and vertical integration

5.1.1 Basic result

The result of the study shows that 79 percent of the respondents in general enjoy being franchisees to Länsförsäkringar and thus be sellers/advisors of insurance. Likewise 92 percent of the respondents does either "strongly agree" or "agree rather well" with the statement that they generally enjoy their work. Based on the situation today, 62 percent of the respondents would like to be franchisees even five years after today. Of the respondents, it is 20 percent who do not know if they would like to be franchisees even five years after today, while 19 percent responds that they do not want.

Furthermore, the result does not show that the respondents perceive any appreciable uncertainty about whether they think that Länsförsäkringar is satisfied with their performance. Of the respondents 86 percent believes that Länsförsäkringar is so pleased that they want them left as franchisees even in five years after today.

5.1.2 The result of Hypothesis 1a

The less Länsförsäkringar is dependent on a continued cooperation today, the more the franchisees want to become integrated and expand the franchise concept.

This hypothesis is based on two questions in the questionnaire. The first question was whether the franchisees experience that Länsförsäkringar is dependent to continue the cooperation with them today because the franchisees are knowledgeable about insurance. Question number two was whether the franchisees believe that an expanded franchise concept would increase the attractiveness for them to continue to be franchisees.

The result for the first question in Hypothesis 1a shows that the majority of the respondents (42 percent respectively 35 percent) agree completely or partly with the statement "I believe that Länsförsäkringar is dependent on a continued cooperation with me because I have knowledge of insurance." On this issue, it is only ten percent that "do not agree particularly well" or "disagree". The outcome of the second question in Hypothesis 1a shows that 31 respective 24 percent "totally agree" respective "agree rather well" with the statement that an expanded franchise concept would make it even more attractive for them as franchisees to continue the cooperation. Furthermore, 16 percent of the respondents are indifferent, while 13 respective nine percent "do not agree particularly" respective "disagree" with the statement.

Statistical hypothesis testing

According to the Chi-square test the p-value is 0.54, which means that there is *not* statistically significant that there is a relationship between the variables in Hypothesis 1a. The correlation in the Kendall's tau-b amounts to 0.14, which only indicate a weak correlation. The Test of

Concordance shows that the values between concordant and discordant are relatively well distributed (453 and 300), and thus there is only a weak relation between these two variables. The p-value in test of concordance amounts to 0.11, which means that the little relationship that was stated in the test of Concordance is not statistically significant. In summary, it is statistically proven that there is *no* relationship between the variables in Hypothesis 1a, thus the H0 is *assumed*. In other words, it is statistically proven that there is *not* a connection between that the franchisees who perceive that Länsförsäkringar is less dependent on future cooperation is more interested in a deeper integration and thereby to expand the franchise concept.

5.1.3 The result of Hypothesis 1b

The more an expanded franchise concept increases Länsförsäkringar's will for a continued cooperation, the more the franchisees want to become integrated and expand the franchise concept.

The hypothesis is tested based on whether the franchisees believe that an expanded franchise concept would make it more attractive for Länsförsäkringar to continue the cooperation, as well as whether the franchisees believe that an expanded franchise concept would increase the attractiveness for them to continue the cooperation.

The result of the first question in hypothesis 1b shows that 55 percent of the respondents believe that an expanded franchise concept would make it more attractive for Länsförsäkringar to continue the cooperation. Although the majority agrees with this statement, a significant proportion of the respondents (19 percent) are indifferent and a smaller percentage (16 percent) disagrees with the statement. The result of the second question is presented above (see 5.1.2).

Statistical hypothesis testing

According to the Chi-square test, the p-value for the relationship between the questions in Hypothesis 1b is 0.00 and thus it *is* statistically significant that there is a relation between the two variables. The correlation in the Kendall's tau-b amounts to 0.86, which means that there also is a strong correlation between the variables. Moreover, the Test of concordance shows that there is a strong relationship (958 is concordant and 18 is discordant) between the variables and the p-value for this test is 0.00. Thus, the connection that the Test of concordance showed is statistically significant. The statistical hypothesis testing summarily shows that there *is* a very strong correlation between the variables in Hypothesis 1b and thus the H0 is *rejected*. In other words, the franchisees possible positive attitude to an expanded franchise concept depends on whether they think the expanded franchise concept would make it more attractive for Länsförsäkringar to continue the cooperation.

5.1.4 Analysis

The statistical hypothesis testing shows that there is no relationship between the variables in Hypothesis 1a. Therefore the franchisees do not seem to experience uncertainty today about the future since as many as 77 percent of the respondents agree with the statement that they think that Länsförsäkringar is dependent on a continued cooperation with them. This result shows therefore that the franchisees perceive their knowledge of insurance as crucial for Länsförsäkringar for a continued cooperation, which means that the franchisees are not easily interchangeable with other potential partners for Länsförsäkringar. Hypothetically, the

franchisees are able to experience a competitive situation towards Länsförsäkringar's employees in insurance, but according to the result described below (see 5.3.3) a competitive situation to a greater extent is not the fact.

The result of the statistical hypothesis testing for Hypothesis 1b shows that there is a strong relationship between the variables. Although the franchisees do not perceive a considerable uncertainty about the future, the fact that an expanded franchise concept would increase Länsförsäkringar's will to continue the cooperation is valued as highly essential. The franchisees are thus experience that the uncertainty for the future would be limited even more if an expanded franchise concept would increase Länsförsäkringar's desire for a continued cooperation. Since an expanded franchise concept would led to that the franchisees become more integrated with Länsförsäkringar, the franchisees could perceive the expanded concept as confidently, even though it also implies a greater dependence for them to a continued cooperation.

The largest proportion of the franchisees (79 percent) is satisfied to be franchisees to Länsförsäkringar and 92 percent of the franchisees also like their work. Similarly 86 percent of the respondents experiencing that Länsförsäkringar wants to keep them as franchisees in the future for more than five years from now. Based on this result, there is reason to analyze how the future work could be developed so it gains both parties in the long run. However, there are percentages of the franchisees that are not so positive to a continued cooperation based on the situation today. The franchisees' experience seems not to be that they perceive any uncertainty about the duration of a continued cooperation. Instead, an assessment could be that some of the franchisees perceive uncertainty about how the cooperation will be developed and whether this development will contribute to an even better cooperation.

The majority of the franchisees is positive to an expanded franchise concept and sees thereby it as a positive potential development of the cooperation. The part that perceives the greatest uncertainty for the survival of the cooperation would be more inclined to be more integrated, and thus expanded the franchise concept. In this case, none of the parties seems to perceive a significant uncertainty about the duration of a future cooperation and thus it is not a particular party that is more likely to become more integrated.

5.2 Uncertainty and investments in transaction specific assets

5.2.1 Basic result

The result of the study shows that 73 percent of the respondents believe that there is interdependence for a future cooperation between them and Länsförsäkringar today. On this issue, it is only eight percent who "do not agree particularly well" or "disagree" with this statement.

As previously said, 55 percent of the respondents agree with the statement that an expanded franchise concept would make it even more attractive for them to continue the cooperation. Furthermore, the result shows that 67 percent of the respondents believe that Länsförsäkringar successfully could carry out an expanded franchise concept, while 23 percent answered "do not know" on this question. Thus, it was only ten percent who answered "no". In turn, it was 79 percent of the respondents who perceive themselves as entrepreneurs who could conduct

an expanded franchise concept. On that point, 16 percent answered "no" and the remaining five percent "do not know".

Among the respondents who perceive themselves as entrepreneurs that could be able to conduct an expanded franchise concept "Home inspection" is placed as the service that most ranks highest (see Figure 5). Subsequently, many respondents rated the service "Security (locks, alarms, surveillance)" high, followed by the "Legal office" and "Funeral director". Legal office is, however, also one of the services that many respondents ranks somewhere in the middle. Similarly the respondents have different opinions regard the attractiveness of the service Funeral director, since it also is among the services that are the least popular.

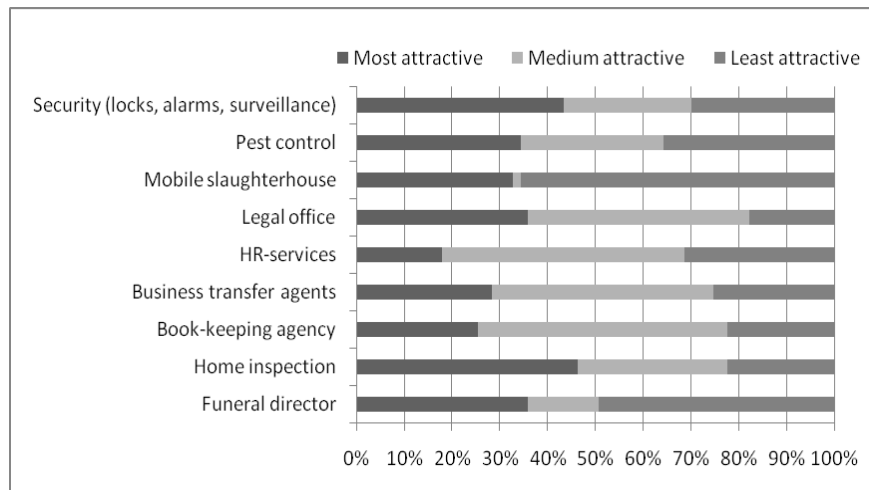


Figure 5: The degree to which respective service would be attractive to expand the franchise concept with, according to the franchisees

The service that the respondents at least would like to see the franchise concept extended to is the "Mobile slaughterhouse" (See Figure 5). Subsequently "Pest Control" and "HR services" are less attractive services. "HR services" are also among the services that many respondents rank somewhere in the middle, together with the "Book-keeping agency" and "Business transfer agents".

When the respondents themselves had the opportunity to give their own proposals on services that the franchise concept could be expanded with, 25 percent had any proposal at all which resulted in nine different proposals of services. Seven of the respondents suggest "Banking" and four respondents suggest "Private property insurance". Among the seven other proposals individual respondents indicated were for example "Fund advisory", "Claim settlement", "Sales of industrial properties", "Car repair shop" and "Training and health studio".

5.2.1 The result of Hypothesis 2a

The more transaction-specific the franchisees perceive that their knowledge of insurance is, the more attractive an expanded franchise concept is for them.

The hypothesis is tested partly on whether the franchisees perceive that the knowledge they have built up around insurance is associated with a partnership with just Länsförsäkringar, and partly on whether the franchisees believe that an expanded franchise concept would increase the attractiveness for them to continue the cooperation.

Among the respondents, there are quite spread opinions about whether they perceive that the knowledge they have built up largely is associated with a partnership with just Länsförsäkringar. There are 27 percent who "agree rather well" with this statement, followed by 26 percent who answered "neither or". In the next step 20 percent agree completely with the statement, while 17 respective 10 percent answered "do not agree particularly" respective "disagree ". The result of the second question in the hypothesis is presented above (see 5.1.2).

Statistical hypothesis testing

According to the Chi-square testing it is *not* statistically significant that there is a relationship between the two variables in the Hypothesis 2a since the p-value is 0.31. The Kendall's tau-b assumes a value of 0.16, which indicates that there only is a relatively weak correlation between the two variables. The Test of concordance shows there is certain, but weak correlation between the variables because concordant arises to 525 and discordant to 337. The p-value for the Test of concordance shows that the weak link that appeared in the test is not statistically significant since the p-value is 0.07. Thus, it is statistically significant that there is *no* relationship between the two variables in Hypothesis 2a, which lead to that the H0 is *assumed*. In other words, there is no relation between that the franchisees would experience it as more attractive to expand the concept if they perceive that their knowledge of insurance is transaction-specific.

5.2.3 The result of Hypothesis 2b

The more an expanded franchise concept leads to interdependence, the more attractive an expanded franchise concept is for the franchisees.

This hypothesis is answered by the relationship between the questions whether the franchisees and Länsförsäkringar would build interdependence for continued cooperation when the franchise concept gets expanded and whether the franchisees believe that an expanded franchise concept would increase the attractiveness for them to continue the cooperation. On the first question answered the 21 percent respective 34 percent that they "totally agree" respective "agrees rather well" with the statement. A relatively large proportion (22 percent) is indifferent to what they thought about the statement, while only 16 percent "do not agree particularly well" or "disagree" with the statement. The result of question number two is presented above (see 5.1.2).

Statistical hypothesis testing

The p-value amounts to 0.00 in the Chi-square test, which shows that it *is* statistically significant that there is a relationship between the variables in the Hypothesis 2b. The correlation between the variables amounts to 0.78 in the Kendall's tau-b and is thus relatively strong. The numbers of concordant and discordant are amount to 891 respective 35 in the Test of concordance and thereby it is a strong correlation between the variables. The p-value of the Test of concordance amounts to 0.00 and thus the relation that was illustrated in the Test of concordance is statistically significant. The conclusion of the Hypothesis 2b is that it is statistically proven that there *is* a very strong relationship between the two variables, which means that the H0 is *rejected*. Hence there is a strong link between that the franchisees would experience it as more attractive to expand the franchise concept if they perceive that interdependence would be built up when the franchise concept gets expanded.

5.2.4 Analysis

Among the respondents, there are different views on whether the knowledge they have built up within insurance is transaction-specific, and thus whether they consider themselves to be dependent on a continued interaction with Länsförsäkringar. The fact that 73 percent of the respondents perceive that there are interdependence to a future cooperation suggests that the franchisees do not perceive any appreciable uncertainty about a future cooperation.

The result of Hypothesis 2a shows that there is not a connection between that the franchisees would experience it as more attractive to expand the franchise concept if they perceive that their knowledge of insurance is transaction-specific. Thus the franchisees, who are positive to an expanded franchise concept, do not primarily perceive that an expanded franchise concept would reduce the uncertainty. Instead, it seems that the franchisees feel relatively secure and confident in their interaction with Länsförsäkringar today.

According to Hypothesis 2b, there is a connection between that the franchisees are experience it as more attractive to expand the franchise concept if they believe it would contribute to an even deeper interdependence. Theoretically, an expanded franchise concept could contribute to that both Länsförsäkringar and the franchisees will invest in additional knowledge. Today, both parties have developed knowledge of insurance and Länsförsäkringar has considerable knowledge in the subject since Länsförsäkringar also has own employees selling insurance. It is likely that a franchise concept, expanded with a service that today is not carried by Länsförsäkringar themselves, would lead to that Länsförsäkringar creates a greater dependence on future cooperation with the franchisees. Today the franchisees are more easily interchangeable with other dealers'/advisors' knowledge of insurance. A franchisee that has both knowledge of insurance and an additional area becomes thus even more valuable for Länsförsäkringar and a deeper interdependence is created with less uncertainty compared with today.

The degree to which an expanded franchise concept would contribute to a creation of interdependence is thus related to the type of service that the franchise concept would be expanded with. The closer the service is linked to one of Länsförsäkringar's core activities, the more knowledge Länsförsäkringar possesses within the area. "Home inspection" occurred as the service that the respondents ranked highest according to the study's results. This service is performed within Länsförsäkringar today in varying degrees in different regional companies. Within Länsförsäkringar Stockholm a smaller amount of the home inspections is performed in-house. However Länsförsäkringar already today has knowledge in this area. Thus it is likely that the franchisees would have a greater dependence and more uncertainty to Länsförsäkringar Stockholm than vice aware because the franchisees' investments in transaction-specific assets are more transaction-specific than Länsförsäkringar Stockholm's. Since the franchisees do not have any knowledge of home inspections they would have to invest in that knowledge. This investment is thus highly dependent on a future cooperation with precisely Länsförsäkringar.

If the franchise concept instead would be expanded with a service that none of the parties today have a deeper knowledge about, which includes all the proposed services except Home inspection and to some extent even Security (locks, alarm, surveillance), a higher degree of interdependence is created.

According to the theory, interdependence can be achieved in two different ways. The first way is when both parties need to make transaction-specific investments to perform the cooperation when the franchise concept has been expanded. In the long term interdependence also can be achieved when the franchisor (Länsförsäkringar) perceives that an expanded franchise concept leads to that the franchisees must make transaction-specific investments and through this way the franchisees become more dependent to a future cooperation.

In the second situation the franchisees, at the beginning, perceive an increased uncertainty, since they have to invest knowledge in to one more specific area that Länsförsäkringar demands. The uncertainty for the franchisees exists since there is little chance that another partner demands the same combination of knowledge. In this situation the problem for the franchisees with an expanded franchise concept is not related to that the franchisees get bounded to a specific transaction. Instead the franchisees' investments in a combination of knowledge make them bounded. In the long term, Länsförsäkringar would perceive a less uncertainty about the future since it, due to an expanded franchise concept, feels that the franchisees are dependent to a continued cooperation. This lesser uncertainty will result in that Länsförsäkringar is willing to reduce the formal control and thereby delegating more decision-making to the franchisees, which results in lower transaction costs. When the degree of the influence becomes more widespread between the parties a greater interdependence can be created between them.

5.3 Uncertainty due to human factors and agency costs

5.3.1 Basic result

As previously stated 79 percent of the respondents enjoy being franchisees to Länsförsäkringar. The result shows that 53 percent of the franchisees today perceive that there is interdependence to a future cooperation between the parties.

5.3.2 The result of Hypothesis 3a

The further the cooperation between Länsförsäkringar and the franchisees has lasted, the greater the adaptation between the parties' interests has been.

Of course it is various between different franchisees how long the collaboration with Länsförsäkringar has lasted. For some franchisees the cooperation began with an employment as seller/advisor of insurance that in next step went over to a franchise relation instead. Even how long the cooperation has lasted, in form of franchise, is various between different franchisees. Therefore, the answer of Hypothesis 3a is related to two different relationships. The first relationship is the connection between the two questions whether a larger adaptation has been made between the parties, when the cooperation with the franchise has lasted a long time. Connection number two for Hypothesis 3a is answered by the relationship between whether a larger adaptation has been made between the parties, when the partnership began with an employment at Länsförsäkringar for a longer time.

The predominantly proportion of respondents (43 percent) agree with the statement "I perceive that my respective Länsförsäkringar's interests are adapted more today than when the partnership began" because only 20 percent disagreed with this statement. Of the respondents, 33 percent answered "neither or" to this statement. Among the respondents, it is 38 percent respective 40 percent that started as franchisees to Länsförsäkringar between the

years 2005-2009 respective 2010-2015. Furthermore, 22 percent of the respondents have been franchisees to Länsförsäkringar during more than ten years. To the question if the franchisees have been employed salesmen/advisors at Länsförsäkringar before they became franchisees 83 percent answered "yes". Among these franchisees, the majority has been employed for at least eight years.

Statistical hypothesis testing

At the Chi-square test of the relationship between the conforming interests between the parties and the number of years as a franchisee the p-value amounted to 0.11. This indicates that there is *not* a statistically significant relationship between the two variables. The correlation between the variables is relatively weak since it amounted to 0.23 in the Kendall's tau-b. The Test of concordance, however, shows that there is some correlation between these two variables since 983 are concordant and 497 are discordant, which expresses that there is a shift of data that the Chi-square test could not express. The relationship that the Test of concordance shows is statistically significant since the p-value amounted to 0.01. Thus it is statistically proven that there *is* a relationship between the variables and the H0 is *rejected* that saying that there is no relation. In other words this result shows there is a relationship between the corresponding interests and the number of years as a franchisee. According to the correlation value in the Kendall's Tau-b the correlation of this relationship is not so strong.

Hypothesis 3a is also answered by testing the relationship between the conforming interests between the parties and the number of years of a possible previous cooperation with Länsförsäkringar has lasted, in the form of an employment as sellers/advisors of insurance. The Chi-square test shows a p-value of 0.35 and hence there is *not* a statistically significant relationship between the two variables. There is a very weak negative correlation of -0.13 between the variables. The test of concordance shows certain, but weak, relation between the two variables since 513 are concordant and 771 are discordant. The p-value for the Test of concordance, however, shows that this weak relationship is not statistically significant because it amounted to 0.91. The conclusion is therefore that it is statistically proven that there is *no* relation between the two variables, and the H0 is *assumed* that says just that. In other words, there is *not* a relationship between the number of potential years as an employee seller/advisor at Länsförsäkringar and whether the franchisees perceive that their and Länsförsäkringar's interests has been adapted over the time.

5.3.3 The result of Hypothesis 3b

The more satisfied the franchisees are of their economic situation, the greater the adaptation between Länsförsäkringar's and the franchisees' interests has been.

This hypothesis is answered by the relationship between the two questions whether a larger adaption has been made between the parties when the franchisees are more satisfied over their financial situation.

The result of the first question is presented above (see 5.3.1). In question number two 60 percent agrees with the statement that they are satisfied over their financial situation as franchisees, since 43 respective 17 percent answered "agree rather well" or "totally agree". Among the respondents 22 percent are indifferent and 18 percent "do not agree particularly well" or "disagree" with the statement.

Statistical hypothesis testing

The p-value is 0.00 in the Chi-square test, which demonstrates that there *is* a strong statistically significant relationship between the variables in H3b. The Kendall's tau-b expresses that the correlation between the variables is weaker since it amounted to 0.46. The Test of concordance shows that there is a strong relation between the two variables since 1 343 are concordant and 337 are discordant. In turn, the p-value for the Test of concordance amounts to a value that is broadly 0.00, which responds to that the relation that has been demonstrated is statistically significant. Thus it *is* statistically proven that there is a very strong relationship between the two variables, and the H0 is *rejected* thereby, even if the correlation says that the link is weaker. In other words, the statistical hypothesis testing gives basis to that the franchisees who perceive that an adaptation has been made between their and Länsförsäkringar's interests also are more satisfied over their financial situation as franchisees.

5.3.4 The result of Hypothesis 3c

The less intra-chain competition the franchisees perceive, the greater the adaptation between Länsförsäkringar's and the franchisees' interests has been.

Hypothesis 3c concerns the relationship between the questions whether the franchisees are experience competition, both in relation to other franchisees and partly against Länsförsäkringar's employees in insurance, and whether a larger adaptation has been made between Länsförsäkringar and the franchisees' interests.

The result shows that 52 percent "disagree" with the statement "I experience a competitive situation between me and the other franchisees." It is only five percent who "strongly agree" with this statement. Otherwise, the distribution of the three answer options in the middle is relatively evenly distributed. In the statement "I experience a competitive situation between me and Länsförsäkringar's employed sellers/ advisors" the answers are relative evenly distributed between the fixed options. The largest number of respondents (30 percent) answered "neither or", followed by 22 respective 21 percent that answered "do not agree particularly well" respective "totally agree".

Statistical hypothesis testing

In Hypothesis 3c the Chi-square testing shows a p-value of 0.26 for the relationship between the parties' adaptation of interests and the competitive situation against other franchisees. Thereby it is *not* statistically significant that there is a relationship between the two variables. The correlation is virtually non-existent according to the Kendall's tau-b when it amounted to -0.01. Even the Test of concordance shows that there is no significant correlation between the variables since 705 are concordant and 736 are discordant. The minimal relation that the Test of concordance shows is rejected because the p-value amounts to 0.56. Thus it is statistically proven that there is *no* relationship between these variables and the H0 is *assumed* that says that there is no relationship. In other words, the Statistical hypothesis testing proves that there is *not* a relation between that when the franchisees feel a less competition to other franchisees; they perceive that a larger adaptation has been made between the parties.

Hypothesis 3c is also answered by the relationship between whether franchisees who perceive less competition against Länsförsäkringar's employees in insurance experience that a larger adaptation has been made between the parties. The Chi-square testing amounts to a p-value of

0.06, which means that there is *not* statistically significant that there is a relationship between these two variables with a selected significance level of 0.05. According to the Kendall's tau-b the correlation is -0.06, which means that it is virtually non-existent. The Test of concordance shows that 802 are concordant and 934 are discordant. Since they adopt essentially the same value, there is no significant correlation between the variables. The p-value for this correlation is also high (0.73), which means the little link that appeared in the Test of concordance is not statistically significant. Thus it is statistically proven that there is *no* relationship between the two variables, and the H0 is *assumed*. In other words, there is *not* a connection between that when the franchisees feel less competition against Länsförsäkringar's employees within insurance, a larger adaptation has been made between the parties.

5.3.5 Analysis

Depending on how the franchisor chooses to organize the cooperation with the franchisees has consequences for the autonomy the franchisees get. The result of the study shows that the majority of the franchisees believe that there is interdependence for continued cooperation between the parties today, which indicates that the parties' interests are consistent to a great extent. Similarly the majority of the franchisees enjoy their work. This result suggests that the organization of the franchise cooperation is well done today. In order to increase the franchise chain's efficiency and adaptability even more, Länsförsäkringar could consider if a higher degree of autonomy is an alternative.

The downside, when the franchisees get extended autonomy, is that the principal (the franchisor) may get increased inspection costs because an extended needs to reduce the uncertainty by controlling the agents' (franchisees') actions. This behavior by the franchisee arises because of human factors and may be negative for the franchisor. The emergence of these inspection costs, however, can be tempered by certain character traits in the cooperation, which helps to reduce the integration of multiple goals between the franchisor and the franchisees. If these inspection costs can be reduced, it may be preferable to give the franchisee more autonomy. Meanwhile, the franchisor can protect the cooperation from potential conflicts through an indirect control, relational forms of governance.

The Statistical hypothesis testing for the two relations between the questions in Hypothesis 3a proves that it is statistically significant that the interests between Länsförsäkringar and franchisees are better adapted in the partnerships when the franchisee has been a franchisee for a long time. In contrast to this relation, it is not statistically significant that a long collaboration between the parties, in the form of a former employment by Länsförsäkringar within insurance, has a positive impact on more consistent interests between the parties. Probably the difference between the two different relationships in Hypothesis 3a depends on that an earlier cooperation, in the form of employment, is not highly related to the cooperation that began when the franchise partnership began. Obviously this result, however, indicate that the relationship between the parties in the franchise partnership becomes increasingly mutual, the longer the cooperation lasts. Since the Statistical hypothesis testing shows that the franchisees perceive that their interests have been adapted more the longer the cooperation has lasted it is therefore scope for the franchisor to provide the franchisees a higher degree of autonomy, which, combined with relational forms of governance, results in only limited inspection costs.

The statistical hypothesis testing for Hypothesis 3b provides strong statistical evidence that there is a positive relationship between when the franchisees are pleased with their economic

situation, as a franchisee, a major adaptation has been made between the parties. Since this relationship exists, it is preferable for the entire franchise chain if the franchisor delegates more decision-making power to the franchisees. The franchisees' increased autonomy do not contribute to generate substantial inspection costs for the franchisor, since there is only a little need of relational forms of governance when the interests already have been adapted.

The result of the questions in Hypothesis 3c shows that the majority of the franchisees do not perceive a significant competition against other franchisees or Länsförsäkringar's employees within insurance. The statistical hypothesis testing for Hypothesis 3c indicates that there is not a statistically significant relationship between that the franchisees whom perceive that their interests have been adapted over time also experience a less competitive situation. Since the majority of the franchisees are not experience a competition against each other or Länsförsäkringar's employees within insurance this has not a negative impact on the appearance of increased inspection costs. Thereby increased decision-making authority of the franchisees could be preferable even now.

5.4 Summarized result

In summary the result shows it is statistical significant that there is a relation between the variables in the hypotheses 1b, 2b and 3b (see Table 2). According to the statistical hypothesis testing it is also a relationship between two of the four variables that are tested in hypotheses 3a.

Table 2: Summarized result of the statistical hypothesis testing

Hypotheses	Result
H1a: Dependence, integration	No relation
H1b: Willingness, integration	<i>Relation</i>
H2a: Transaction-specific	No relation
H2b: Interdependence	<i>Relation</i>
H3a: Cooperation, adaptation	<i>Relation</i> , No relation
H3b: Economic, adaptation	<i>Relation</i>
H3c: Competition, adaptation	No relation, No relation

According to this result (see Table 2) the franchisees want to become more integrated and expand the franchise concept the more the expanded franchise concept increases Länsförsäkringar's willingness for a continued cooperation. An expanded franchise concept is more attractive the more an expanded franchise concept leads to interdependence. There has been a greater adaption between Länsförsäkringar and the franchisees the further the cooperation as franchisees has lasted. Finally it has been a greater adaption between Länsförsäkringar and the franchisees the more satisfied the franchisees are of their economic situation.

6 Discussion

6.1 Transaction Cost Theory

An expanded franchise concept is a way for Länsförsäkringar and the franchisees to get more integrated with each other and thereby reduce the *transaction costs*. Today either Länsförsäkringar or the franchisees perceive a significant *uncertainty* regarding future cooperation since 73 percent of the franchisees believe that it already today is *interdependence* to a continued cooperation. Thus this result does not indicate that any specific party would be more interested to become more integrated with the other. Since today's relationship between the parties is not characterized by uncertainty the transaction costs would not greatly be reduced by a deeper integration through an expanded franchise concept. Thus lower transaction costs, due to reduced uncertainty, cannot be considered as the direct and strongest argument to expanding the franchise concept.

The characteristics of the current situation between Länsförsäkringar and franchisees do not appear to be linked to *information asymmetry* to a larger extent since the parties perceive that an alignment of interests has taken place during the cooperation. Among the franchisees, there are quite dispersed views on whether the knowledge they have in insurance is *transaction-specific* and hence is closely linked to the cooperation with Länsförsäkringar. Furthermore, there is no relationship between that the franchisees who perceive that their knowledge is transaction-specific also think that an extended franchise concept would make it more attractive for them to continue to be franchisees. The background for this result may be linked to the result that it is only few franchisees who feel uncertainty about a future cooperation. Consequently, either information asymmetry or transaction-specific investments are considered to be characteristics which today largely affect the transaction costs. Thereby this does not show a situation where a deeper integration directly will result in lower transaction costs in relation to fewer information asymmetry or lower uncertainty.

The disadvantage of an extended franchise concept, and hence a deeper integration, is that *bureaucracy costs* increase as a result of, for example, increased administrative expenses or insensitivity to external changes. When Länsförsäkringar makes strategic decisions transaction costs should be placed in relation to the bureaucracy costs. If the franchise concept would be expanded with additional services it would be preferable if this service somehow is linked to the activities that the franchisees are engaged with today in insurance. In this way most synergies are possible to get and the administrative costs would be lower. If the service that the franchise concept gets expanded with would not be carried out by today's franchisees in insurance, and instead would be carried out by "new" franchisees, Länsförsäkringar would become more sensitive to external changes. A situation where the franchise concept is expanded, and thus consists of two different services, would make the franchisee less vulnerable to fluctuations in the outside world when he/she has multiple sources of income. In next step this flexibility of the franchisee creates a smaller uncertainty even for Länsförsäkringar. According to Mumdziev and Windsperger (2011), a situation that reduces the perceived *environmental uncertainty* for Länsförsäkringar in the long term results in that Länsförsäkringar chooses to devolve more *decision-making power* to the franchisees.

Some of the franchisees feel, however, that the knowledge they have within insurance highly is associated with collaboration with specific Länsförsäkringar, which in itself contributes to *uncertainty*. Furthermore some franchisees feel uncertain about how the cooperation will be

developed in the future. Through an expanded franchise concept the franchisees would build up a knowledge that is more specific and thus Länsförsäkringar's dependency to a continued cooperation will increase. The situation where the franchisees feel a greater security for the future would in turn benefit Länsförsäkringar, who also would feel a greater sense of security, which creates *interdependence*. In this situation, either the franchisees or Länsförsäkringar is easily replaceable as partners for each other. When Länsförsäkringar perceives that security it would, according to the study of Mumdziev and Windsperger (2011), be willing to reduce the formal *control* over the franchisees, which in itself would contribute to reduced *transaction costs* when the *inspection costs* would be lower.

The results of the study shows that there is a connection between that the franchisees are experience it as more attractive to expand the franchise concept if they believe it would contribute to a stronger *interdependence*. Thereby the franchisees would prefer to be more integrated with Länsförsäkringar, provide that it leads to a creation of an interdependence of future cooperation.

Whether an expanded franchise concept would contribute to that even Länsförsäkringar becomes *dependent* of a continued cooperation is related to which service that the franchise concept would be expanded with. If the concept would be extended with a service that is closely related to Länsförsäkringar's ordinary activities, such as home inspection or possibly security (locks, alarms, surveillance), Länsförsäkringar would not create dependence that is as large as if the concept would be expanded with a service that is fully self-contained from today's activities.

In the questionnaire that the franchisees answered nine proposals of services that the franchise concept could be extended with were listed. Thus the questionnaire was neutral, ensured that the franchisees themselves had to rank these services. The franchisees ranked home inspection as the service they considered as the most attractive, which means that this study supports the idea that home inspection could be a good option of service. Since the home inspection already is performed within Länsförsäkringar's organization in a large extent Länsförsäkringar's investment would not to a broader sense be considered as *transaction-specific* compared to if the concept would be expanded with a service that is more self contained from today's activities. In this position, namely, Länsförsäkringar has options on how it could use the developed knowledge if it was not done in cooperation with the franchisees. Thereby Länsförsäkringar's investments would not be largely dependent on the cooperation with the franchisees.

According to the study by Arranz and Arroyabe (2007), the form of governance would be more hierarchical (broken down by their optimal sizes) when the network is associated with *transaction-specific investments*, *uncertainty* and high *frequency*. Then, the network has the most to gain to submit the activities that are characterized by economies of scale and activities characterized by diseconomies of scale into separate organizations. The disadvantage of hierarchical decomposition is that the two types of activities are so closely linked that it is difficult to perform them completely separate. From this aspect, however, franchising is a good solution since the operations also are kept well integrated with each other, which is unlike a solution of outsourcing.

In agreement with the study by Arranz and Arroyabe (2007) Länsförsäkringar's franchise chain can win to varying degrees depending on which service the franchise concept would be expanded with. A perform of home inspections in-house within Länsförsäkringar would be an

activity that would be carried out to a relatively high *frequency*. This performance would not lead to that Länsförsäkringar Stockholm has to do extensive *transaction-specific investments* since much knowledge already is available in the organization. A perform of home inspections in-house would, however, cause a greater *uncertainty* for Länsförsäkringar since a new unit with additional staff and expertise would be needed. By a conduct of home inspection under a franchise concept the franchisees that already exist could be used, which are interested to become more integrated with Länsförsäkringar. It would be natural to develop the already successful franchise concept that is available with home inspection, which is closely linked to the insurance operations.

6.2 Agency Theory

The reasoning in the previous section suggests that an expanded franchise concept with home inspection would make the franchisees more bounded to a continued cooperation with Länsförsäkringar than vice versa. In a situation where the franchisees perceive a greater dependence to a continued cooperation than Länsförsäkringar it would be difficult for the franchisees to make counter claims. According to the study by Ehrman and Spranger (2005) the strongest growth in the long term, however, is created, in franchise chains where the parties cooperate and working to prevent this *asymmetry*, which for example can be done by adapting the contracts, organization and economy.

Until today there has been a good adoption between the parties' interests since the franchisees perceive that the interests have been adapted more the longer the cooperation has lasted. In order to create the maximum growth over the long term, it is advantageous if Länsförsäkringar works for to create a situation of *interdependence*, in which each party is dependent on the overall systems' success. According to the study by Cochet et al. (2007) it is thus preferable to grant the franchisee a higher degree of *franchisee autonomy*. Through greater franchise autonomy the franchise chain's efficiency and adaptability is promoted.

The result of this study shows that this franchise chain has three characteristics that suppress Länsförsäkringar's needs to add significant resources to control the franchisees, which are discussed in the study by Cochet et al. (2007). These three characteristics are *age of relationship*, *economic success* and *the level of perceived intra-chain competition*. The relationship of the franchise cooperation has namely become more mutual the further the cooperation has lasted. In the next step the study's results also shows that when the franchisee is satisfied with its economic situation a major adaption has been done between the parties' interests. The result also shows that the majority of the franchisees do not feel any intra-chain competition. Nevertheless, there is not a connection between that the franchisees who feel that their interests have been adapted over time also experience a situation with lower competition.

These character traits have thus dampened the impact of that the parties in the franchise chain initially consisted of an integration of multiple goals. In next step this considers that only limited control measures are required to reduce the increased uncertainty, and thus the *inspection costs* are limited. This control can be achieved through indirect control of the franchisees through *relational forms of governance*. The governance is performed through unwritten codes of conduct and through norms of behavior, rather than through direct control by, for example, explicit contract terms.

Unlike the study by Cochet et al. (2007), this study shows that there has been a stronger alignment between the interests of the parties the longer the cooperation has lasted. In the

study by Cochet et al. (2007), *the age of the relationship* is not a significant moderator variable. Cochet et al. (2007) found that this absence is a result of that only the number of years as franchisees have been studied, which thus do not include the possible years when the franchisee was an employee within the organization. In this study both the relationship towards the number of years as a franchisee and the relationship towards the number of years as an employee within Länsförsäkringar are examined. The result shows that there is a connection with the number of years as a franchisee but not with the number of years as employed.

According to the study by Mumdziev and Windsperger (2011) the franchisor tend to increasingly delegate *decision-making* to the franchisee when the franchisor experience that it is difficult to *monitor and measure* the franchisee's behavior and performance. Depending on which service the franchise concept would be expanded with Länsförsäkringar feels, to different degrees, a sense of security to handle that the franchisee's handle in Länsförsäkringar's interest. Regard home inspection Länsförsäkringar probably would find it has large knowledge about home inspection within its organization and therefore Länsförsäkringar finds it as possible to monitor the franchisees' execution in a good way. According Mumdziev and Windsperger (2011), this *control* would result in that Länsförsäkringar chooses to delegate less decision-making power to the franchisee than if the franchise concept was expanded with a service that is not closely linked to today's activities.

Even López-Bayón and López-Fernández (2011) argue that increased *franchisee autonomy* can be positive since it contributes to that the franchise chain can utilize the franchisees' local knowledge. In the relationship between Länsförsäkringar and the franchisees should not there be a significant emphasis on this aspect because Länsförsäkringar already, through its organization by the regional companies, largely has these advantages. If Länsförsäkringar grants the franchisees more autonomy, it is of high importance that this does not happen at the expense of a sharp deterioration of the franchise concept's homogeneity, which López-Bayón and López-Fernández (2011) highlight in their study. Instead, López-Bayón and López-Fernández (2011) mean that decisions regarding assortment and local advertising increasingly should be delegated to the franchisees.

The strategic decision to which extent the franchisor give the franchisees the opportunity to act independently could be compared with how the Länsförsäkringar Alliance today chooses to give each regional company *autonomy*. Länsförsäkringar Stockholm, and other regional companies, operates namely its own operations while the brand and the concept is the same, as it is in franchise chains. In both of these relationships, it is important to balance the weight of homogeneity with taking advantage of the local knowledge that the regional company or the franchisee has to create the greatest possible efficiency.

7 Conclusions

The aim of this study was to provide theoretical explanations of Länsförsäkringar Stockholm's opportunities to expand the franchise concept by including home insurance inspections. The relationship between the franchisor, Länsförsäkringar, and the franchisees is very positive today. By far most franchisees enjoy their work and their relation to Länsförsäkringar. The parties' interests have been *adapted* to each other during the cooperation. These characteristics of the cooperation form a good potential for a positive future cooperation.

Based on the situation today the franchisees do not experience any significant *uncertainty* for the future. It is likely that the fact that the franchisees do not feel any significant uncertainty today results in that they do not primarily see an expanded franchise concept as an opportunity for deeper integration. However, there are trends in the results that suggest that the franchisees feel uncertain about how the cooperation will be developed and whether it will have a positive impact on the franchisees' situation. Probably this uncertainty is the reason to why the franchisees are extra positive to an expanded franchise concept if it would create *interdependence* between the parties.

In particular the aim of this study was to examine whether the current franchisees in insurance are interested in broadening the franchise concept with additional products and services. Four-fifths of the franchisees see themselves as entrepreneurs who are willing to perform an expanded franchise concept. For those franchisees home inspection considers to be the most attractive service, followed by security (locks, alarms, surveillance) and then legal office. Thereby it is a demand among today's franchisees to expand the current range with additional services, which very well could be home inspection.

Even for Länsförsäkringar Stockholm, and probably several other regional companies, home inspection is an attractive service to expand the franchise concept with. Because the home inspection is closely linked to one of Länsförsäkringar's core businesses – insurance - a performing of home inspection under a franchise concept gives potential to provide major synergy effects for the entire operation within Länsförsäkringar Stockholm.

Whether an expanded franchise concept would lead to a creation of *interdependence* between the parties is, however, linked to what type of service that the franchise concept gets expanded with. Since the home inspection today largely is performed in-house within Länsförsäkringar Stockholm, and within many other regional companies, there already exists an expertise within the field. Thereby Länsförsäkringar Stockholm would not have to make extensive *transaction-specific investments* to start up the home inspection activities. The franchisees however, would have to do extensive transaction-specific investments in order to continue the cooperation with Länsförsäkringar if the franchise concept gets expanded, which would make them more bounded to collaboration with specific Länsförsäkringar.

In order to create the greatest possible long-term growth, for the regional companies and for the franchise chain overall, there are great advantages if Länsförsäkringar do not use this superior position of control fully. Instead Länsförsäkringar should work for to create *interdependence* for a future cooperation. Länsförsäkringar can create this interdependence by granting the franchisees a greater degree of *autonomy*, in exchange of an indirect control of the franchisees through relational forms of governance. The results of the study suggest that an expanded autonomy is beneficial since the factors age of the relationship, economic

success and the level of perceived intra-chain competition have had a positive impact on this franchise chain which, as well as other franchise chains, initially consisted of an integration of multiple goals. The combination of franchise autonomy and relational forms of governance can contribute to that Länsförsäkringar receives a lesser need to control its agents, the franchisees. In next step these lesser need to control generates lower *transaction costs* in form of *inspection costs*. At the same time, the franchise chain's efficiency and adaptability would be promoted if the performance of activities rather becomes adapted after where it is most effective that they are performed in the franchise chain, than after how the largest internal control gets achieved.

Finally, both Länsförsäkringar and the franchisees have much to gain by expanding the franchise concept. Länsförsäkringar could get great synergies by applying the successful franchise concept to other areas. Although there is an interest to expand the franchise concept among the franchisees questions remains. One of these questions is whether there are entrepreneurial company managements within the regional companies that believe in an expanded franchise concept.

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Personal messages

Urban Johansson

Manager of Länsförsäkringar's franchise support

Personal meeting, 2015-01-14

Marie Öhman

Injury manager, Länsförsäkringar Stockholm

Personal meeting, 2015-03-11

Appendix 1: Cover letter

Hej bäste Franchisetagare,

Enligt ett tidigare mail från Urban Johansson kommer här en länk till en undersökning som Du som franchisetagare till **Länsförsäkringar** har valts ut att medverka i. Dina svar i denna enkät, som tar ca 10 min att besvara, är viktiga för att mitt examensarbete ska bli komplett. Svaren, som är anonyma, kommer även att delges Länsförsäkringar och utgöra ett värdefullt bidrag till framtida utveckling av franchisekonceptet.

Jag utför mitt examensarbete vid Institutionen för ekonomi, Sveriges lantbruksuniversitet i Uppsala, under handledning av professor Jerker Nilsson. Det färdiga examensarbetet kommer att publiceras i september 2015.

Klicka på länken nedan för att komma till frågeformuläret:

[\[\[LINK\]\]](#)

Sista svarsdag är måndag den 29/6.

Om Du har några frågor får Du gärna ta kontakt med någon av oss (se kontaktuppgifter nedan).

Stort tack på förhand!

Med vänliga hälsningar,

Anna Berge

073-022 65 54
anbe0020@stud.slu.se

Urban Johansson

073-968 37 23
urban.johansson@lansforsakringar.se

Jerker Nilsson

070-728 85 16
jerker.nilsson@slu.se

Appendix 2: Länsförsäkringar's e-mail

Hej!

På måndag kommer en student, Anna Berge, att skicka er ett mail med en länk till en enkätundersökning som tar cirka 10 minuter att besvara.

Anna utför sitt examensarbete som handlar om franchising och det vore toppen om du tog dig tid att besvara enkäten då dina svar är viktiga för Anna men även utgör ett värdefullt bidrag till vårt framtida utvecklingsarbete då vi kommer att få ta del av era anonyma svar.

Med vänlig hälsning

Urban Johansson
Länsförsäkringsbolagens Franchisesupport
Tegeluddsvägen 21
115 97 Stockholm
08-562 837 23
073-96 837 23
Urban.Johansson@lansforsakringar.se

Appendix 3: Reminder e-mail

Hej bäste Franchisetagare,

Här kommer en påminnelse om att jag och **Länsförsäkringar** skulle vara väldigt tacksamma om Du har möjlighet att besvara frågeformuläret som är länkad nedan. Dina svar i denna enkät, som tar ca 10 min att besvara, är viktiga för att mitt examensarbete ska bli komplett. Svaren, som är anonyma, kommer även att delges Länsförsäkringar och utgöra ett värdefullt bidrag till framtida utveckling av franchisekonceptet.

Jag utför mitt examensarbete vid Institutionen för ekonomi, Sveriges lantbruksuniversitet i Uppsala, under handledning av professor Jerker Nilsson. Det färdiga examensarbetet kommer att publiceras i september 2015.

Klicka på länken nedan för att komma till frågeformuläret:

[\[\[LINK\]\]](#)

Sista svarsdag är måndag den 29/6.

Om Du har några frågor får Du gärna ta kontakt med mig (Anna Berge), Urban eller min handledare (se kontaktuppgifter nedan).

Stort tack på förhand!

Med vänliga hälsningar,

Anna Berge

073-022 65 54
anbe0020@stud.slu.se

Urban Johansson

073-968 37 23
urban.johansson@lansforsakringar.se

Jerker Nilsson

070-728 85 16
jerker.nilsson@slu.se

Appendix 4: The web-based questionnaire

Länsförsäkringar



Svar: 82/103=80%

1. Bakgrundsfrågor

Var god att ange ett svarsalternativ på följande frågor






Besvarad av: 82 (100%) Ej besvarad av: 0 (0 %)

Är Du kvinna eller man?

1	 Kvinna	5 (6 %)
2	 Man	77 (94 %)




Besvarad av: 82 (100 %) Ej besvarad av: 0 (0 %)

Hur gammal är Du?

1	 Upp till 29 år	2 (2 %)
2	 Mellan 30-39 år	13 (16 %)
3	 Mellan 40-49 år	25 (30 %)
4	 Mellan 50-59 år	30 (37 %)
5	 Över 60 år	12 (15 %)

Besvarad av: 82 (100 %) Ej besvarad av: 0 (0 %)

Vilken är Din högsta utbildningsnivå?

1	 Grundskola	2 (2 %)
2	 Gymnasium	37 (45 %)
3	 Universitet eller högskola	43 (52 %)

Besvarad av: 82 (100 %) Ej besvarad av: 0 (0 %)

I vilket länsbolag är Du franchisetagare?

1	 Länsförsäkringar Bergslagen	7 (9 %)
2	 Länsförsäkringar Dalarna	1 (1 %)
3	 Länsförsäkringar Göteborg och Bohuslän	18 (22 %)
4	 Länsförsäkringar Halland	1 (1 %)
5	 Länsförsäkringar Jönköping	9 (11 %)
6	 Länsförsäkringar Skåne	3 (4 %)
7	 Länsförsäkringar Stockholm	19 (23 %)
8	 Länsförsäkringar Uppsala	1 (1 %)
9	 Länsförsäkringar Värmland	4 (5 %)
10	 Länsförsäkringar Västerbotten	1 (1 %)
11	 Länsförsäkringar Älvsborg	6 (7 %)
12	 Länsförsäkringar Östergötland	12 (15 %)

Besvarad av: 82 (100 %) Ej besvarad av: 0 (0 %)

Vilket år började Du som franchisetagare hos Länsförsäkringar (inklusive dina eventuella år hos Valand och WASA)?

1	År 1984-1989	0 (0 %)
2	År 1990-1994	3 (4 %)
3	År 1995-1999	6 (7 %)
4	År 2000-2004	9 (11 %)
5	År 2005-2009	33 (40 %)
6	År 2010-2015	31 (38 %)

Besvarad av: 82 (100 %) Ej besvarad av: 0 (0 %)

Har Du varit anställd som säljare/rådgivare hos Länsförsäkringar innan Du blev franchisetagare?

1	Ja, under 1-3 år	4 (5 %)
2	Ja, under 4-7 år	21 (26 %)
3	Ja, under minst 8 år	43 (52 %)
4	Nej	14 (17 %)
5	Nej, men jag har haft en annan anställning hos Länsförsäkringar	0 (0 %)

Besvarad av: 82 (100 %) Ej besvarad av: 0 (0 %)

Vad säljer Du för försäkring?

1	Både liv- och sakförsäkring	32 (39 %)
2	Endast livförsäkring	24 (29 %)
3	Endast sakförsäkring	26 (32 %)

Besvarad av: 82 (100 %) Ej besvarad av: 0 (0 %)

På vilken marknad bedrivs Din försäkringsförmedling?

1	Endast på företagsmarknaden	65 (79 %)
2	Endast på lantbruksmarknaden	1 (1 %)
3	Endast på privatmarknaden	4 (5 %)
4	På fler än en av dessa marknader	12 (15 %)







Besvarad av: 82 (100 %) Ej besvarad av: 0 (0 %)

Är Du delägare med någon i detta franchisebolag?

1	Ja, 1 person	14 (17 %)
2	Ja, 2 personer	9 (11 %)
3	Ja, 3 personer	9 (11 %)
4	Ja, 4 personer	10 (12 %)
5	Ja, 5 personer eller fler	19 (23 %)
6	Nej	21 (26 %)

Besvarad av: 82 (100 %) Ej besvarad av: 0 (0 %)







Har Du/Ni någon anställd i Din/Er verksamhet?

1	 Ja, 1 person	9 (11 %)
2	 Ja, 2 personer	15 (18 %)
3	 Ja, 3 personer	13 (16 %)
4	 Ja, 4 personer	1 (1 %)
5	 Ja, 5 personer eller fler	25 (30 %)
6	 Nej	19 (23 %)







2. Dagens situation

Hur Du upplever Din situation som franchisetagare i dag

Var vänlig ta ställning till följande påståenden om hur Du upplever din arbetssituation. Ju högre siffra Du väljer desto mer håller Du med om påståendet.

	Instämmer inte alls				Instämmer helt		Svar
	1	2	3	4	5	Vet inte	
							
1 I allmänhet trivs jag med mitt arbete	0 (0 %)	2 (2%)	5 (6%)	24 (30%)	50 (62 %)	0 (0%)	81/82 (99 %)
2 Jag är nöjd över min ekonomiska situation som franchisetagare	3 (4 %)	11 (14%)	18 (22%)	35 (43%)	14 (17 %)	0 (0%)	81/82 (99 %)
3 I allmänhet trivs jag med att vara franchisetagare till Länsförsäkringar	1 (1 %)	3 (4%)	13 (16%)	35 (43%)	29 (36 %)	0 (0%)	81/82 (99 %)
4 Jag upplever att mina respektive Länsförsäkringars intressen stämmer överens mer i dag jämfört med när samarbetet inleddes	7 (9 %)	9 (11%)	27 (33%)	25 (31%)	10 (12 %)	3 (4%)	81/82 (99 %)
5 Jag upplever en konkurrenssituation mellan mig och andra franchisetagare	42 (52 %)	11 (14%)	14 (17%)	10 (12%)	4 (5 %)	0 (0%)	81/82 (99 %)
6 Jag upplever en konkurrenssituation mellan mig och Länsförsäkringars anställda säljare/rådgivare	12 (15 %)	18 (22%)	24 (30%)	10 (12%)	17 (21 %)	0 (0%)	81/82 (99 %)

Var vänlig ta ställning till följande påståenden som behandlar huruvida Du/Länsförsäkringar känner ett beroende till ett fortsatt samarbete med varandra. Ju högre siffra Du väljer desto mer håller Du med om påståendet.




	Instämmer inte alls				Instämmer helt		Svar
	1	2	3	4	5	Vet inte	
							
1 Jag anser att de kunskaper som jag har byggt upp kring försäkring i hög grad är förknippade med ett samarbete med just Länsförsäkringar	8 (10 %)	14 (17%)	21 (26%)	22 (27%)	16 (20 %)	0 (0%)	81/82 (99 %)
2 Jag tror att Länsförsäkringar är beroende av ett fortsatt samarbete med mig eftersom jag har kunskaper om försäkring	3 (4 %)	5 (6%)	11 (14%)	28 (35%)	34 (42 %)	0 (0%)	81/82 (99 %)
3 Jag anser att det finns ett ömsesidigt beroende till ett framtida samarbete mellan mig och Länsförsäkringar	2 (2 %)	5 (6%)	15 (19%)	26 (32%)	33 (41 %)	0 (0%)	81/82 (99 %)

3. Framtiden

Hur Du tänker angående framtiden




Besvarad av: 81 (99 %) Ej besvarad av: 1 (1 %)

Utifrån situationen som är i dag, skulle Du vilja vara franchisetagare även om 5 år?

1	 Ja	50 (62 %)
2	 Nej	15 (19 %)
3	 Vet inte	16 (20 %)




Besvarad av: 81 (99 %) Ej besvarad av: 1 (1 %)

Tror Du att Länsförsäkringar är så pass nöjda med Din prestation så att de vill ha Dig kvar som franchisetagare även om 5 år?

1	 Ja	70 (86 %)
2	 Nej	5 (6 %)
3	 Vet inte	6 (7 %)




Besvarad av: 81 (99 %) Ej besvarad av: 1 (1 %)

Länsförsäkringar bedriver i dag franchiseverksamhet inom försäkring och fastighetsförmedling. Tror Du att Länsförsäkringar med framgång skulle kunna bedriva ett utökat franchisekoncept med ytterligare produkter/tjänster?

1	 Ja	54 (67 %)
2	 Nej	8 (10 %)
3	 Vet inte	19 (23 %)

Besvarad av: 81 (99 %) Ej besvarad av: 1 (1 %)










Upplever Du Dig själv som en entreprenör som skulle kunna bedriva ett utökat franchisekoncept med ytterligare produkter/tjänster?

1	 Ja	64 (79 %)
2	 Nej	13 (16 %)
3	 Vet inte	4 (5 %)

4. Framtiden: utökat franchisekoncept

Avslutningsvis följer ett avsnitt om Dina inställningar till ett utökat franchisekoncept



Om Länsförsäkringar skulle utöka sin franchiseverksamhet, vilken av dessa tjänster skulle Du helst se att det gjordes inom? Var vänlig rangordna följande alternativ, där siffran 1 betyder att det är det bästa alternativet och 9 det sämsta alternativet.

	1	2	3	4	5	6	7	8	9	Svar
										
1 Begravningsentreprenör	11 (16 %)	7 (10 %)	6 (9 %)	4 (6 %)	2 (3 %)	4 (6 %)	4 (6 %)	13 (19 %)	16 (24 %)	67/82 (82 %)
2 Besiktningstjänster	10 (15 %)	12 (18 %)	9 (13 %)	4 (6 %)	12 (18 %)	5 (7 %)	5 (7 %)	3 (4 %)	7 (10 %)	67/82 (82 %)







3 Bokföringsbyrå	3 (4%)	5 (7%)	9 (13%)	12 (18%)	13 (19%)	10 (15%)	8 (12%)	4 (6%)	3 (4%)	67/82 (82 %)
4 Företagsförmedling	7 (10%)	4 (6%)	8 (12%)	10 (15%)	8 (12%)	13 (19%)	9 (13%)	7 (10%)	1 (1%)	67/82 (82 %)
5 HR-tjänster	2 (3 %)	5 (7%)	5 (7 %)	11 (16%)	14 (21%)	9 (13%)	13 (19%)	6 (9 %)	2 (3%)	67/82 (82 %)
6 Juridisk byrå	4 (6 %)	7 (10%)	13 (19%)	11 (16%)	10 (15%)	10 (15%)	5 (7 %)	2 (3 %)	5 (7%)	67/82 (82 %)
7 Mobilt slakteri	10 (15%)	10 (15%)	2 (3%)	0 (0%)	0 (0 %)	1 (1%)	6 (9 %)	15 (22%)	23 (34%)	67/82 (82 %)
8 Skadedjurbekämpning	4 (6 %)	12 (18%)	7 (10%)	8 (12%)	3 (4 %)	9 (13%)	13 (19%)	9 (13%)	2 (3 %)	67/82 (82 %)
9 Säkerhet (lås, larm, bevakning)	16 (24%)	5 (7 %)	8 (12%)	7 (10%)	5 (7 %)	6 (9%)	4 (6%)	8 (12%)	8 (12%)	67/82 (82 %)

Besvarad av: 65 (79 %) Ej besvarad av: 17 (21 %)

Har Du förslag på något annat specifikt område som franchisekonceptet skulle kunna utökas till?

1	 Nej	49 (75 %)
2	 Ja, nämligen:	16 (25 %)

Var vänlig ta ställning till följande påståenden med utgångspunkt från antagandet att Länsförsäkringar skulle utöka franchisekonceptet så att det innefattade en ytterligare del. *Ju högre siffra Du väljer desto mer håller Du med om påståendet.*

	Instämmer inte alls 1 	2 	3 	4 	Instämmer helt 5 	Vet inte 	Svar
1 Jag anser att ett utökat franchisekoncept skulle göra det ännu mer attraktivt för <i>mig</i> att fortsätta vara franchisetagare till Länsförsäkringar	6 (9 %)	9 (13%)	11 (16%)	16 (24%)	21 (31 %)	4 (6%)	67/82 (82 %)
2 Jag tror att ett utökat franchisekoncept skulle göra det ännu mer attraktivt för <i>Länsförsäkringar</i> att fortsätta samarbetet med mig som franchisetagare	5 (7 %)	7 (10%)	13 (19%)	17 (25%)	20 (30 %)	5 (7%)	67/82 (82 %)
3 Jag tror att <i>jag och Länsförsäkringar</i> skulle bygga upp ett ömsesidigt beroende till ett fortsatt samarbete om franchisekonceptet utökades	6 (9 %)	5 (7%)	15 (22%)	23 (34%)	14 (21 %)	4 (6%)	67/82 (82 %)

5. Övriga kommentarer

Här har Du möjlighet att komplettera de svar som Du har gett tidigare