Public Abstract

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This dissertation fills a gap in the literature by exploring the effects of franchising. Much research has been done on the reasons for franchising, but little work has been done on the outcomes from that decision. In essay one, I present a simulated approach to two-stage data envelopment analysis, which is the method I use in essay two. I find that two-stage DEA is a worthy tool for determining efficiency differences between two groups. In essay two, I apply two-stage DEA to US Census Bureau data to determine how franchisee-owned establishments compare with franchisor-owned establishments. I find that franchisee-owned full service restaurants are more efficient than their franchisor-owned counterparts. This is a confirmation of the theoretical franchising literature that suggests that franchising is used to solve an agency problem. In essay three, I examine the causes of changes in the franchisee-franchisor ownership mix within chains. I find that past chain-level efficiency has little impact on future ownership changes. This is also confirmation of previous theories in the literature.