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Paper title: ***Governance and viability of franchising networks from a Viable Systems Approach (VSA)***

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Abstract

Title: Governance and viability of franchising networks from a Viable Systems Approach (***VSA***)

Article Type: Conceptual paper

Purpose
To develop a conceptual framework for the viability monitoring of franchising networks as complex systems, capable of ensuring effective and efficient monitoring of structure (adequacy of the components and relations) and system (performance).

Design/methodology/approach
From a Viable System Approach (***VSA***), the franchising, characterized by a network configuration, is qualified as a system in the process of completion were the components of Government and Operative Structure are respectively indentified in the focal firm and interconnected affiliate components.

Findings
The analysis leads to the definition of a complex system in which the function of government of franchisor takes place on a network of relationship that needs an organization design and the development of a strong structural consonance between the components and a resonance in systemic aims and objectives.

Practical implications
Viable System Approach (***VSA***) re-evaluates the role of the government as responsible for a proper exploitation of the economic structural potential linked to network synergies. High rates of affiliate turnovers are considered as signs of system's instability that will erode its ability of survival.

Originality/value
In franchising organizations, the aim of survival should be pursued at the level of the overall network, developing a shared governance based on the objectives of consonance and resonance.

Keywords: viable systems approach, franchising network, governance, consonance, resonance, viability monitoring.

Governance and viability of franchising networks from a Viable Systems Approach (*VSA*)

1. Introduction

The aim of the paper is to develop a conceptual framework for the viability monitoring of franchising networks as complex systems, capable of ensuring effective and efficient monitoring of a structure (adequacy of the components and relations) and of a system (resonance on interactions and performance).

The franchising system is based on the distribution and a sharing relationship of a business idea between a promoter (franchisor) and an affiliate (franchisee); in an organizational optic, this articulated relationship asks for a reticular configuration, while from the point of view of the government and management this relationship develops itself through mechanisms of coordination and vertical control.

The viability of the franchising system depends, therefore, on the role and "capabilities" of its government: the focal firm (franchisor) is the strategic core that guarantee consonance and resonance between the knots and the network (franchisor vs franchisees). It is also considered as "responsible" in managing the complexity of the competitive context of reference in order to achieve resonance.

In many empirical experiences, the character and the role of the focal firm have been inadequate; in particular when:

- the main strategy of the focal firm is not in harmony with environmental trends (deficits of resonance);
- the focal firm becomes monopolistic and not a pole of strategic coordination (deficits of consonance).

Both and/or in another cases, the effect is the substantial weakening of the network that threatens seriously – and in time irremediably – its viability. The criticality of government (franchisor) is therefore clear in the process of survival and development of the whole franchising system; in particular, the criticality becomes more relevant when the structure of the system becomes more articulated (the affiliates knots are growing) and the decision-making levels of coordination and cooperation are increasing. In such situations, there is a need to ensure an identity and a suitability of government to the system able to manage the complexity of changes and stabilize the operational mechanisms inside the network system. In other words, it is important that the government (franchisor) is able to:

- read and interpret the context of survival, or "understand" relations and the relational dynamics with the direct and indirect supra-systems;
- address homogeneously the complex operative structure (franchisees) so that a stable viable system emerges;
- design the conditions of consonance between the sub-systems of the network (franchisees).

These "capabilities" of the government may allow the overall system qualifies as a viable system able to define the conditions of stability of the network through the convergence of objectives and the sharing of a value system to all the partners of the network. In fact, in a context that favours the evolution of synergistic relationships, the franchising network can develop and stabilize itself in time as viable system (Golinelli, 2000).

In fact, many of the failures and/or partial success of franchising networks depend prevalently – even if it is not always easy – on the instability of government-franchisor to maintain a shared equifinality and reduce the risk of opportunistic and antagonistic behaviour in the agency relationship between franchisor and franchisees – the so-called moral hazard: *"trust is not a good thing that can be purchased easily. If you buy it, you have suffered some doubt on what you*

bought. The confidence, and similar values, such as loyalty or the sincerity increase the efficiency of the system but they are not goods for which the exchange in the market is technically possible or has a significance"(Arrow, 1987).

The problem of governance (the ability of the focal firm to ensure the survival of the system) and stability (the capability of coordination of the focal firm to ensure conditions of elasticity and flexibility within the inter-company relationships) are, therefore, two relevant aspects to the viability of the franchising network; these aspects require, then, that the network be governed by an appropriate monitoring mechanism of relationships (consonance) and interactions (resonance).

The possibility of implementing an effective monitoring system is linked to the viability of the franchising system, or to the fulfilment degree of the network; such viability is comprehensible only by adopting an holistic and viable systems perspective.

Adopting the Viable Systems Approach (***VSA***), a franchising network bases its viability – growth and survival – not only on the innovative potential of the business idea, but also and especially on the "capabilities" of government to efficiently manage the operative structure (intra-system consonance) and to strategically govern the system (inter-system resonance).

2. Methodology approach: franchising networks from the Viable Systems Approach (*VSA*)

In this paper, the problem of governance and the stability of franchising networks is analyzed by the theoretical framework of the Viable Systems Approach (***VSA)*** (Golinelli G. M., 2000, 2005, 2008, 2009). The interpretation of the franchising network as a viable system, where the role of the government is relevant for the overall viability, requires analysing the structure and the governance of the focal firm able to make cohesive the network not only in operational terms (consonance or codes and language), but also and especially in system terms (resonance or purpose and values).

The franchisor as government must ensure "responsibly" the viability of the network, implementing inhibiting mechanisms to the spread of diseases and crisis of the system (Vagnani and Bassano, 2003). This implies the ability of the focal firm to monitor the interaction flows regulating – in expansion or in decrease – the positive or negative effects of the synergies of the system.

In this sense, the (***VSA***) seems to be the most useful methodology of analysis for a clear reading and interpretation regarding the problems of *governance* and *stability* of complex systems, that in franchising networks depend, primarily, on the role and capabilities of the components to interact considering the reciprocal influences and the critical bearing of resources available to the structure. Therefore, this approach allows an extended and depth vision of the inter-system relationships that characterize networks helping the reconstruction of relational dynamics and the definition for hypothesis of the viability monitoring.

Even if not all the observable systems are qualified as viable systems – the viability depends on the government that has to use a system of differentiation (fulfilment degree of systems) in order to distinguish among the aspects that characterize the different entities. This is indicated referring to the characteristics of the viable system itself. In short, reference is made to the existence of an operative structure with entrepreneurship and self-organizing skills, and to the presence and role played by government in directing the dynamics of the system entity under consideration (Golinelli, 2009).

Take in Figure (No. 1).

It is feasible to place the different forms of systems on a guided axis, starting from evolving systems, systems in the process of completion and finally, viable systems, where the transition is

marked by the change in role played by government, and consequently, the influence of government on the capability to transpose regulations, limits, expectations and objectives into the viable system enterprise.

Franchising networks are positioned between the categories of *systems in the process of completion* and *viable systems*, precisely because of the effective or less fulfilment degree of government (franchisor) and of its capability of governance. From a Viable Systems Approach (***VSA***) the franchising, characterized by a network configuration, is qualified as a system in the process of completion were the components of government and operative structure are respectively indentified in the focal firm (franchisor) and in the interconnected affiliate (franchisee) components. In other words, we can say that, in general terms the franchising is part of the type of *systems in the process of completion*; in specific terms, it becomes a viable system when the franchisor-government succeeds in monitoring the functioning, to address with success the dynamic strategies, to reach distributable performance to the whole operative structure (Saviano, 2003).

Therefore, the viability of franchising networks has to be studied by the franchisor view point: this subject has the power of governance on the network of relations by recoursing to an organisation design (OD), in which there is and must be maintained a strong structural consonance between the components (franchisor and knot-franchisees) to ensure resonance in system aims and objectives.

Methodologically, franchising network has to be re-read in a viable systems vision that re-evaluates its importance, enhancing the relational nexus because of its nature of complex system, capable of ensuring effective and efficient monitoring of structure (adequacy of the components and relations) and system (performance).

Through the system concept, the organisation is able to determine effects and performances that are not attributable to the single company or to the concept of inter-linked firms; in fact, the relation is a necessary but not sufficient condition for the viability of a complex system.

In particular, the franchising has to be analysed as a system for "governed interactions" by means of a governance which enjoys a position of prominence, based on two variables (Piciocchi, 2009): the *power* – capacity to "direct" and "transmit" relations within the network – and the *prestige*, – legitimacy and recognition by the related knots within the system –. This "star" position shall be read and seen in terms of government and management of flows of resources, of information and coordination of operational processes (Barile and Nigro, 2004).

The structural configuration of franchising organizations – *systems in the process of completion* or *viable* – affect conditions of *governance* and *stability* in the entire network. If the viable systems is accomplished, then the government is able to monitor the conditions of viability and check the operational efficiencies.

This means that the management of franchising systems is reflected in a governance that is strongly geared towards system control (system resonance) and operative control (structural consonance). In the network, in fact, the power of government and control is understood, not as domain on components, but as the capability of the direction of the complex system.

The methodology of the analysis that is proposed, allows us to develop the aspects of relations between individual knots (franchisees) and the focal firm (franchisor), and to understand the system of monitoring and the mechanisms of control for the viability of the contractual collaborative formula. This statement bring to two macro-categories of conditions:

- objective;
- subjective.

The first (distinctive know-how, image, reputation, etc.) represent the necessary but not sufficient conditions, for the creation of a franchising network. The second (design capacity of the commercial network, of planning trade activity, control and measurement of strategy), constitute, instead, the necessary but not sufficient conditions for the survival of commercial form (Barile,

1996). Both conditions – objective and subjective – ensure the viability of the system and, therefore, are carrying out essential requirements for the durability of business, recognition and maintenance of a sustainable competitive advantage.

In this sense, it is possible to assess and evaluate the monitoring system that, having a more extensive and substance weight than merely accounting control, allows to maintain the objective and subjective conditions that represent the basis of the success of the franchising network.

The monitoring system must be analysed, by comparing three logical levels:

1) franchisors (government);
2) franchisees (operative structure);
3) network system (system in the process of completion vs viable systems).

The logical levels 1 and 2) suggest the qualification of assets of consonance between the knots of the network, enabling accurate definition of the conditions of resonance within the network; the logical level 3) requires a strong capability of analysis and control by the government (franchisor) in order to increase the degree of viability – and therefore of fulfilment – of the franchising system; this ensures the compliance with the equifinality of the network (expectations by the franchisor and the franchisees), reducing, so, the risk of a degenerative crisis, or to dissolve the complex system (Maturana, 1975).

3. Findings: the system of viability monitoring in franchising networks

The essence and the structure of franchising contract already require detailed rules for the regulation of the network relationship in terms of monitoring the overall system: the same reciprocity between franchisor and franchisee, represents a relational constraint that requires monitoring and control (Pfeffer and Salancick, 1978).

However, the need to introduce in business networks mechanisms of control and coordination to face also the opportunism of the contracting parties is not to be overlooked.

The organisational problem in franchising networks, concerns the qualification of coordinated measures, that aims to the equifinality of the knot partners (Grant, 1998).

In this sense, two dimensions of the problem are emerging:

- co-ordination (shared governance);
- cooperation (consonance and resonance).

Both dimensions are fundamental to the synergy of the network because of possible relational inefficiencies that can generate conflicts and/or ignite crisis (distractions) of the whole system of franchising. In particular, the size of coordination requires a suitability of the government (franchisor) ensuring the system – in the process of completion or viable – conditions of survival in the context and in the network itself; the dimension of cooperation relates, instead, to the conditions of efficiency and effectiveness of processes and, therefore, optimizing shared business.

The purpose of this paper shall concern in particular the aspects of the size of coordination that refers to the modalities of system interaction for the viability of the complex franchise network: the government (franchisor) must manage the flows of operational information – conflicts and adjustments to the context: the knots of the network and between the knots of the network itself; in order not to affect the conditions of current and future viability of the system.

Take in Table (No. 1)

Table (No. 1) – Conditions of opportunism conflict in franchising networks

FRANCHISOR	FRANCHISEE
More margins resulting from maximizing of sales by the franchisee	More margins resulting from maximizing profits of their function
Growth strategies of the market and of possible internationalisation (long-term)	Profitability and market penetration (short period)
Growth of the competitiveness	Growth of the professionalism
Lower investments	Acquisition of skills and advanced management techniques
Financial investments: royalties, entry fees	Protection, assistance, supply
Advantages: economies of scale and absolute cost	Productivity and profitability

In this sense, the franchisor (government) search solutions of governance that encourage synergistic interaction and, if possible, symbiotic, in order to ensure both the survival, as the success of the shared business (Amoroso, 1996).

This coordinating role represents a critical aspect of the process of optimization of business and research internal efficiency (Seltz, 1990). In fact, the collaboration and the sharing – strategic and operative – allow the knots in the network to achieve partial and individual objectives through synergies produced in the pursuit of the overall performance of the system: the coordination requires the creation of an adequate and effective monitoring system and control process.

It is possible to analyse the problem through a graphic representation of the degree of viability of the firm as a viable system. In particular, if we define the degree of viability of the firm as a viable system (V) as function of positive composition between the two variables X and Y, such as: $V = f(x, y)$, the representation has a three dimensional shape such as:

$$V \in [0, 1].$$

Assuming a space of viability and a stabile/instable area that is represented in the area of the cube with slide 1 (dot curves).

Take in Figure (No. 2)

In this logic, the reduction of the risk of finding themselves in a dead end – risking crisis – and the fading out of the focal firm extends with a differentiated weight all over the network, causing the weakening and/or the sure death of the firm conditioning its viability (Vagnani and Bassano, 2003; Trist, 1963; Prigogine, 1986, Gerlash and Smets, 1995; Fuller Baden and Lorenzoni, 1995; Dornbush *at al.*, 2000).

That is why a system of viability monitoring (Piciocchi, 2003) is proposed for franchising networks capable of ensuring an effective and efficient system control (performance and legitimacy) and structural control (of the adequacy and operative means).

As we can see in Figure (No. 3), the viability monitoring is accomplished through:

1. The *system control* that refers to the search of cooperation conditions and the legitimacy between the franchisor and the franchisees (in the network) and between the network and the market competitive context (external to the network). It is divided into two sub-actions of control:

- *inter-system control*, or verification of coordination procedures for the search of consonance with the supra-systems (meaning the satisfaction of expectations and pressure);
- *operative structure control*, or control the educational and operational flows between the prominence knots (franchisor) and the structure of the network (franchisees);

2. The *control of structure* that concerns the search for the conditions of cooperation and structural adequacy. It is also divided into two sub- actions of control:
   - *operative control of type 1*, or control of the operative effectiveness between the operative structure of the system and the activity of the supra-system in the exchange of resources;
   - *operative control of type 2*, or control of technical and productive efficiency for the proper functioning of the operative structure of the network.

Take in Figure (No. 3)

In Figure (No. 3) we can see the representation of the functions of the viable system, as an entity that lives in a context of reference (supra-systems) which:

- draws resources (energy, raw material and information) developing a function of input;
- realizes a function of internal transformation to increase the value of the absorbed resources;
- sends outside resources (energy, raw material and information) developing a function of output;
- keeps consistent its organization through a function of equilibrium.

The analysis leads to the definition of a complex system in which the franchisor function of government takes place on a network of relationship that needs an organization design and the development of a strong structural consonance between the components and a resonance in system aims and objectives.

As regards to the conceptual framework adopted, the paper aims to highlight the problems of the viability monitoring from the franchisor (government), franchisee (operative structure) and of the network system (system in the process of completion or viable) perspective: the available mechanisms are due to these three distinct types of "system entities" through the system of viability monitoring.

Franchisor perspective

The usefulness of reconciling the advantages of centralisation with those of flexibility leads to ensure the centralisation at the level of government of the network, encouraging the synergistic sharing and collaboration of the interrelated knots. The franchisor, as the government of the network, must activate mechanisms of indirect control, which, unlike direct ones, tend to create relational conditions with the context of reference (system control) and with all the components of the network (Dahlstrom and Nygaard, 1999).

A first set of mechanisms is composed of the management systems of data flows between the centre and periphery that feeds the information system network. In this case, the measurement systems of network performance defined at central level are important because they allow to detect "if" the objectives have been achieved at the level of the overall system and "how" the different partners (franchisees) contribute to this performance. The coordination of the network and the control of the behaviour of knots are based on the integration of the information system which, governed from the centre (government-franchisor), directs and makes the knots aware of the strategic choices of the competitiveness of the network. The choice of the quantities considered

relevant for this measurement (i.e. growth rather than the profit, etc…), influence the actions of collaborative franchisees.

Another type of indirect control of the behaviour of knot-franchisees is about the assignment and management of the managerial roles in the network. To facilitate the fulfilment of the system and to facilitate the government of the franchisor, it is useful to define the roles of power, the centrality, the relational distances, of all and between all the components of the franchising system.

The development of the organisational dimension of the network through the attribution of managerial roles to the franchisee favours the proper functioning of the operative structure of the network (system control vs operative control); in this way a holistic logic prevails (purpose of system-network) that strengthens the internal stability and the viability of the internal and the external network.

There are different tools to make the management of the managerial roles effective (i.e. the rewarding processes, training and the development of socialization, etc…). In this sense, an instrument of control is the *audit of results*, or a set of procedures for the evaluation of the consequences socio-economic of behaviour within the network (Golinelli, 1988 and 1990).

The last but not the least type of indirect control are the mechanisms of resolution of conflicts: from the decision-making responsibilities towards the adoption of processes of functional integration.

All the types of indirect mechanisms interact synergistically to regulate the government of franchisor and encourage the development of an organized and cohesive system; furthermore, they create the structural conditions for an effective system control: the franchisees, in fact, have to be involved and participate in the proper functioning of the system of monitoring and control.

Through the use of the mechanisms of indirect control, the recognition of a certain degree of entrepreneurial autonomy of franchisees (flexibility of system), is coherent with the necessary centralisation of the role of government in a franchisor. The franchising network, based on a logical system which can effectively tackle the problems of governance and stability that characterize organisational complex structures, such as the franchising networks.

Take in Figure (No. 4)

Franchisee perspective

If it is essential to seek mechanisms of government and control for an appropriate support of the strategy of training and development of the network in the franchisor perspective, it is equally important to investigate on adequate mechanisms of control to support ratings of convenience, opportunities, results, etc., in the franchisees perspective.

We have seen that the viability of the system depends on the ability of the franchisor government and on franchisee behaviour in networks; this viability, however, can regardless to the strategic choices in the operational unit. So the cooperation is carried out through the objective and subjective (knot franchisees) tempering of corporate strategies (a network of franchising).

Network system perspective

The scope of strategic monitoring and control is defined by the area of decision-making of the government that influence and regulate the management of:

- inter-system relations, among which the choices on the market outlet and the competitiveness of the system are important;
- intra-system relations, which determine the overall equilibrium (Barile, 2000).

Interpreting the capability of survival of the firm as a viable system as the capability to create value for supra-systems (Nigro, 2003) the measurement of the degree of satisfaction of the supra-systems in the context (customers, suppliers, institutions, etc…) is relevant. In this sense, the

usefulness of the verification of the "satisfaction" of franchisees is included as an "internal customer" which influences the viability of the system on final markets.

4. Practical implications

The Viable System Approach (***vSA***) reevaluates the role of the government as responsible for a proper exploitation of the economic structural potential linked to network synergies. High rates of affiliate turnovers are considered as signs of the system's instability that will erode its ability of survival.

The structure and the franchising system, or the viability of the network are dependent on the relational nexus (connectivity, centrality, size, power, prestige, etc.) and the sharing of a *System of Prevalent Values* (Pascale and Athos, 1981) that makes the system cohesive and reduces the risk of acquisition of dominant positions that tends to dissolve the collaborative business for the conflicts between the various knots of the network.

In particular, the system of viability monitoring in franchising network allows to:

- develop, through different ways, complex activities of business in a modulate and inter-linked manner. Some examples are the so-called *intelligent firms* or *strategic firms*: more or less accomplished viable systems, defined knowledge based, where the core-business of the franchisor consists in activities of design and coordination of the reticular configuration for the stability in time;
- spread in the network the awareness of membership in the business idea in peripheral knots (cooperation), both in central or star knots (collaboration);
- exploit synergistically and at every level of the network the creativity of knots and of government-franchisor, the internalised knowledge of products and processes, the innovative interaction (Gummesson, 2004).

The viability monitoring allows, also, to prevent or limit the *shirking* (Jossa, 2000) or *moral hazard* – forms of post-contract opportunism induced by conditions of poor cooperation or superficial sharing of the system project – and, therefore, implement the system with a two way direction and transmission process useful to the stability of the network.

The economic and social success of a franchising network needs, therefore, that relations be based on the equifinality between all the partners; this does not imply that the franchisees and the franchisor have commonality of purpose, but work together for a common goal (viability and survival of the system) useful to achieve the subjective expectations. In this perspective, the viability monitoring supports the systematic coordination to ensure the uniformity of the policies of price and product, the adoption of operating systems and control systems, the spread access to the information and, consequently, the implementation of strategies in the logic of cooperation respecting identity (Sporher *et.al*, 2007).

The qualification of a strategic dimension of the monitoring and control focuses on the elements of the process that refers to the "methodology of control", or to the phases or moments through which players and instruments (tasks) are aimed at management control.

In general, we identify the following steps:

- definition of objectives;
- measurement of management results;
- comparison between objectives and results;
- analysis of the gaps;
- identification of the corrective measures.

The viability monitoring assumes importance both for the franchisors, regarding the formulation of the corporate strategy and the implementation of operational processes, as for the

franchisee who concentrate on the assessment of the effects induced by the dynamics of the network-system in time (Piciocchi *et al.*, 2004).

These aspects lead us to reflect on the structure and nature of relations, and the identification of critical moment, as a result of:

- the *prototype selling point*. The franchising is a particular network where the units are similar among each other. The "relational prototypes" allows us to check in advance the relational problems and to standardize (not at all) the behaviour response;
- the *recruiting plan of affiliates*. The strategic importance of the plan of recruitment of affiliates in the government of relations between franchisor and franchisee depends on the possibility of selection and the choice of partners that satisfy better the requirements of the network;
- the *training*. The affiliate enriches its owned knowledge with a competitive know-how that allows it to have success in its context, reducing the financial risks and flexibility induced by the change. The affiliate training is a crucial moment because the franchisor obtains the recognition of leadership within the network, carrying out a *shared and legitimate governance* that must be constantly monitored to maintain the structural consonance and the system resonance on the network.

The different format of franchising networks where the coordination and control by government are intensifying considering the structural articulation, are represented.

Take in Figure (No. 5)

In franchising networks the conflicts between franchisor (government) and franchisees (operative structure) can be extended if the conditions of cohesion and the legitimacy are not insured; this risk is reduced through the implementation of the viability monitoring: *"in reticular organizations the inter-firm relationship takes a connotation of negotiation by separate organizations, with an individual autonomy more marked to the hierarchical forms, which obviously opens new ways to generate the conflict"*(Lorenzoni et al., 1989).

The institutional role of the government (franchisor) of the network, then, is to seek dynamically "relational solutions" which allow collaborative cohesion of partners considering the degree of structural articulation of the franchising network. As the N grade of the network (number of relations) increases and the more centrality and power are distributed, the more articulate and intense the viability monitoring will be.

5. Concluding remarks

In franchising organizations, the aim of survival should be pursued at the level of the overall network, developing a shared governance based on the objectives of consonance and resonance.

In franchising network problematic situations or crisis arise particularly when the franchisor tries to bend the network to his purposes, while the franchisee search, however, to exploit his reputation. In this way, the relationship between the partners of the franchise network from a synergistic collapses to antagonistic one, or mercantile and opportunistic; this affects the evolution of the stability network and the viable systems configuration.

The perspective that should emerge, is based on a policy that considers "uncertainty as the constitutive property and emerging of the relations and cooperation", and to "try to recognize the difference and autonomy, so the subjectivity as the value" (Katz and Kahn, 1994). In this sense, the practice of supervision and control - by the franchisor - not considered as the purpose of the organization but as a means to achieve more resonant aims through the consonance integration of the differentiated structures of affiliates, are relevant (Seltz, 1990).

A franchising network, which will survive to the complexity of systems dynamic and of competitive scenarios, is not definable, however, through standard configurations, but depends on the capability of government to exploit its own and other distinctive competences, guaranteeing a dynamic consolidation of network relations and, preventing the possible situations of conflict.

In ***vSA*** optics, this exploitation depends on the systems nature and on the fulfilment degree of systems. In particular, in a franchising network the system of viability monitoring – direct and indirect controls regarding the sharing of economic and social policy – guarantees strong synergies in terms of specialization and complementary. This makes the network a virtuous system that based its viability on "inter-linked capabilities for distributed expertise"(Vargo and Lush, 2008).

So, the mechanisms of coordination and monitoring will take a critical role for the stability and success of a modulating business in reducing relational uncertainty, increasing synergies through efficiency (consonance) and effectiveness (resonance), defining an "area of concordance" between the knots of the network.

In particular, the *area of concordance* is built in time if, through the monitoring of structural consonance and of system resonance, the capability to create relations in franchising networks evolves from conditions of *calculus based on trust*, typical of the evolving systems, in to *knowledge based on trust*, typical of the systems in the process of completion, to get, finally, to conditions of *identification based on trust* typical of the viable systems configurations (Piciocchi, 2009).

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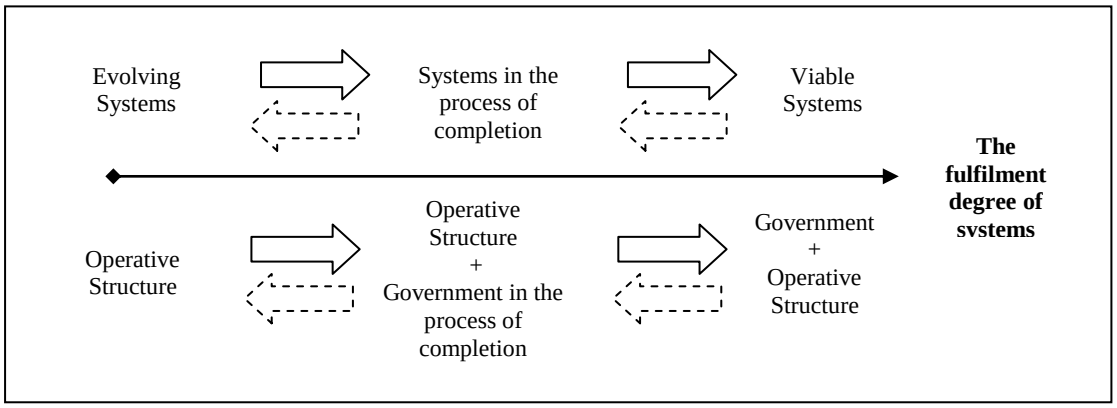
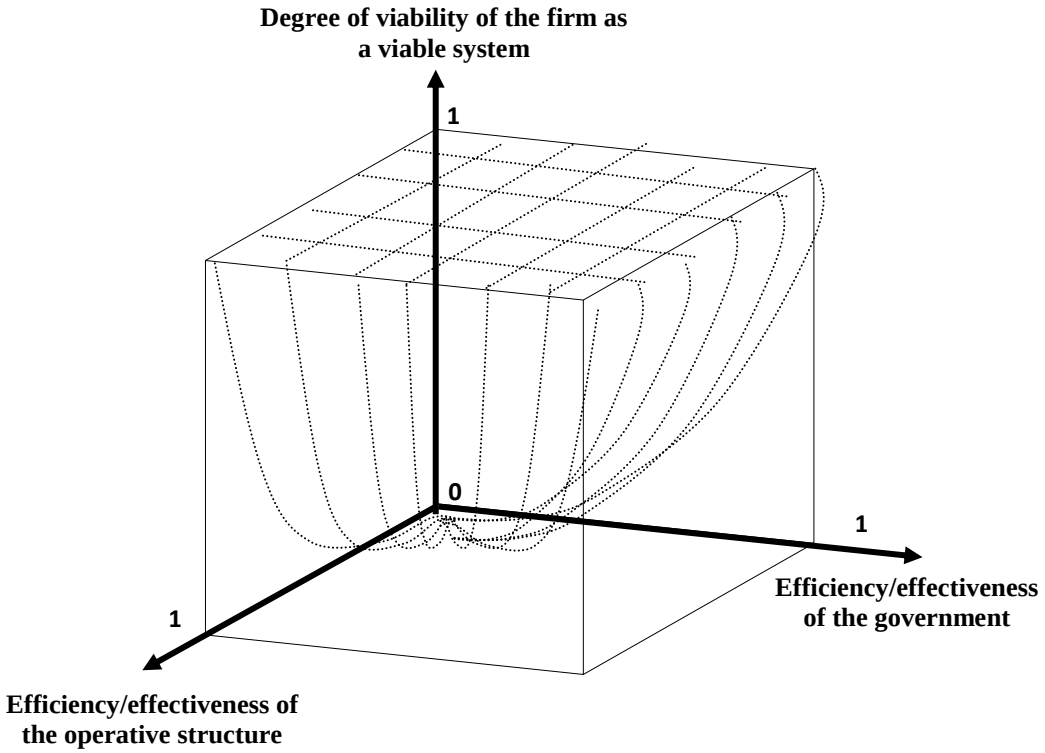
Figures of the paper

Figure (No. 1) – The continuum from evolving systems to viable systems



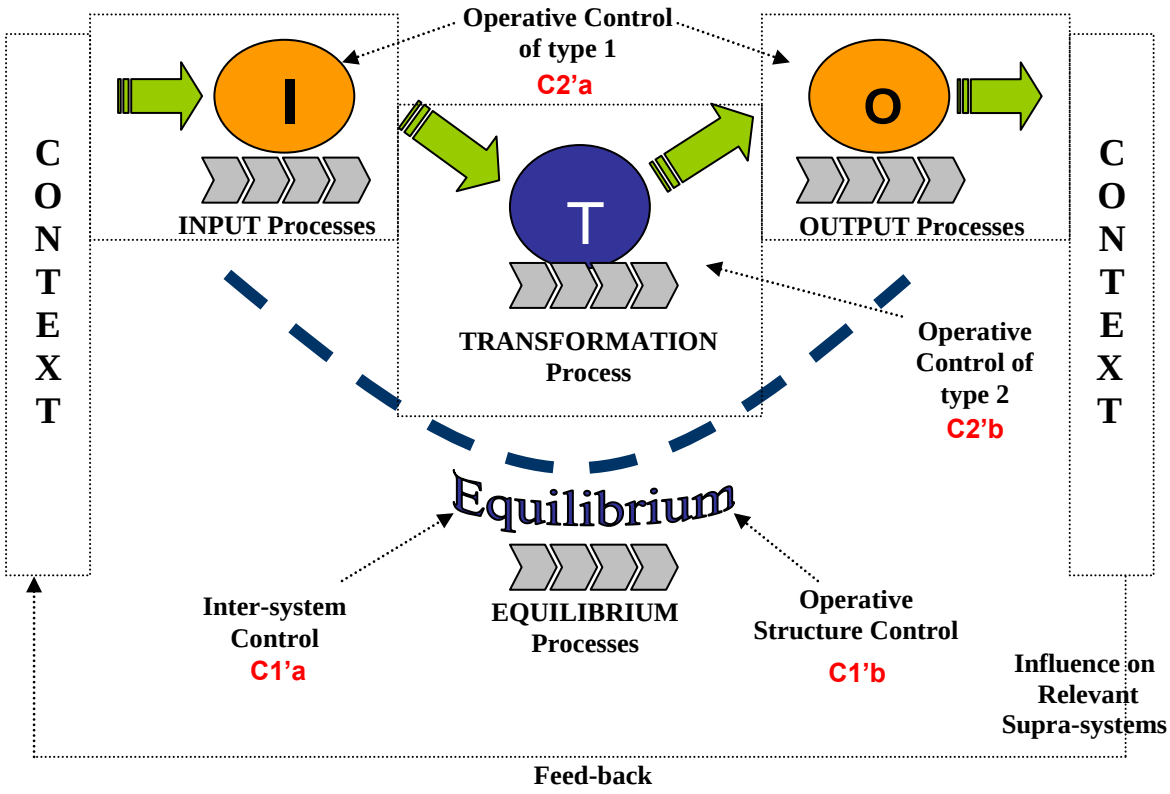
Source: Liguori and Iannuzzi, 2008

Figure (No. 2) – The degree of viability of the franchising network



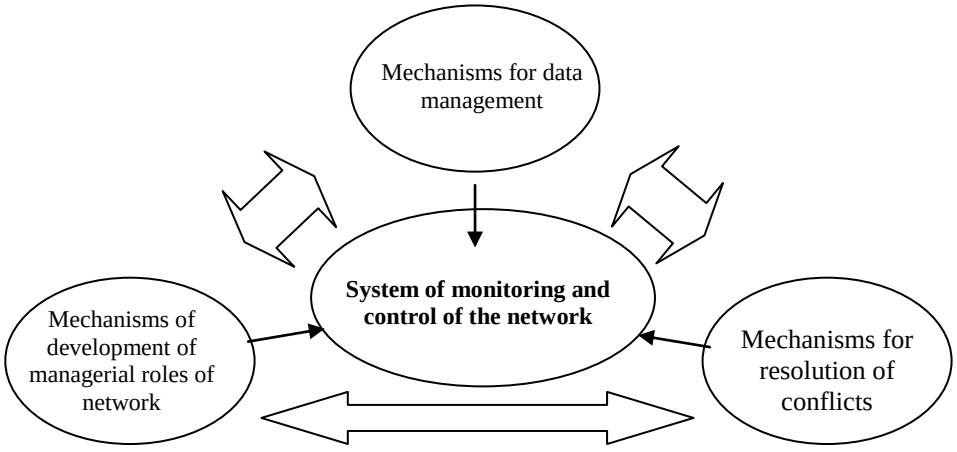
Source: Piciocchi, 2003

Figure (No. 3) – The viability monitoring in franchising networks



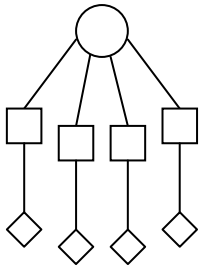
Source: Piciocchi, 2003

Figure (No. 4) - Mechanisms of network control in a systems perspective

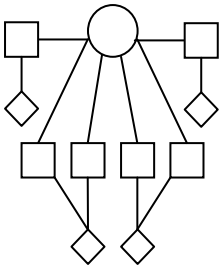


Source: adaptation of the Authors from Beretta S., *Il controllo dei gruppi aziendali*, Egea, Milano, 1990, pag. 135.

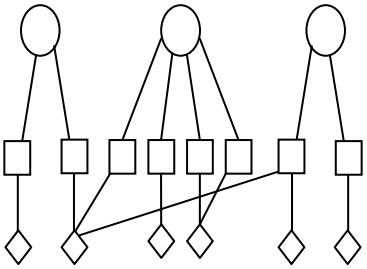
Figure (No. 5) – *Typical structure of franchising network*



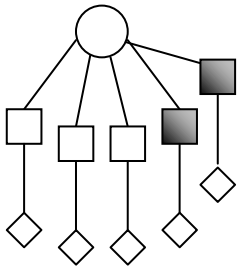
Conventional Franchising



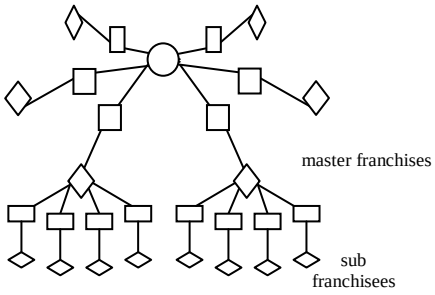
Multifranchising



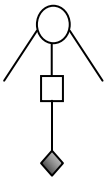
Plurifranchising



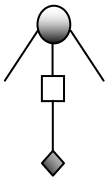
Cornerfranchising



Masterfranchising



Franchisee with partecipation of franchisor



Franchisor with partecipation of franchisee

Franchisor | Selling point | Franchisee | Corner selling point | Partecipated Franchissee | Partecipated Franchisor