# AN INVESTIGATION OF THE FACTORS THAT IMPACT ON THE RELATIONSHIP BETWEEN THE FRANCHISOR AND FRANCHISEE:

## A STUDY OF THE CONVENIENCE STORES WITHIN THE PETROLEUM INDUSTRY

by

**THIRUMONEY GOVENDER**

Submitted in accordance with the requirements for

The degree of

**MASTER OF COMMERCE**

in the

School of Management Studies

in the

**THE FACULTY OF MANAGEMENT STUDIES**

at the

**UNIVERSITY OF KWAZULU-NATAL**

**SUPERVISOR: PROFESSOR K. POOVALINGAM**

**June 2007**

## DECLARATION

I, Thirumoney Govender, Registration Number, 205507927, declare that this assessment item is my own work, except where acknowledged, and has not been submitted for academic credit elsewhere.

Signed: _______________ June 2007

Thirumoney Govender

Durban

## DEDICATION

I like to dedicate this dissertation to my late dad,
Ramsamy Naidoo,
who instilled in me a desire to learn.

## ACKNOWLEDGEMENTS

I am enormously indebted to Professor Kasthuri Poovalingam, my supervisor, who provided guidance, advice, support and help throughout the study.
Prof, to have been your student, has been an honour, a privilege and a pleasure.

Thank You to Joan Verster for drawing up my questionnaire.

Finally, thank you to my husband, Steven, who has been a pillar of strength through this demanding time, my mom who took care of my children while I toiled away at the library and especially to my two boys, Kimeshan and Liashan, who enjoyed keeping me company late at night.

**An Investigation of the factors that impact on the relationship between the Franchisor and Franchisee: A study of the Convenience Stores within the Petroleum Industry**


## ABSTRACT

Although franchising is growing in importance as a form of business with considerable benefits to all participants, little research has been done to evaluate the factors that contribute to a successful franchise relationship from the viewpoint of the franchisee. This study is intended to provide valuable information for establishing an effective management strategy, with a view to improving the relationship between the franchisor and franchisee. The study will include an analysis of the predictors of a quality relationship between the franchisor and the franchisee; and attempts to increase the understanding of the relationships between the predictors of a quality relationship, which may contribute to the franchisee's performance and satisfaction.

Using the survey responses of the franchisees of the Convenience stores within the Petroleum Industry, this study identifies key factors that affect the franchisee's motivation to become a franchisee, the franchisee's perception of the franchisor's support, the quality of the relationship, loyalty/commitment to the franchisor and the franchisee's performance.

The results of this study provide strong support for the idea that the quality of the relationship between the franchisor and the franchisee plays a key role in ensuring that the contractual relationship will lead to financial success for both parties. Recommendations provided will assist the franchisor in establishing an effective management strategy to improve the relationship between the franchisor and franchisee and thus improve the rate of success for both the franchisor and the franchisee.

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# CHAPTER 1

# INTRODUCTION

## 1.1 Introduction

Although franchising is a growing business form with considerable benefits to all participants, little research has been undertaken to evaluate the factors that contribute to a successful franchise relationship from the viewpoint of the franchisee. This study is intended to provide valuable information for establishing an effective management strategy, with a view to improving the relationship between the franchisor and franchisee.

## 1.2 Background

According to Pizanti and Lerner (2003:135), franchising relationships are set up and agreed upon in a binding formal contract. In a franchisor – franchisee relationship, a franchisor grants its franchisees the right to engage in a business developed by the franchisor, by letting the franchisee use its brand name and trademark. Tikoo's (2005:329) study has found that franchisors provide the franchisees with managerial experience for setting up and operating the franchise business and the franchisees agree to operate the business according to conditions stipulated by the franchisor in the franchise contract.

The limits of a franchisor – franchisee relationship are formalized by the contract, which either extends from 3 to 20 years or has no fixed time limit. The contractual agreement, measured on a continuum, can be anywhere between a highly integrated system and decentralized entrepreneurial markets. Although the limits of the franchisor – franchisee relationship are defined by the contract, the relationship between the two parties can be quite flexible (Pizanti and Lerner 2003:135).

According to Brickley (1999:751-752), franchising contracts include aspects, such as the products to be sold, standards of quality, prices and hours of operation. The contracts also specify the start up date, duration of the contract agreement, period of renewal and termination clauses and the franchise fees that are payable to the franchisor.

In the franchisor – franchisee relationship, the two entities remain separate yet they are closely linked to one another. Hence, this relationship is sometimes described as a strategic alliance (Brickley 1999:751-752)

Franchise systems are made up of interdependent individual members or organizations. Franchise systems can be classified into two types: traditional or product trade name and business format franchising. Boyle (2002:252), confirms that traditional franchising uses franchisees to distribute a product under a franchisor's trademark while Business Format franchising grants a licence to the franchisee to duplicate the franchisor's business concept in another location.

The partners in a franchise system are mutually dependant on one another's objectives and performance to achieve their goals. There are many advantages to participating in a franchise system, such as the promise of belonging to a large chain, while, at the same time, being an independent business person, the decreased risk due to the proven business format, the established trade name of the franchisor's suitable site selection, building plans, training programmes, operating manuals and assistance in finding supplies. Ongoing assistance is also very valuable in the form of advertising, bookkeeping supplies, supervision, counseling (Hoy and Stanworth 2003:130-131).

According to Forward and Fulop (1997:612), a person may prefer to become a franchisee rather than an independent small business person because he/she believes that the former offers both the advantages of a large and a small business, and reduces substantially the risk of failure. For the franchisee, there are also a lot of responsibilities, including working within the restrictions of the franchisor and sharing the financial rewards. Thus, in return for relinquishing some independence, franchisees expect to be able to operate in a controlled, assisted and supported environment, and gain the benefit of a proven business, a brand name, professional management, as well as the economies of scale of a larger organization.

From a potential small business person perspective, therefore, franchising may represent an easier and less risky entry into business than operating independently (Forward and Fulop 1997:612)

A successful franchise not only benefits the organization but also the end customer and franchisees can be motivated to focus on the needs of the customer. Potential customers can also be seen as customers of the franchising company, since they are likely to patronize other franchised outlets with the same name because they expect the same product and services (Hoy and Stanworth 2003:130-131).

Each franchise contract may be different and a mixture of services may be specified that maintain and build the franchise value. Franchisors may assist franchisees with site selection, training and store openings. On a continuing basis, franchisors may provide franchisees with newsletters, territory meetings, site visits, and guidelines and also a helpdesk to log queries. These services will help the franchisor control, monitor and support franchise performance and by providing this support, help minimize problems in their relationship with franchisees. However, the researcher does agree that these extensive services will incur extra costs which means that franchise fees are higher in order to compensate for higher monitoring costs (Hoy and Stanworth, 2003).

The stages experienced in the franchising relationship were simplified into
1) The start up, 2) Conflict and 3) Termination/renewal Phase. The critical start up phase of the franchising relationship occurs when a new franchisee enters into the agreement with the franchisor. Franchisees cite 'trust' as the critical

attribute of franchisors during the early stage of the relationship, while franchisors look for commitment and ability to communicate during the start up phase of the franchising relationship (Lim and Frazer, 2000:675).

During the conflict phase, Lim and Frazer (2000:675), say that the franchisor and franchisee may experience some disharmony as their relationship matures. During this phase, the franchisees may be disadvantaged as franchisors have the upper hand.

During the renewal/termination phase, the contract is either renewed or terminated. According to franchise scholars, Shelby Hunt and John Nevin, the franchisor was assumed to have a far greater power than the franchisee, yet the parties enter into a contractual agreement as legally separate organizations. (Hoy and Stanworth, 2003:104).

## 1.3 Main Problem Statement

There is a perception that the success of franchising is dependant on the franchisor – franchisee relationship and that a better understanding of the factors that produce a high quality relationship between the franchisor and franchisee would be beneficial to both parties.

### 1.3.1 Sub Problems

- Franchisees perceive themselves to be in a position of submission in relation to the franchisor.
- A challenge exists for franchisors to maintain control over their outlets without constraining the franchisee's entrepreneurial spirit.
- Franchisors need to manage the friction that emerges from conflicts within the relationship.
- There is a general perception among many franchisees that the quality and professionalism of the support packages that they received fall short

of the standard which one would expect from a Multinational and does not motivate them to remain in the franchise.

- Franchisees perceive the franchisors as exerting undue power and control in the relationship.
- Franchisees perceive their loyalty and commitment to the franchisor as being vital to their success.

Having determined the problems, the following objectives will guide the study.

**1.4 Main Objectives of Study**

1.4.1 Determine whether the success of franchising is dependant on the franchisor – franchisee relationship and to determine the effects of the key factors that relate to the quality of the franchisor-franchisee relationship.

Further objectives of this research are to:

1.4.2 Determine whether franchisees perceive themselves to be in a position of submission to the franchisor.

1.4.3 Ascertain what challenges exist for franchisors to maintain control over their outlets without constraining their entrepreneurial spirit.

1.4.4 Determine how franchisors manage the friction that emerges from conflicts within the relationship.

1.4.5 Determine whether the support packages, offered by franchisors, are adequate to motivate them to continue within the franchise.

1.4.6 Determine whether the franchisor exerts undue power and control in the relationship.

1.4.7 Determine whether loyalty and commitment to the franchisor is vital to the success of the business.

## 1.5 Research Questions

Therefore, the key research questions to be answered are:

1.5.1 Is the success of franchising dependant on the franchisor – franchisee relationship and what are the key factors that impact on the quality of the relationship between the franchisor and franchisee?

1.5.2 Do Franchisees perceive themselves to be in a position of submission in relation to the franchisor?

1.5.3 How can franchisors maintain control over their outlets without constraining the franchisee's entrepreneurial spirit?

1.5.4 How do franchisors manage the friction that emerges from conflicts within the relationship?

1.5.5 Do franchisors offer quality support packages to franchisees to motivate franchisees to continue with the franchise?

1.5.6 Do franchisors exert undue power and control in the relationship?

1.5.7 Are loyalty and commitment vital to the success of the business?

## 1.6 Importance of Study

Although franchising is a growing business form with considerable benefits to all participants, little research has been done to evaluate the factors that contribute to a successful franchise relationship from the viewpoint of the franchisee. Forward and Fulop (1997:612) also highlight that very little attention has been given to the behavioural (power/control/conflict) aspects of channel management. It has also been argued, that the balance of power in the franchisor/franchisee relationship is not as one-sided in practice as it is often portrayed (Forward and Fulop, 1997:616). These investigators point to several sources of franchisee power, which often tend to be underestimated.

This study is intended to provide valuable information for establishing an effective management strategy, with a view to improving the relationship between the franchisor and franchisee. The study will include an analysis of the predictors of a quality relationship between the franchisor and the franchisee; and attempts to increase an understanding of the relationships between the predictors of a quality relationship, which may contribute to the franchisee's performance and satisfaction.

The results and knowledge gathered from this study may provide both theoretical and practical contributions for the improvement of franchising in the petroleum industry. The predictors identified in this study may also provide a useful tool for franchising companies who wish to examine the factors contributing to the franchisee's satisfaction.

Once the franchisor understands the variables leading to the franchisee's satisfaction, changes can be implemented to reduce conflict and improve the overall performance of the franchisee.

## 1.7 Research Methodology

Research Methodology for the study includes design strategy, scaling design, sampling design, measurement, ethics and data analysis.

### 1.7.1 Design Strategy

A quantitative survey design is used. Quantitative research methods are associated in general with systematic measurements and statistical analysis. According to Cooper and Schindler (2006), a survey refers to a collection of information on a wide range of cases, each case being investigated only on a particular aspect under consideration. The survey method is generally used to elicit people's reactions and attitudes. Since the objective of the study is to investigate the factors that impact on the franchisee-franchisor relationship, the survey method was seen as the most appropriate.

The study will involve the administration of a self completion questionnaire to all franchisees. Questionnaires will be emailed to all franchisees. The researcher's email address will be included on the cover letter to which the franchisee can email the completed questionnaire.

The questionnaire will comprise of two parts, as follows.
Part A – Biographical details such as gender, age, educational qualification, number of years as a franchisee, employment before becoming a franchisee.
PART B comprises four sections:
Section 1 – Franchisor Support
Section 2 – Relationship between the franchisor and franchisee
Section 3 – Performance of My Business
Section 4 – Loyalty / Commitment to franchisor.

### 1.7.2 Scaling Design

All constructs were measured through multiple-item scales and a five-point Likert-type response format.

### 1.7.3 Sampling Design

According to Cooper and Schindler (2006), the convenience sample method involves collecting information from people who are conveniently available at that time. Convenience sampling would be appropriate as there is no intention of generalizing the results of the study to the entire population but to gain more insight from an academic point of view.

The study investigates the factors that impact on the franchisor – franchisee relationship. Therefore, the population group in this study would be the franchisees of the Convenience stores within the Petroleum Industry.

### 1.7.4 Measurement

Cooper and Schindler (2006) define measurement as assigning numbers to empirical events in compliance with a set of rules. The data that are to be collected for the proposed study comprise of nominal and interval data.

### 1.7.5 Ethics

Ethics are norms or standards of behaviour that guide moral choices about our behaviour and our relationship with others. The goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities (Schindler, 2006). These principles will be adhered to. Respondents' confidentiality will be maintained and full assurance will be given to all respondents in this regard. The respondents will not be required to identify themselves. The study's benefits as well as the respondent's rights will be explained to the respondent.

### 1.7.6 Data Analysis

The raw data will be edited and checked for errors, omissions, data quality standard, consistency with intent of question, uniformity of entry and completeness. Errors will be completed, and the data arranged to simplify coding and tabulation.

Numerical coding of 1 to 5 will be assigned to the Likert scale. The categorization of data will be carried out in accordance with the coding rules suggested by Schindler (2001). A codebook will be constructed. All questions will be closed questions. The data will be captured into a statistical software package (SPSS) for analysis.

Initially, descriptive statistics will be used, as it is appropriate to describe and compare data. Descriptive statistics, however, do not tell the researcher whether the results occurred by chance. For this reason, inferential statistics will be utilized to confirm whether the quantitative results of the study have arisen by chance alone or represent true differences. The results will be displayed using a combination of frequency tables, bar charts, graphs and histograms.

### 1.8 Limitations of the Study

All Petroleum companies were not eager to reveal the contact details of their franchisees. Franchisees were reluctant to complete the survey – this could mean that they are either very committed to their franchisor or are afraid of being victimized.

### 1.9 Organization of the Dissertation

Chapter 1 is the current chapter and outlines a description of the research problem, and a discussion of the factors underlying the importance of the research problem and its relevance to franchising research.

Chapter 2 presents a review of the relevant literature, the extent of the findings with regard to the research questions addressed in this study, and an assessment of the gaps in the literature.
Chapter 3 discusses the key decision variables that affect the quality of the relationship between the franchisor and franchisee.

Chapter 4 provides a description of the empirical research methodology, with particular emphasis on the sampling techniques, construction of the questionnaire, the survey method employed, the statistical tests to be used and the reliability and validity of the research instrument.

Chapter 5 interprets and critically discusses the results of the study.

Chapter 6 presents a discussion of the findings and conclusions are drawn, together with suggestions for future research.

## 1.10 Summary of the Chapter

This chapter presents an overview of the proposed research, beginning with the background of the study. The chapter then discusses the problem statement, which includes the two research questions that guide the study. The objectives of the study are discussed. Some of the study's objectives are to identify the factors that impact on the quality of the franchisor-franchisee relationship, and the quality of that relationship as it relates to the performance of the franchisee, franchisee satisfaction, and the franchisee's commitments. The chapter also discusses the contributions of the study, including its applications to the franchising industry.

# CHAPTER 2

# LITERATURE REVIEW

## 2.1 Introduction

Franchise systems are used as a mode of expansion in creating new business opportunities. The interorganizational collaboration in franchise networks requires management's input to achieve synergy and optimal use of resource sharing (Monroy and Alzola, 2005). In this form of business, the issue is allowing business people to manage franchise outlets and this demands additional organizational qualities from the cooperation partners. Therefore according to Monroy and Alzola, (2005), franchisors must be capable to explain the business concept to the franchisee, thus making it possible for him/her to manage the franchise outlets. It is also necessary to improve on a firm and reliable relationship between the franchisor and franchisee in order to guarantee the success of the network.

## 2.2 An overview of Franchising as an Organizational form

Franchising is an organizational form chosen by management in order to compete in industries in the retail trade and service sectors that require highly decentralized operations at a chain of multiple sites (Michael, 2000). Transactions between the franchisor and the franchisee are similar to those between two independent firms (market transactions) in terms of legal aspects. However, under the formal franchise contract, the franchisor has most of the management control (even when the contract is not complete) over the behavior of the franchisee. Therefore, Rubin (1978) says that the relationship between the franchisor and the franchisee is almost the same as that between a firm and an employee under an incomplete contract.

According to Norton (1998:198), the central feature of a franchise organization is the presence of both market like and firm like qualities. Norton describes the market like qualities as existence of trade between two entities that operate in capital, labour and product markets. The firm like qualities arise from the nature of the relationship between the two types of entities. For a financial return, the franchisor grants a licence to its franchisee, entitling him/her to make use of a complete business package. Quinn and Alexander (2002) highlight the benefits to include training, support and the corporate name (brand name), thus enabling franchisees to operate their own businesses to exactly the same standards and formats as the other units in the franchised chain.

The parties to the relationship, being the franchisor and franchisee, both have responsibilities they must carry out in order to make the arrangement work. Franchisors have a contractual, or at least, an implied obligation to maintain their system's brand image and standing through advertising and promotion, and through the control of other participants in the franchise system. In return, the franchisee will be expected to pay a fee for the acquisition of the franchise and the continuing service (Quinn and Alexander 2002). He or she will also be expected to maintain the standards of the franchise as outlined by the franchisor in the franchise agreement. In real terms, there are obvious benefits from this arrangement for both the franchisee and the franchisor. For the franchisor, these benefits include the ability to expand the business rapidly and the spreading of costs and risks across the network. Quinn and Alexander (2002) highlight that, for prospective franchisees, the attractiveness of opening a franchise system includes primarily the opportunity to purchase a business with a proven method for a successful operation.

To explain the evolution of the franchise organization, which expands its chain with the notion of mixed ownership, one can apply theories with regard to risk sharing, capital raising, and monitoring and control aspects. In pure risk sharing models, both parties (franchisor and franchisee) are assumed to be risk averse. They, therefore, derive benefit by signing a contract of revenue sharing through the franchise arrangement (Mukerjee, 2003). According to Oxenfeld and Kelly (1969) and Caves and Murphy (1976), capital raising is the other traditional explanation for franchising despite its assumption of the imperfect capital market. The logic of chain expansion, based on franchising instead of creating own subsidiaries, lies in the difficulty of raising capital by the franchisor alone.

Many studies, done thus far in the area of the franchisee-franchisor relationship, look at franchising as an organizational form and the main objective is maximizing profit.

Fulop and Forward (1997) postulate that research on franchising, as a type of organization, can be categorized into three primary areas: capital theory, the resource-constraints view and agency theory.

A number of different theoretical perspectives within the above categories are discussed in this chapter.

### 2.2.1 Capital Theory

Oxenfeldt and Kelly (1969) propose that firms franchise in order to access scarce resources, particularly capital and managerial resources, in order to expand rapidly. When firms are very young and small, it is difficult to raise capital through traditional financial markets. When a franchisor is confronted with capital constraints, he/she is able to use franchising to raise capital at lower costs than any other arrangements would allow, and is thus able to expand. Caves and Murphy (1976:581) make the point quite clearly: "For financing outlets the capital supplied by franchisees has no ready substitutes".

A study of restaurant chains, by Combs and Ketchen (1999), found that franchising is prompted by capital scarcity as well as the desire to reduce monitoring costs. Capital-constrained restaurant chains used franchising to a greater extent than could be explained by agency variables. Franchising may be an appropriate organizational form in global markets when financial resources are scarce or firms are risk averse. By adopting franchising arrangements, firms will be able to expand and implement strategies without investing their own equity capital. Franchising, unlike other market alternatives that do not require equity, provides a unique relationship with the flexibility required to implement hybrid strategies where some marketing mix elements are standardized and other elements are localized.

Oxenfeldt and Kelly (1968) look at the life cycle model of franchising whereby, in the early stages of the company life cycle, it lacks sufficient capital for growth. The writers suggest factors that propel successful franchisors to move, over time, strongly towards ownership of their more profitable outlets. They claim that franchisors initially benefit from capital and management resources offered by franchisees, and also the franchisees' knowledge of local markets. This strategy helps the franchisor penetrate the market and overcome competitors. Over time the franchisors overcomes the resource scarcity problems and develops internal management resources and the knowledge of the market. The frustrations and problems associated with franchising pushes franchisors towards ownership which permits for greater control.

Lillis, Narayana and Gilman (1976:77) attempted to track the salience of four of the franchising competitive advantages across the life cycle of franchise systems. The four life cycle stages were: 1) penetration, 2) growth, 3) maturity, 4) late maturity. Lillis, Narayana and Gilman identified the main advantages as:

1) rapid access to market
2) reduced cost of capital
3) risk sharing within channel
4) highly motivated owner operators.

In addition to those advantages, several other advantages include:

5) Work sharing amongst management
6) Anti-trust action protection

7) The ability to serve marginal location
8) The promotion of independently owned businesses
9) Reduction in economic concentration.

The authors also correlate the advantages to each phase of the life cycle. Lillis, Narayana and Gilman (1976:77) cite Ozone and Hunt, who provide evidence that the effect of these various advantages of franchising is most important in the short-run. Franchise motivation was perceived as most important advantage at all stages of the life cycle with the exception of the penetration stage. Entry capital advantage was perceived as being of low importance at all stages, particularly the late maturity phase. Risk sharing and rapid penetration appeared to fluctuate across life cycle stages more than the other advantages. Increased franchisor ownership and operation in the later life cycle stages is primarily a result of general decline in the perceived importance which franchisors attach to all of the competitive advantage normally ascribed to franchising. The advantage of rapid market penetration and franchise motivation are perceived as important in early life cycle stages when franchising becomes an attractive entry distribution system. (Caves and Murphy, 1976). Once a franchise matures, franchising becomes less desirable. A prevailing rationale for franchising suggests that franchising is a means for the franchisor to raise capital

According to Rubin (1978:225), the investment of the franchisee would be far more risky since the franchisee would only own one or a few outlets in an area and, therefore, his/her investment will be much more risky than the overall franchise chain. A risk adverse franchise would definitely want to invest in a portfolio of shares since there is a higher cost of capital for franchisees. Also, the investments are not as diversified as franchisors invest. Rubin goes on to argue that even if the franchisors create a portfolio of shares and sold these shares to his/her store managers, this would diversify risk for managers with no capital effect for franchisors. Therefore, Rubin (1978:226) maintains that capital markets' arguments do not explain franchising.

According to Combs and Ketchen (1999:197), the capital scarcity hypothesis should not be dismissed without direct empirical investigation. The results showed that franchised outlets characterized by capital scarcity expanded through franchising more than their agency costs appeared to demand. The results do not refute resource scarcity or agency theory as explanations for franchising but merely indicate that despite some researchers dismissing the capital theory, it still does offer a good explanation for franchising.

According to Hopkinson and Hogarth – Scott (1999: 832), the capital constraint explanation has serious implications upon the relational aspects of the exchange. Since the capital constraint is temporary, there will be a long-term divergence of interests between parties which means that unity in the relationship would also be temporary. This divergence calls for a presentation of costs and benefits from the franchisee which would safeguard him/her from the economic exploitations of the franchisor and would also ensure a return within the lifespan of the arrangement. Presentation of costs and benefits for the franchisor means that the franchisor would be able to exit the arrangement when they wished without economic loss. As the franchisor's capital constraints decrease he/she is no longer dependent upon the franchisee, since he/she is now able to replicate the resources that had been the basis of any dependence. One could anticipate trouble which can be resolved with reference to the contract.

### 2.2.2 Resource Scarcity

This theory asserts that firms offer franchises in their early years since they lack the managerial experience and capital to grow.

The resource constraints theory argues that the cost-of-entry is the main barrier to total diversification, especially into new markets. This theory argues that businesses initially move into franchising because they are unable or unwilling to access all the resources required to expand into new markets (Boyl, 1999). Thus Curran and Stanworth (1983:14) point out that franchising allows the franchisor to achieve rapid and effective market penetration using franchisee capital. Anita

Roddick (1991), founder of the Body Shop which runs a successful franchise network, saw franchising as a perfect way to grow without having to raise a lot more finance.

According to Castrogiovanni, Combs, & Justis (2006b:23), franchisors use the resource scarcity theory merely as a means of accessing the capital and managerial resources required for expansion and to compete efficiently. In the later stages, franchisors just focus on profit maximization through firm ownership. More often, smaller firms are faced with pressure to grow rapidly, especially in areas such as advertising and purchasing. However, firms often experience difficulties in raising the capital required and also management skills to drive the company forward, and therefore, turn to the experience and skill of franchisees. Franchising is, therefore, used extensively in early development as franchisors seek rapid growth. It becomes difficult for young firms to raise capital though traditional financial markets, for example, a young firm with only one outlet could not suddenly generate cash to open another ten outlets or even develop managers to run those outlets (Castrogiovanni, Combs, & Justis, 2006b). In these cases, firms seek access to these resources via franchising despite the fact that they would prefer firm ownership where they can expect a higher rate of return. Therefore, according to resource scarcity theory the firms turn to franchising when there is an aggregate need for resources beyond the internally generated resources.

The life cycle model, proposed by Oxenfeldt and Kelly (1969), explains how small and young firms use franchising to help them reach the critical mass until they generate sufficient economies of scale. Once this critical mass is reached, the franchisor concentrates on maximizing returns from each outlet. Franchising would cease at this point and franchisors would look at buying back their most profitable outlets.

Rubin (1978) attacks the capital constraint explanation by using financial portfolio theory. The franchise is an inefficient means of raising capital since risk in one outlet is entirely undiversified. Lower rates of return would, therefore, be required either by raising finance on capital markets where investors can diversify risk, or by forming a consortium of owner-managers, each with responsibility for one outlet but with diversified risk through investment in the portfolio of outlets. Rubin goes on to say that neither the lack of capital nor the lack of managerial expertise is an adequate reason for firms to franchise since firms can simply hire the required expertise if they have access to finances.

Lillis, Narayana and Gilman (1976) suggest that franchisors would like to own all outlets to expand their controls and profits. As soon as cheap capital is no longer needed, the franchisor would buy out his/her most profitable franchisees. By then, the franchisor has trained outlet managers and has ways to control their performance.

Oxenfeldt and Kelly (1969) explain the essential nature and prospect of franchising and also state reasons that motivate franchisors to buy out their franchisees. Some of the reasons they highlight are: franchisors wanting to attain a higher profit, the need for a ready supply of management labour and talent, and also the fact that franchisors are in the best position to identify and retain the most profitable franchise outlets. Owning a franchise outlet allows greater control over quality and service standards. During the early life cycle stages, franchising is most advantageous to the franchisor. The most successful franchise systems eventually become company owned.

Caves and Murphy (1976) suggest a balance between revenue received from a change to company ownership against investment costs of buying back the franchise. The authors found that, in comparison of the sales volume between franchise and company owned sites, the company-owned sites showed more profitable outlets in each sector (Caves and Murphy, 1976:583). Caves and Murphy identified that the central feature of franchising was the rental of the intangible property asset. They further identified that there are benefits and disadvantages to a firm's rapid expansion. Rapid geographical expansion may allow a company to pre-empt competition but rapid growth may intensify the problem of scarce resources.

As franchisors grow they are able to generate more capital and managerial resources up to a point where they do not have to rely on franchising anymore. Therefore franchisors are less reliant on franchising as they age. Franchisors would expand and their internal resources would be sufficient to cater for their expansion needs. Researchers, Oxenfeldt and Kelly, argue that franchisors would have sufficient resources to buy back and to operate franchised outlets themselves and this would become company owned chains. The study performed by Castrogiovanni *et al.* (2006b) show that the relationship is not explained by resource scarcity or agency theory alone, but can be explained by the integration of the two views. Resource theory suggests that until the franchisor reaches an efficient scale, he/she would use franchising extensively to grow. The authors also highlight the flaw in Oxenfeldt and Kelly's argument, which focuses exclusively on resource considerations.

Many researchers have debated Oxenfeldt and Kelly's theory. Castrogiovanni *et al.* (2006b), cite studies testing this theory. The studies have taken the following approaches:

1) assessment of general resource levels
2) assessment of specific resource indicators
3) assessment of franchisor motives.

The results pointed to a reduction in franchising amongst large firms. The writer also cites Dant's (1995) survey which shows that capital and managerial shortages were important reasons for franchising. The writer maintains that one reason why the research has been inconclusive may be that, many of the tests focused on the relationship between resource availability and a franchisor's overall proportion of franchised outlets without considering the direction in which the franchised outlets were moving.

Castrogiovanni *et al.* (2000b), predict resource scarcity to have a heavy reliance on franchising in a firm's early years followed by a steep decline in its use once economies of scale have been achieved.

Under the resource theory, the franchisor seeks rapid growth in their early years and franchising provides resources needed for such growth. As mentioned before, the central feature of a franchise is the presence of both market like and firm like qualities (Norton, 1998). He describes the market like qualities as existence of trade between two entities that operate in capital, labour and product markets. The franchisor develops a product or service which is sold by franchisees in different locations. The franchisee pays a lump sum for the rights to market .

Lafontein's(1992) study shows how firms use franchising more when they want to grow faster. The franchisor may choose franchising as an option when they seek long term operational benefits. Lafontein's conclusions are unclear as to the theory of franchise ownership over time.

According to Hopkinson and Hogarth – Scott (1999: 831), the particular feature of resource constraint explanations is the implicit view that franchising is a second-best solution forced upon the company by temporary circumstances. Franchising may be perceived as a short-term strategy for expansion in the face of resource constraints, with the longer-term intention of a reduced role for franchising. Even when franchising is not initially conceived as a temporary strategy, franchisors' resource constraints will recede, and with that, the need to rely upon franchisee resources decreases. Hence, resource constraint theory is associated with the franchise redirection debate. This debate, about long-term changes in the proportion of company-owned and franchised units in a channel, has dominated much of the economic research in franchising. According to the resource constraint theory, franchise chains will initially franchise near to 100 per cent of outlets, but as resource constraints are relaxed, the need to franchise is lessened, and the proportion of franchise chains will move towards 0 per cent.

The limitation to this study is that the researcher has concentrated on the age of the franchise only, thus overlooking the outlet size, etc. There may be other reasons that affect the reasoning for franchising. Carney and Gedajlovic's (1991:607) study of 128 franchise systems indicates that neither agency theory nor resource theory, alone, accounts for the observed patterns of franchisor ownership.

### 2.2.3 Agency Theory

Franchisors use agency theory as a means of monitoring their outlets when the monitoring by the franchisor becomes too costly especially on outlets in rural, distant or unfamiliar markets (Combs and Ketchen, 1999). According to Castrogiovanni, Combs and Justis (2006a:30), agency theory is based on the concept of the principal agent relationship, where one party delegates authority to a second, that is, an agent. In the retail business where franchising occurs, franchisors act as principals delegating authority to outlet managers or franchisees.

Agency theory highlights the importance of information transfer from the shareholders, who represent the principals in the relationship to the agent. The firm franchises their outlets in order to overcome the monitoring problems inherent in large or geographically dispersed operations. Brickley and Dark (1987:401) apply agency theory to the franchise relationship to access franchising versus other organizational forms. They support Rubin's argument that the decision to franchise is not based on a need to acquire capital. They also support Rubin's view that control problems associated with geographic dispersion of outlets influence the formation of franchise networks. They focus on agency issues of franchisees. Brickley and Dark (1987) examine franchising as a means to achieve market efficiencies.

Hopkinson and Hogarth–Scott (1999: 833) highlight the agency costs associated with franchising. The agency cost that they highlight is 'Free Riding'. Horizontal free riding occurs when franchisees reduce quality within their unit, thereby accruing personal benefits through cost savings, whilst the loss caused by poor service is diffused through the brand and suffered by all franchisees operating under the brand. Vertical free riding can occur when the franchisor saves by reducing the quality of their inputs, the costs being borne by other franchisees. The possibility of free riding can be reduced by contractual quality specifications, in conjunction with some level of centralized monitoring.

The researcher agrees that although franchising is seen to alleviate agency costs, it creates some monitoring costs.

Agency theory implies that whether companies would prefer to franchise or run company owned outlets, would depend on the ease of monitoring. It is, therefore, predicted that franchising will be preferred to company ownership when monitoring is hard. Hopkinson and Hogarth–Scott (1999: 834) cite Norton (1998), who supports the following hypothesis based upon agency theory.

- Geographic dispersion is associated with higher usage of franchising since the monitoring of units is more difficult (Norton, 1988).
- Units drawing mostly non-repeat business (for example on major road routes) are less likely to be franchised than are those in areas of repeat business. This is because the incentive to free ride on brand capital is high where customers are not expected to return to the unit (Norton, 1988).

A second research approach to the agency explanation has focused upon theoretical validation of the controlling function of contractual clauses. This validations includes fee structure, investment in brand-specific assets, and franchisor control of property leases (Agrawal and Lal, 1995: 220). These devices operate to ensure that the expected income stream generated by adherence to brand wide standards exceeds the benefits that accrue from free riding.

Another form of support for an agency cost explanation of franchising is that franchisees do monitor more effectively than company employees since they consider themselves to be more closely supervised than those in company-owned establishments. This monitoring means that closer supervision is lined more closely to lower wage rates as staff in company-owned outlets are paid more to encourage them not to shirk. Therefore, one can agree with Hopkinson and Hogarth–Scott (1999: 834) who say that franchising provides an economically efficient system of control.

According to Quinn and Doherty (2000: 359), the main source of control that agency theory offers is through the franchise contract, and the strict enforcement thereof, to ensure that franchisees do not abuse the retail brand and concept. The only way to ensure that the brand is not diluted is to make sure that merchandising and shop layout are carried out as instructed. From an agency perspective, the locus of power is always with the principals, the franchisors, as they are in the position to enforce, or if necessary, terminate the franchise contract if opportunism or moral hazard occurred. Agency theory would advocate coercive as opposed to non-coercive sources of power.

Based on the principal-agent relationship, where one party (the principal) delegates work to another party (the agent) who performs the work on a daily basis, agency theory has been applied successfully to domestic franchising. Rubin (1978), contends that the franchisor-franchisee relationship is similar to that of the principal-agent relationship. A fundamental aspect of the principal-agent relationship is the contract between the parties which controls the agent's potential for moral hazard. The potential for moral hazard arises because of asymmetric information between the franchisor and the franchisee. Given the potential for moral hazard, the franchise contract coupled with royalty payments and fees, are deemed to be fundamental methods by which the franchisor maintains power and control in the franchise relationship (Doherty and Alexander, 2006: 1293).

Hoy and Stanworth (2003) maintain that agency theory is one of the most powerful explanatory models available for understanding the franchisor – franchisee relationship.

## 2.3 The Franchisor – Franchisee Relationship

In any franchisor – Franchisee relationship, conflict may arise when the costs of remaining in the relationship are higher than the perceived costs of leaving the relationship. This section provides an outline of the problems that may arise in the franchise relationship, the management of conflict strategic issues, franchisor support issues and also the factors that may impact on the quality of relationship between the franchisor and franchisee.

### 2.3.1 Problems in the Franchise relationship

Hall and Dixon (1998:82) explain that the main cause of franchisee dissatisfaction stems from the fact that many franchisees resent the continuing control exerted over them by the franchisor. The initial excitement of owning your own outlet and the degree of autonomy experienced gives a franchisee much satisfaction. However this degree of satisfaction will not remain at that same high level over a prolonged period of time. This satisfaction may often decrease within a relatively short time-span. Over time, franchisees tend to feel that their success is due entirely to their own efforts and they soon forget the help provided by the franchisor when they started. The continuing control exerted by franchisor may reduce the franchisee's feeling of autonomy. At this point a franchisee may have gained enough experience and confidence and may feel that he/she does not need the help of the franchisor and may, therefore, feel stifled in the relationship. This level of dissatisfaction could lead to termination of the franchise relationship.

Another source of franchisee dissatisfaction can arise if the franchisor attempts to suppress or control the franchisees by threatening them with termination of the franchise agreement. These threats could lead to feelings of insecurity in a franchise relationship.

Due to the continuing control exerted by the franchisor over the franchisee, in order to ensure uniform standards, objectives of the franchisor and franchisee will differ. These objectives would ultimately result in conflict between the two parties. Conflict in a franchisor-franchisee relationship is unavoidable and Hall and Dixon (1998:84) argue that it could be beneficial in the sense that it would ensure that the franchise relationship remains dynamic. However, the researcher feels that the degree of any such conflict should be closely monitored. This unmanaged conflict could rapidly develop into a severe problem.

Martin Mendelssohn (1999:141) draws an analogy between a franchisor–franchisee relationship to that of a parent-child relationship. He says that in the early stages, the franchisee, like a child with a parent, is dependent upon the franchiser for his/her knowledge, experience and know-how on how to apply the knowledge. As the franchisee' experience increases he/she becomes less dependent on the franchisor to the point that his/her behaviour shows that he/she no longer sees value in his/her association with the franchisor. Mendelssohn also says that the franchisee feels that he/she himself is solely responsible for his /her success. This is similar to a parent-child relationship as the child gets older; he/she becomes less dependent on the parent. The parent and the franchisor face a similar problem. There is a vital difference though for when the child becomes an adult he/she is free to do what he/she wants to do. However, a franchisee is locked into a franchise relationship throughout the term of his/her contract or until he/she sells his/her business. Mendelssohn (1999) points out many areas that cause stress in a franchisor-franchisee relationship, the one being the most important is the choice of the right franchise as he/she forms the basis of the franchisor-franchisee relationship.

According to Forward and Fulop (1997:614), conflict in the franchisor/franchisee relationship is likely to arise from three main sources. First, the legal independence of the franchisee limits the scope for issuing commands compared to that of a fully vertically integrated system and makes managing a franchise difficult and time-consuming. Friction can also stem from the primary need of the franchisor to exercise close control over franchisees in order to achieve uniform standards, quality and a consistent public image. Such homogeneity across the network is an essential requisite for the franchisor because it diminishes the likelihood of wide variations in service and offering which may well lead to dissatisfied customers and, as a consequence, penalize all franchisees, not only those who breach the rules. Another serious source of conflict may arise if either party perceives that the other is not fulfilling their role competently. For the franchisee, the major concern is likely to be whether the franchisor is managing and developing the business effectively. The major concerns of the franchisor are likely to revolve around the refusal of franchisees to follow the franchise system or make changes in the product mix, or when franchisees are reluctant to pay the marketing/advertising levy, or withhold franchise fees.

Several aspects of the franchisor/franchisee relationship are liable to sow the seeds of conflict. The level of support, for example, may not come up to expectations of franchisees. The franchisee may consider that the franchisor has misrepresented the projected sales and profit levels. Franchisees may resist the imposition of changes in systems, disputes may develop over the product mix and stock control procedures, or over the quality of products.

According to Sanghavi (1991:8), there are many examples of contract clauses which are unfair to the franchisees and these may include that the contract is signed before the franchisee sees the franchise manual in detail, and the right of franchisors during the life of the contract to make unilateral changes to the franchise manual which franchisees are obliged to implement. Sanghavi (1991:8) goes on to explain that termination clauses and restrictions on post-termination activities are also sometimes regarded as leaving franchisees disadvantaged. Furthermore, remuneration arrangements stipulated in the contract are often considered one-sided because while franchisors usually receive a fee based on the franchisee's turnover, franchisees are reliant on the profits of the business and the franchisor is guaranteed of receiving this fee even if the franchisee is making a loss, as an inherent cause of friction. On the one hand, franchisees often resent the infringement on their independence imposed by the territorial limits laid down by the franchisor; yet, conversely, they frequently seek territorial protection from the establishment of new franchisees in order to maintain profits.

### 2.3.2 The management of conflict strategies

As in other third party distribution relationships, experience in franchising has shown that, contrary to some early studies, management by persuasion and example (non-coercive power) rather than by threat and sanctions (coercive power) is more likely to lead to congruence of objectives between franchisors and franchisees (Forward and Fulop, 1997:616). There are many sources of non-coercive power available to the franchisor including: the training programme which - if formal, authoritative, and detailed - will influence the franchisee to operate in line with the franchisor's guidelines provision of comprehensive detail in the franchise manual; and regular communication with franchisees Finally, co-operation has been forthcoming from franchisees if the level of ongoing support and assistance is perceived as satisfactory.

At the same time as acknowledging the beneficial effects of non coercive power measures in diffusing conflict between franchisor and franchisee, it has also been argued by Forward and Fulop (1997:616) that the balance of power in the franchisor/franchisee relationship is not as one-sided in practice as it is often portrayed. These investigators point to several sources of franchisee power which often tend to be underestimated. Franchisors, for example, are dependent upon their franchisees to operate as stipulated, to implement changes in the operations, and not to bring the franchisor's name into disrepute. Franchisors may also be reluctant to challenge disgruntled franchisees for fear of provoking court cases, adverse publicity and increased legislation.

According to Sul and Khan (2006), franchisors perceive that the franchisor – franchisee relationship issues emerge as the most important aspect for the franchisors’ entrepreneurial strategy and its financial success.

### 2.3.3 The main factors impacting on the Franchisor – Franchisee Relationship

Several studies have focused on variables such as trust, commitment, conflict, relationalism and cooperation, among others, to describe the relational behaviour in franchise networks.

#### 2.3.3.1 Motivation for choosing a franchise system

According to Forward and Fulop (1997:612), a person may prefer to become a franchisee rather than an independent small business person because he/she believes it offers both the advantages of a large and a small business, and reduces substantially the risk of failure. Thus, in return for relinquishing some independence, franchisees expect to be able to operate in a controlled, assisted and supported environment and gain the benefit of a proven business, a brand name, professional management, as well as the economies of scale of a larger organization. From a potential small business person's perspective, franchising may represent an easier and less risky entry into business, than operating independently, but the value of franchising to franchisees has also been questioned by those who consider that franchisees lack the autonomy enjoyed by the independent small business person.

Franchising is a very successful business formula and is recognized for its steady growth. As pointed out by many researchers, this franchising formula offers significant advantages both to the franchisor and the franchisee (Norton, 1988; Carney and Gedajlovic, 1991; Combs and Castrogiovanni, 1994; Kaufmann and Stanworth, 1995; Bradach, 1998; Díez and Galán, 1998; Fulop, 2000; Michael, 2000a, b).

According to Monroy and Alzola (2005), the main advantages to the franchisor are:

1) The franchise system makes it possible to expand the business and provide access to new markets by creating a distribution network at low cost.
2) It ensures the development of the brand image.

Monroy *et al.* (2005:586) also highlight the advantages to the franchisee being:

1) access to a proven business concept
2) constant support and training from the franchisor
3) profits earned as an independent business person.

The long-term survival of a franchise system depends on the willingness of the franchisees to pursue the relationship with the franchiser. The initial tie is the decision to purchase a franchise. Hence, the decision process is the initial, crucial step that will condition the relationship between the franchised entrepreneur and the franchiser.

According to Gauzente (2002), several types of reasons for choosing a franchise can be observed. These reasons are outlined in Table 1 below.

**Table1 :** Reason for choosing a franchise

| **Reason for choosing a franchise** | **Author** | **Type of contribution** | **Method** |
|---|---|---|---|
| Brand (known trade name)<br>Assistance before and after opening of the business | HUNT (1977) | Theoretical | - |
| Known trade name<br>More independence than salaried employment<br>Greater job satisfaction<br>Less risky than independent business<br>More profitable than independent operation<br>Quicker business development | KNIGHT (1986) | Empirical | Mail survey |
| Training Independence (compared to salaried work)<br>Established name<br>Low development costs (compared to independent business)<br>High profitability<br>Low operational costs (compared to independent business)<br>Less of a commitment (than independent business) | PETERSON & DANT (1990) | Empirical | Mail Questionnaire |
| Proven business format<br>Less risky (than independent business)<br>Goodwill (possibility to make profit)<br>Start-up support (when starting the business)<br>On-going support (when running the business)<br>Quick start (because of proven business system | Withane (1991) | Empirical | Mail Survey |

Source: Adapted from (Gauzente, 2002)

Kaufmann and Stanworth (1995) suggest that decision criteria can often be categorized by using a double comparison: (1) franchise versus salaried employment and (2) franchise versus independent business.

Gauzente's (2002:5) thematic content analysis identifies two ranges of reasons: (1) reasons for choosing franchise and (2) reasons for choosing a specific brand. Compared to the existing lists of reasons widely used in franchise research (Hunt, 1997; Knight, 1986; Peterson and Dant , 1990; Withane, 1991), additional reasons for joining franchise were found.

**Table 2** : Classical and additional reasons for joining a franchise

| Classical reasons | Additional reasons |
|---|---|
| Security of the business formula (brand, training, advertising, advice) | Valorizing activity (successful status) |
| Efficiency of the franchise formula as compared to other forms of business | Reconversion (in case of fired people)<br>Source of revenue |
| Independence coupled with risk reduction | Professional promotion |
| Business development and growth<br>Limited initial investment | Possibility to be geographically settled<br>Opportunity |

Source: Adapted from (Gauzente, 2002)

2.3.3.2 Franchisor Support Issues

Franchise research has shown that in the early days of the franchise relationship a key aspect of support is provision of training. Before the initial shop opening, franchisees are trained and provided with the information required to run a franchise business. After the shop opening, a large amount of the support involves providing information to the franchisees, relating to the in-store layout, products to stock and the pricing structure. Although the franchisee is allowed a level of autonomy to run his/her business, he/she has to follow the steps as prescribed by the franchise agreement (Quinn, 1999, www.bp.com; www.sasol.com).

Various studies by Doherty and Alexander (2006:1306) maintain that the provision of a successful support system is crucial to the development of a successful franchise business and as a means to control the retail brand offer. These range from the franchise manual, to the development plan, intensive support for the initial store opening, ongoing visits from franchisors to franchisees and vice versa, the product/merchandise range review and support on buying seasonal ranges and training of franchisee's staff. While the franchise contract is the legal binding basis for the franchise business, the franchise manual is the basis for the day-to-day running of the franchise operation. In the franchise literature, the franchise manual is often referred to as the franchise "bible". The manual contains information on the franchisor's policies, marketing, human resource management, sales reporting, buying, merchandising and essentially how to run the franchise business. The franchise manual is seen as a key aspect of support and, therefore, a non-coercive source of power within the franchise relationship.

The nature of franchising and the power balance between franchisees and the franchisor are the major reasons that makes communication in the franchised business very complicated (Davies, 2004: 276). Studies done by Davies (2004) show that communication could be improved by using the communicative tools as opportunities for discussion. It was found that franchisees would endorse and support corporate initiatives if they have ownership and influence over the process.

Monroy and Alzola (2005: 590) propose that there are two dimensions required in terms of support from the franchisor, ie. contents and assistance.

The *contents* dimension includes issues related to the training and information that describe what to do and how to do it. The range and quality of franchisee support services enhance franchisee satisfaction (Hunt and Nevin, 1974).

The aspects forming the contents dimension are described as follows:

- *Training*. The franchisor contributes to the franchisee the knowledge needed for the satisfactory development and fulfilment of the business concept, which mainly refers to the transfer of proprietary know-how about the production and service operations (Rubin, 1978).
- *Support*. The franchisor is willing to support and advise the franchisee in every issue related to the business start-up and operation. Thus, most franchisors may provide practical support to franchisees in terms of site selection and general business start-up assistance (Rubin, 1978). Therefore, franchisees gain the freedom to operate in a controlled, assisted and supported environment, while at the same time reaping the benefits of a brand name, professional management and the economies of scale of a larger organization (Fulop, 2000:27).
- *Information*. The franchisor provides the franchisee with the necessary information about the conditions of the franchise contract, placing special emphasis on the contractual duties, such as the financial considerations.

According to Monroy and Alzola (2005:590), the *assistance* dimension constitutes the franchisor's willingness to provide the franchisee with the necessary help in terms of financial support, supplying and marketing issues, as well as with continuous contact. The following elements comprise this dimension.

- *Supply*. The franchisor provides the franchisee with the necessary materials and products for performing the contractual duties effectively.

- *Financial facilities*. The franchisor is willing to provide financial assistance for the franchisee, not only directly, but also indirectly, by facilitating loan achievement.
- *Management assistance*. The franchisor helps the franchisee with the business management.
- *Accessibility*. This refers to the ease of contact between franchisor and franchisee. Once franchisees join up, chains maintain constant contact with them. Regular communication with franchisees is one of the sources of non-coercive power available to the franchisor (Fulop, 2000).

Monroy and Alzola (2005: 590) propose that there are two dimensions required in terms of support from the franchisee, i.e. formality and identity.
The formality dimension consists of:

- *Development.* The franchisee complies with the conditions of the franchise contract related to the business concept, which means implementing the franchisor's know-how effectively.
- *Training attendance*. The franchisee attends the franchisor's training programmes
- *Payment accomplishment*. The franchisee fulfils the contractual conditions of payment.

The *identity* dimension refers to the fulfillment of the franchisee's contractual duties in those issues that assess the level of integrity or identity with the franchise network.

- *Uniformity*. The franchisee respects the chain's image and the business concept, and shows loyalty to the franchisor in terms of fulfilling the contractual norms about not only obeying the territorial limits of business development, but also avoiding opening similar businesses, giving other uses to the franchised outlet, and offering products or services other than the contracted ones.

- *Transparency*. The franchisee is prepared to be inspected by the franchisor, who may use different mechanisms such as field audits and mystery shoppers.

Bradach (1998) maintains that the combination of both franchisors and franchisees in one organization provides the capability for both to learn from each other.

2.3.3.3 The quality of Relationship between the franchisor and the franchisee

As pointed out by Hausman (2001:602), there are significant differences that exist across relationships. The relationship may be structured contractually as in franchise agreements or based on more flexible agreements. The behavioural processes identified as possessing the potential to affect interfirm success are trust, commitment, dependence, relationalism, flexibility, communication and power balance. In business relationships, some relationships are stronger than others and, therefore, the concept of relationship strength will be defined as the ties between relational partners and their ability to weather the challenges to the relationship.

Tikoo's (2005) study proves that a franchise system is not only an economic system but also a social system in which the franchisor and the franchisee have a close working relationship. Therefore, the behavioural dimensions of power/dependence, communications and conflict, which characterise a social system, also become a main characteristic of the franchise system.

Monroy and Alzola (2005), cite many researchers, who argue that relationship quality describes the depth and organizational climate of the interfirm relationship. Several authors cited by Monroy, considered the relationship quality as the overall evaluation of the relationship strength. According to Monroy *et al.*, several studies have focused on variables such as trust, commitment, conflict, relationalism and cooperation, to describe the relational behaviour in franchise networks.

Research conducted by Quinn and Doherty (2000), in the domestic context, has also examined the behavioural aspects of the franchisor/franchisee relationship, that is, the sources, and distribution of power in franchise channels and the subsequent impact on franchisee conflict, satisfaction and performance.
The study by Doherty and Alexander (2004:1215), examines the franchisor – franchisee relationship with particular reference to the marriage analogy. Their study considers the franchisor – franchisee relationship as one such business relationship where the partners possess the shared objective of nurturing a shared project in which they both have invested. Throughout the case evidence, it appears that, as a result of experience, franchise partners realised that successful relationships are built on trust, communication and support and not on the threat of the contract.

It also appears that rational or hard benefits alone are insufficient to consummate the relationship or sustain the relationship. There needs to be mutual attraction. An arranged marriage without the chemistry of attraction appears to be one that will either fail and will not be established. Thus, for example, the mere presence of financial stability is not enough to secure a long-lasting relationship. While it is a crucial factor in short-listing potential partners, finance alone will not lead to partner choice unless the right mutual attraction and potential for a trusting relationship is present.

2.3.3.4 Trust / Commitment

Morgan and Hunt (1994:23) define trust as a willingness to rely on an exchange partner, in who, one has confidence. The authors point out that trust is accompanied by reliability and integrity which are associated with such qualities as consistent, competent, honest, fair and responsible. The authors point out that most researchers have left out the behavioural intention of "willingness" in the definition of trust. Morgan and Hunt explain that one has to be willing to rely on the business partner, and, therefore, willing should rather be viewed as an outcome of trust rather than a component of its definition. Cochet, Dormann, Ehrmann (2003:8) maintain that trusting parties are expected to have a clear understanding of each other's roles, associated promises and a mutual expectation of their respective enactments.

The results presented by Morgan and Hunt (1994: 31) clearly support the theory that commitment and trust are the key mediating variables that contribute to relationship marketing success. The results indicate that trust influences the way in which disagreements and arguments are perceived by the partners (franchisee and franchisor). When trust is present, parties can discuss problems openly because they do not fear malevolent actions by their partners (franchisee and franchisor). Trust and commitment are also important for achieving co-operation.

According to Morgan and Hunt (1994), commitment and trust are key because they encourage marketers to:

1) work at preserving relationships investments by co-operating with exchange partners;
2) resist attractive short-term alternatives in favour of long-term benefits of staying with existing partners; and
3) believe that their partners would not act opportunistically.

Therefore the researcher of this study, agrees, that when both trust and commitment are present in a relationship, both parties produce outcomes that are efficient, productive and effective and thus leads to co-operative behaviours that may make a relationship successful.

According to Jonsson and Zineldin (2003: 230) trust and commitment have a substantial influence on the relationships. In order to fully understand the impact of the relationship variables, the effects of trust and commitment should be controlled. Over time, as relational partners perform in acceptable ways, trust in the partners increases. Hausman (2001) cites researchers to say that trust has been empirically linked with:

- cooperation and adaptation (Morgan and Hunt, 1994);
- greater performance (Boyle *et al.*, 1992; Simpson and Mayo, 1997); and
- plans to continue the relationship (Morgan and Hunt, 1994).

According to Doherty and Alexander (2006:1303), a franchise relationship is intended to be long-term, where trust is a key to its success. The centrality of trust in the franchise relationship is crucial to its ongoing success and ultimate control. For the case companies researched, franchising "is a partnership and you do a lot of work before signing that contract to make sure first of all that you get on with those partners" (Doherty and Alexander, 2006:1304). A fundamental aspect of developing franchise relationships is evoked by the same source who maintains that there is a very big learning curve in a franchise relationship and, like any other relationship, takes time to achieve success and trust.

Morgan and Hunt (1994:23) cite authors Moorman, Zaltman and Despando (1992) to say that commitment to a relationship is defined as an enduring desire to maintain a valued relationship. The researcher agrees that commitment only exists if the relationship is important. Parties identify commitment among exchange partners as key to achieving valuable outcomes for themselves.

Morgan and Hunt state that commitment has been viewed as critical in various sources of literature (Blau, 1964; Thibault and Kelly, 1959; Cook and Emerson, 1978). Therefore, the researcher of this study theorizes that commitment is central to all relational exchanges. Trust and commitment go hand in hand. When firms trust each other to act in the best interest of the relationship, they feel free to commit additional time, talent, and financial resources to that relationship. These resources enable the partnership to achieve performance levels unattainable without them. Increased trust means that there will be a lesser need for monitoring systems and this reduced cost will transfer directly to the bottom line.

2.3.3.5 Power-dependence and conflict in the marketing channels

As cited by Forward and Fulop (1997: 612), Felstead (1992: 259) argue that franchisees comprise part of the 'controlled self-employed'. From his survey of 83 franchise contracts, Felstead concluded that these contracts allow the franchisor to exert a considerable degree of control which effectively curtail the actions of franchisees and thereby their autonomy. Forward and Fulop (1997:614) also cite Mendelsohn and Acheson [1989] and Stanworth [1991], who point out that, in practice, a significant difference exists between formal independence (as expressed in the contract) and operational independence (as experienced in the course of the relationship), which appears to be not nearly so stringent or one-sided. On this analysis, the contract may not be a reliable guide to the extent of franchisee autonomy. (Forward and Fulop, 1997) agrees that franchisees do not regard the contract necessarily as a severe curtailment on their autonomy - namely, that most franchisees seem prepared to renew their contracts, express little desire to change the contents, and that many franchisees are in a position to negotiate certain clauses with their franchisor prior to signing.

In most of the marketing channel literature, the concept of power is considered central to understanding the means which one channel member can change the behaviour of another member within its channel of distribution. It is assumed by researchers, Forward and Fulop (1997: 612), that the majority of the power is usually held by the franchisor, rather than the franchisee and this may be explained by the bias of the contract towards the franchisor (Forward and Fulop, 1997). This degree of power may not be totally true as franchisees may assume a greater level of responsibility depending on their stage of development in the system.

Quinn and Doherty (2000) and Doherty and Alexander (2006) define power as the ability of one party to get another party to do something it otherwise would not have done. The channel leader or franchisor may obtain power through coercive (punishment) and non-coercive (reward) means. In the franchise context, coercive power includes a set of monitoring systems to ensure strict adherence to the franchise agreement and protection of the franchise trademark. Non-coercive power is obtained through the franchisor's support activities and is concerned with management by persuasion and example, rather than by threat. Quinn (1999) adopts a qualitative, ethnographic approach to explore how one natural cosmetics retailer attempts to control and support its franchise network. He finds that non-coercive, as opposed to coercive, sources of power were used to influence franchisee behaviour and thus enhance control. A high level of conflict was observable, not because the franchisor was exerting excessive power but because franchisees were dissatisfied with the quantity and quality of support received. Key factors influencing power and control, are namely, the firm's willingness to enforce the contract, the presence of a strong, well-defined brand or concept and the nature of support activities. The authors conclude that where a defined concept and brand are present, coercive sources of power, as advocated by agency theory, can explain power and control in the retail franchise relationship, and where such conditions are not present, support activities, that is, predominantly non-coercive sources of power, as promoted by the marketing channels literature, provide the only source of control.

Quinn and Doherty (2000) also highlight the fact that other factors such as the stage of development of the franchise system and the effects of company size, which also influence the nature of power and control, are evident from the ethnographic study, but are not readily apparent in the existing literature.

Various authors have examined the sources of power and control in franchise and non-franchise channels. Quinn and Doherty (2000: 357) cite Hunt and Nevin (1974), who identified the use of coercive power by franchisors over their franchisees. They also cite Etgar (1978) who contradicts Hunt and Nevin by noting a preference for non coercive power in both conventional and contractual/franchise channel. In Etgar's (1978) study, as cited by Quinn and Doherty (2000:358), manufacturers who lead conventional channels relied solely on product-related support activities such as product development, delivery and a wide selection of product offerings. Their counterparts in contractual/franchise channels relied on different kinds of activities to achieve power, that is, their expertise and ability to assist dealers in retail management activity.

According to Quinn and Doherty (2000: 358), coercive and non-coercive powers are means by which franchisors can control the behaviour of franchisees. The franchisee contract provides the major source of coercive power. Franchisees are expected to maintain the high reputation of the company, by selling only approved products and to comply with the franchisor advice. From their study, results show that franchisees were not given tight guidelines as to how to run their business. There was no operations manual. This lack of guidance to the franchisees only proved that the company did not have a particularly strong brand name and was not clearly differentiated from other similar players in the market.

At the outset of the franchise relationship, the franchise contract or legal agreement outlines the terms and conditions under which the franchise business is to be run. Research showed that case companies set out their terms and conditions for business in the franchise contract including the length of the contract, the renewal process and terms of termination as well as sales projections and the number of stores to be opened over a specified period, (Doherty and Alexander, 2006: 1300). If it is felt that the franchisees are not complying, the contract can be employed by the franchisor. This enforcement would be deemed as a coercive use of power.

The research done by Doherty and Alexander (2006) reveal that franchisors do not use the contract or threat of the contract to control franchisees. The contract is simply a legal agreement which outlines the terms and conditions of the franchise relationship and it is not a method to be employed to control franchisees.

According to Cochet, Dormann, Ehrmann (2003:7), the harmonization of conflict defines the extent to which a franchisee and a franchisor find mutually satisfying solutions to conflicts. The long-term character of franchise agreements imposes a need for flexible change over the life cycle of the relationship. This flexibility refers to the parties' willingness to continuously negotiate and agree on mutual terms.

Rubin (1978:224) explains that the contract control by the franchisor may extend over products sold, price, hours of operation, condition of the plant, insurance, personnel, accounting and auditing. The stringency of the typical business format franchise contract led Rubin (1978:225) to argue that the definition of the franchisee as a separate firm, rather than part of the franchisor, is a legal and not an economic distinction. The franchisor also provides franchisees with information systems, thorough training programmes and a detailed operations manual. Thus, each franchisee operates within the franchisor's corporate image, offering customers consistency in product and/or service. Consistency from every location in the network, is expected (Clarke, 1997: 22).

Increasing competition, as far back as 1968, Oxenfeldt and Kelly (1968:74) showed that, through time, franchisors are likely to find themselves facing increasing competition which puts pressure on profits. In an effort to alleviate this pressure, the franchisor tends to place increased emphasis on developing and maintaining an overall image and quality identification (Oxenfeld and Kelly, 1968:75). Thus, franchisors tighten their control over their franchisees by altering the terms of their contracts. However, if the franchise system continues to face increasing competition, franchisors are likely to buy back successful franchises and to manage them as outlets of wholly-owned chains (Oxenfeld and Kelly, 1968:74). Boyl (1999) cites Lafontaine and Kaufmann (1994:108) who confirmed that it is common for the terms of franchise contracts to change over the life of the system. However, Lafontein's study suggests that franchise systems do not usually become wholly-owned chains. Rather, franchisors prefer to operate a mixed business, with some wholly-owned outlets and some franchised outlets.

By choosing such a preference, a franchisor can use a comparison of the performance of franchised outlets with that of wholly owned outlets as a form of control information. Where franchised outlets do not perform as well as wholly-owned outlets, they may be bought back and either closed down, in order to rationalize the business system, or managed as wholly-owned outlets.

Lusch (1999) cite Hunt and Nevin who found that franchisors rely primarily on coercive sources rather than non-coercive sources to achieve power over their franchisees. A study, which was done amongst automobile dealers to confirm this finding, showed that coercive sources of power have the greatest impact on intrachannel conflict.

According to a study done by Schul and Babakus (1998:398), it appears that power sources affect conflict indirectly because of the channel member's perception of the decision structure of the channel organization.

Tikkoo's (2005:342) results suggest that information exchange and promises are the best strategies for franchisors to use if they wish to avoid conflict in the franchise relationship. Recommendations are favourably received only by franchisees who are highly dependent on the franchisor and value the franchisor's expertise. This implies that in order for his/her recommendations to be received positively by franchisees, the franchisor has to ensure that his/her franchisees continue to be significantly dependent on it. A franchisor can ensure the continued dependence of his/her franchisees if he/she constantly develops business expertise that provides value to his/her franchisees.

According to Davey – Rafer (1998), training can be used to exercise non-coercive control over franchisees as this allows franchisors the opportunity to make them learn what the franchisors want them to learn. Both franchisors and franchisees should consider training as a long-term issue because investing in training is one of the means to increase productivity, customer satisfaction, customer loyalty and thus lead to higher profits.

2.3.3.6 Control versus Autonomy in franchising

Autonomy is defined as the capacity or will for independent thought and action. Boulay (2005:1) presented a paper which proposed a conceptual framework to measure the performance of various control mechanisms used by a franchisor to manage his/her franchise system. He maintains that a franchisee's reaction to control depends on the amount of autonomy and control one is expecting at a certain time of his/her relationship.

Pizanti and Lerner (2003) classify research on the topic of control and autonomy into three main approaches. They first oppose on a continuum a "high control" *versus* a "high autonomy" approach. They, then establish the importance of an "alternative approach" – that would better represent the reality of interorganizational relationships in franchise systems.

The "high control approach (Paswan *et al.,* 2001; Boulay, 2005) suggests that a franchise system is thought, initiated, developed and improved by the franchisor who controls all of its main aspects, including communication and information flows. Pizanti and Lerner (2003:137) suggest that the existence of such an approach in franchise systems can be described as follows: a high level of procedures standardization; a brand name that limits the franchisee's freedom of action and reinforce his/her dependence on the franchisor; royalty fees that specify that the franchisee is not an independent entrepreneur; selection rules in the system that introduce an asymmetry in the relationship since they allow the franchisor to choose who he/she wants to work with.

Given the constraints that are imposed by the franchise contract, this approach sees the franchisee as an employee, rather that as an entrepreneur. This reasoning is in agreement with Felstead (1991) who describes a franchisee as being part of the 'controlled self employed'.

According to Argarwal and Lal (1995) in the 'high autonomy' approach, the franchisee is seen as having independence that allows him/her to have influence over the system's decisions and on the performance of the business.

Pizanti and Lerner (2003) maintain that, despite the franchisor's monitoring that can be tight, the franchisee considers himself/herself as self-employed and independent. There is a difference between the formal independence given through the contract and the operational independence that is expressed in the relationship. The independence would not be total but a compromise between the franchisor's expectations for franchisee's compliance and commitment, and the franchisee's search of self-determination and autonomy .

In the alternative approach, franchisees autonomy and dependence co-exist which means that when the franchisee decides to join a franchise, he/she is looking for the advantages of a large and small company. In return he/she gives up part of his independence and autonomy to his/her franchisor. The franchisees ask, in return, for the possibility to operate in a controlled and sustained environment. The challenge here is satisfying the franchisor in terms of standardisation and preservation of the trademark while the franchisee seeks autonomy (Pizanti and Lerner, 2003).

Franchisees rely on the franchisor to have a set of coherent standards and a marketing programme (Boulay, 2005). They also want the latter to police the system to make sure that every franchisee will respect quality procedures and behave properly to preserve the value of the trademark in which they have invested.

High levels of autonomy can weaken the franchisor's authority and control and lead the network to lose its identity. On the other side, excessive control can lead to agency problems and to lower franchisees' commitment in the relationship (Pizanti and Lerner, 2003:132). This alternative approach is probably the closest to franchise reality, by establishing that a franchisee can feel autonomous and at the same time accept to be controlled. Franchisees, who are expected to behave appropriately, are visited only once a year and are accorded more operating autonomy. This demonstrates that in a single franchising chain, the level of control and autonomy exercised may differ from one franchisee to the next and that franchisors are aware of the specific level of autonomy which is accorded to each individual outlet.

#### 2.3.3.6 Success of the Business

Brown and Dev's (1997:35) study looked at the relationship between the franchisor and franchisees in the lodging industry. They tested the overall performance of the relationship using Anova. Their findings showed that a higher relationship performance is associated with stronger marketing partnerships. Thus, the more the hotel and its franchise headquarters work as a team, the better the partnership's overall performance. The full benefits of a partnership results when firms respond to each other's need in a flexible manner, freely share relevant information with each other, trust each other to make decisions beneficial to the partnership as a whole, and commit to growing and maintaining the partnership. Brown and Dev's research clearly show the following benefits of strong marketing partnership:

- Higher overall performance of the hotel-franchisor relationship; and
- Higher gross operating profit as compared to the direct competition.

## 2.4 Conclusion

This chapter comprises a review of selected literature relating to franchising and the franchisor-franchisee relationship. The chapter reviewed franchising literature from the viewpoint of organizational structure. Also reviewed are research perspectives from capital theory, resource constraints, agency theory, and literature concerning the franchisor-franchisee relationship.

The literature review has provided an understanding as to what factors produce a high quality relationship between the franchisor and the franchisee which substantially answers research question 1.

The next chapter provides the research methodology that will be used to conduct an empirical study to answer some of the questions that have not been answered by the literature review.

# CHAPTER 3

# RESEARCH METHODOLOGY

## 3.1 Introduction

The need for an empirical study exists because the following key questions need to be answered since they were not adequately addressed in the literature review.

a) Is the success of franchising dependant on the franchisor – franchisee relationship and what are the key factors that impact on the quality of the relationship between the franchisor and franchisee?
b) Do Franchisees perceive themselves to be in a position of submission in relation to the franchisor?
c) How can franchisors maintain control over their outlets without constraining the franchisee's entrepreneurial spirit?
d) How do franchisors manage the friction that emerges from conflicts within the relationship?
e) Do franchisors offer quality support packages to motivate franchisees to continue with the franchise?
f) Do franchisors exert undue power and control in the relationship?
g) Are loyalty and commitment vital to the success of the business?

This chapter introduces the research methodology used in the present study. It describes what type of approach was adopted, what sampling method was used, and what the sample in fact was. This chapter also describes the research design and how it was developed, the collection of data, who was involved, how the data was collected, and finally how the data was analyzed and assessed. In this particular study, the research design and method are geared towards quantitative research. It is also important to explore the research instrument that has been used in collecting information to undertake the statistical analysis.

## 3.2 Research Design

A quantitative survey design is used. Quantitative research methods are associated in general with systematic measurements and statistical analysis. According to Cooper and Schindler (2006), a survey refers to a collection of information on a wide range of case, each case being investigated only on a particular aspect under consideration. The survey method is generally used to elicit people's reactions and attitudes. Since the objective of the study is to investigate the factors that impact on the franchisor-franchisee relationship, the survey method was seen as the most appropriate.

### 3.2.1 Sampling

Sampling is the process of selecting units (e.g., people, organizations) from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen.

#### 3.2.1.1 Sampling Frame

Data was gathered from franchisors of different petroleum industries. A list of franchisees' details was made available to the researcher by the franchisor (Trochim WM, 2006)

#### 3.2.1.2 Sampling Unit

Population in research methodology is the large group of subjects that would need to be assessed if the views of everyone in a particular situation were to be measured in the present study. However, researching the views of the total population that fit into the category researched is not possible. The study investigates the factors that impact on the franchisor – franchisee relationship. Therefore, the population group in this study would be the franchisees of the Convenience stores within the Petroleum Industry.

### 3.2.1.2 Sampling Method

One needs to identify the size of the sample and the method of selecting the sample when one is making decisions about samples (Ghaurie and Gronhaug, 2002:113). Sampling methods are classified as either probability or non-probability. In probability samples, each member of the population has a known non-zero probability of being selected. Probability methods include random sampling, systematic sampling, and stratified sampling. In non-probability sampling, members are selected from the population in some non-random manner. These include convenience sampling, judgment sampling, quota sampling, and snowball sampling. The advantage of probability sampling is that sampling error can be calculated. Sampling error is the degree to which a sample might differ from the population. When inferring to the population, results are reported plus or minus the sampling error. In non-probability sampling, the degree to which the sample differs from the population remains unknown (Ghaurie and Gronhaug, 2002:113). According to Sekaran (2003:277), the convenience sample method involves collecting information from people who are conveniently available at that time. Therefore, for this study, non-probability sampling, that is, convenience sampling would be appropriate as there is no intention of generalizing the results of the study to the entire population but to gain more insight from an academic point of view.

### 3.2.1.3 Sample Size

The sample size was 147 franchisees drawn from an available dealer listing. All of these franchisees were approached via the e mail address provided. Effectively every franchisee with an e mail address was targeted as a possible respondent. Subsequently it was found that 27 e mail addresses were unusable since they were returned so the sample size was then reduced to 120.

### 3.3 Data Collection

A structured questionnaire was used to collect data. Cooper and Schindler (2006:369) state that the most appropriate way of getting information directly from respondents is by a means of a questionnaire. Owing to time constraints, the researcher did not use mail questionnaires. The questionnaire was e-mailed to the respondents. Prior to the e-mailing of the questionnaires, the Regional Sale Managers of each petroleum company was contacted, to ask permission to contact their franchisees. The managers also provided a list of their franchisees with their contact details. There was however, one company which refused to provide the information.

Data was collected through an e-mail survey administered to franchisees of Convenience stores within the petroleum industry in KwaZulu-Natal. From the literature review discussed previously, a draft questionnaire was constructed and tested on some franchisees. Respondents were encouraged to identify unclear items, comment on the importance of the research issues, if the respondents could/would complete the questionnaire in the absence of the researcher, and suggest changes. No major problems were presented, and after making the required modifications, the final draft of the questionnaire was developed.

A two-wave e-mailing and reminding phone call were employed. Each franchisee was e-mailed an introductory letter, and a questionnaire. The introductory letter explained the purpose of the research, assured the anonymity of their replies, and promised a summary of the results to all who returned their completed questionnaires. A total of 27 of the 147 e-mails were returned indicating that the e-mail address was incorrect. Therefore, the effective population number was reduced to a maximum of 120 convenience stores. A total of 18 franchisees responded to the first mailing. To increase the response rate, a second mailing to non-respondents was undertaken three weeks after the first wave. A total of 19 franchisees responded. Two weeks after the second mailing, 25 randomly selected non-respondents were phoned, reminded of the survey, and encouraged to complete and return the questionnaire. The reminding phone call yielded 4 respondents, all of which provided complete, usable responses. The entire process yielded 40 (33 per cent) responses. The relatively low response rate is typical of such industrial surveys (McGinnis, 1999). Thus the 33 per cent response was deemed adequate for analysis. Franchisees in the petroleum industry are not keen on revealing information concerning their franchisors as they are afraid of being victimized. Another way one can look at it is that franchisees may not want to talk about their franchisors as they are very committed and do want to reveal information that may benefit their competitor.

## 3.4 The Research Instrument

The research instrument includes the construction of the questionnaire, measuring scales, reliability and validity of the scales, and the administration of the instrument to the respondents.

### 3.4.1 Construction of the Questionnaire

The questionnaire gave a brief explanation of the purpose of the research. The questions were closed ended. The questionnaire was divided into four parts as follows. Part 1 is designed to measure the motivation for choosing a franchisee; part 2 involves measuring the franchisee evaluation of franchisor support; part 3 is designed to obtain information about the quality of the relationship between the franchisor and the franchisee; part 4 measures the success of the franchise business when the subject is impacted by the quality of the relationship with the franchisor, part 5 measures the franchisee's willingness to quit or remain in the franchise system when the subject is impacted by the quality of the relationship with the franchisor.

### 3.4.2 Measurement Scales

Scales consisting of multiple items were developed to measure each construct. Given the conceptualization of relationship trust and commitment, it was essential that the measures captured both the importance of the relationship to respondents and their beliefs about working to maintain the collaborative relationship. Scales, which had been used in marketing and management literature, were drawn to further the process of validation for established scales. Most scales identified were not complete or not applicable to the study. Therefore, scales had to be adjusted to perfectly suit the present study and be able to conduct high quality empirical research. All constructs were measured through multiple-item scales and a five -point Likert-type response format.

According to Cooper and Schindler (2006:339), a measure is reliable to the degree that it supplies consistent results. A reliable measure can be established when a measure is free from error and provides consistent results (Zikmund, 2000). Reliability applies when a measure shows the same results over time and across situations. All measures in the survey need to show the adequate internal consistency of the items. Internal consistency indicates the extent to which the individual items correlate with one another.
Cronbach's Alpha should fall between .70 and .90 for a narrow construct, between .55 and .70 for a moderately broad construct, and between .35 and .55 for a very broad construct (Bryman and Bell, 2003:78).

The overall Cronbach alpha for this study is shown below and indicates medium internal consistency and reliability.

**Reliability Statistics**

| Cronbach's Alpha | N of Items |
|---|---|
| .537 | 31 |

3.4.2.1 Measurement of motivation to be a franchisee scale

The research done by Lillis, Narayana and Gilman (1976:80) indicate that there are significant differences in the perceived importance of various accepted advantages of franchising at each stage in the life cycle of a franchise. Franchise motivation is perceived as the most important advantage of franchising at each stage in the life cycle of a franchise with the exception of the penetration stage where it shares the most important role with the rapid market penetration.

The following statements were designed to measure motivation for choosing a franchise.

1. Franchising is an industry that I believe has a good growth potential;
2. The franchisor provides tools for success;
3. Franchising appears to offer a high yield on my investment at a relatively low risk;
4. I have the experience required for operating a franchise operations;
5. The franchisor offers complete systems, services, and technical expertise to its franchisees.

Motivation to be a franchisee was measured on a 5 point Likert scale ranging from (1) =strongly disagree to= (5) strongly agree

3.4.2.2 Measurement of evaluation of the franchisor support scale

Gauzente (2002), who cites Hunt (1977), says that amongst the services considered to be important to the success of a franchise are assistance before and after opening of the site, in terms of building plans, training programmes, operating manuals and field supervision. A successful franchisee requires assistance in terms of training, sale promotion and strong brand names.

The following statements were designed to measure the franchisee's evaluation of the franchisor's support:

1. The training provided by the franchisee is adequate;
2. The amount of franchise fees/royalties was not high;
3. The promotional and advertising assistance is very good;
4. The franchisor provides assistance for its franchisee to ensure high standards are maintained;
5. The operations manual deals with all aspects of the franchise business adequately; and
6. Should my business not perform for whatever reason, the franchisor takes steps to find out why the business is performing poorly.

Evaluation of the franchisor support was measured on a 5 point Likert scale ranging from (1) =strongly disagree to= (5) strongly agree

3.4.2.3 Measurement of the quality of the relationship scale

Tikoo's (2005:341) study aims to examine the relationship between a franchisor's use of different types of persuasive communication to influence its franchisees perception of conflict in the franchise relationship. Jonnson and Zineldin's (2003:239) study looks at how to build stable relationships between business partners. The critical variables that the above researchers look at are trust, commitment, cooperation, conflict resolution. The following statements were adapted from the studies:

1. My franchisor understands my problems and concerns;
2. Disputes are not typical for the relationship between me and my franchisor because I have a very good working relationship with my franchisor;
3. My franchisor often ignores my suggestions and complaints;
4. My franchisor asks for my participation in his/her long term planning process;

5. My relationship with the franchisor could be better described as an 'arms length negotiation' than a cooperative effort;
6. Lack of trust between franchisor and franchisee may arise out of incompatibility between the franchisee and the individual within the franchisors organization with whom the franchisee has to deal with;
7. My franchisor does not monitor my performance as regularly as our contract allows him/her because he/she trusts me;
8. The franchisors operating procedures manual do limit my autonomy;
9. I am free to implement my own ideas;
10. Often, I find it difficult to agree with my franchisor's policies on Important matters relating to its franchisees; and
11. My franchisor makes it quite clear that failing to comply with their requests will result in penalties against our business.

The quality of the relationship was measured on a 5 point Likert scale ranging from (1) =strongly disagree to= (5) strongly agree.

3.4.2.4 Measurement of the Performance Scale

Studies have shown that the level of support and service from the franchisor is likely to be highly correlated with the franchisee's success and performance of the business. The following statements have been adapted from the research (Crochet, Dormann and Ehrmann, 2005:40 )

1. I have been very successful in exceeding my year-to-date sales quota so far;
2. I think that my sales performance so far this year ranks in the top half of the franchisees in my category of convenience business;
3. My perception is that my sales performance this year-to-date is below average relative to other franchisees in my company;
4. The amount of income I actually received from working as a franchisee is at least what I expected it to be; and

5. My franchisor would rate the quality of my performance as very good.

Performance of my business was measured on a 5 point Likert scale ranging from (1) =strongly disagree to= (5) strongly agree

3.4.2.5 Measurement of Commitment Scale

Commitment can be defined as a franchisee's predicting intention to leave the relationship. Several studies have noted commitment is an essential ingredient for successful relationships (Monroy and Alzola, 2005:595). The following questions were adapted to suit the franchise environment:

1. I am proud to tell others that I am part of this franchise system;
2. My having access to the franchisors trademark is crucial to the success of the business;
3. Without the business assistance of my franchisor, we will not be able to run our business smoothly; and
4. It would be difficult to generate my franchise income from other sources.

Commitment was measured on a 5 point Likert scale ranging from (1) =strongly disagree to= (5) strongly agree.

3.4.3 Administration of questionnaire

The study involved the administration of a self-completion questionnaire to franchisees in the convenience stores within the petroleum industry. Franchisees were asked to e-mail the completed questionnaire to the researcher. The e-mail address was provided.

## 3.5 Reliability and Validity

### 3.5.1 Validity

Content Validity

The questionnaire construction catered for details relating to the respondents' background and ensured easy interpretation by all respondents.

Construct Validity

It is essential that a measurement technique is closely linked to known theory in the area and with other related concepts. In this case, where links can be demonstrated, the instrument is said to have high construct validity.

Criteria Related Validity

To test whether an instrument measures what it is expected to measure, it is compared to another measure, which is known as valid. For instance, the questionnaire has been used for a similar study and is said to be valid. It can be compared for similar future questions for the study.

### 3.5.2 Reliability

According to Cooper and Schindler (2006), reliability means many things to many people, but in most contexts the notion of consistency emerges. Cronbach alpha is a reliability coefficient that reflects how well the items in a set are positively correlated to one another (Bryman and Bell, 2003:78).

Stability

To test whether the instrument secured consistent results, the results of respondents that completed the pilot study were compared to the results of the same respondents when they completed the second study. The instrument was stable as the readings on the particular respondents were the same on both occasions.

Internal Consistency

To test the degree to which the instruments were homogeneous and reflected the same underlying constructs, the Cronbach alpha was used.

## 3.6 Statistical Analysis of data

First the raw data was edited to check for errors, omissions and completeness. Numerical coding of 1 to 5 was assigned to the Likert scale. Descriptive and analytical research were undertaken using data obtained from the questionnaire. Quantitative statistical analysis was performed using a computerized statistic software package (SPSS version 11.5).

Statistics were considered significant if $p<0.05$.

### 3.6.1 Quantitative Analysis – Descriptive Statistics

Descriptive statistics include frequencies, measures of central tendency and measures of dispersion.

#### 3.6.1.1 Frequencies

Frequencies may be described as the number of times a response occurs within a given category. It allows the researcher to calculate percentages of the occurrence and represent the data as bar charts, pie charts and histograms (Ghaurie and Gronhaug, 2002:125).

3.6.1.2 Measures of Central Tendency

These measures summarize data into one number in order to give shorthand description of the entire data set. The measures used in this study include:

| | |
|---|---|
| Mean : | The arithmetic average; |
| Median : | The midpoint of a distribution of data, where half the cases fall above and half the cases fall below; and |
| Mode: | The most frequently occurring value in the array of data (Ghaurie and Gronhaug, 2002:128). |

3.6.1.3 Measures of Dispersion

The measure used in this study includes:

| | |
|---|---|
| Range: | The difference between the highest and smallest score in the distribution; |
| Variance: | Calculated as the squared deviation scores from the data distribution's mean; and |
| Standard Deviation: | The positive square root of the variance (Ghaurie and Gronhaug, 2002:128). |

3.6.2 Quantitative Analysis – Inferential Statistics

Inferential statistics enable the researcher to make inferences about a population, based on results obtained from a sample. The inferential statistics for this research includes the use of ANOVA – one way test.

3.6.2.1 Analysis of Variance

When there are more than two groups, and one wants to test for mean differences among groups, an analysis of variance (ANOVA) is the appropriate test (Cooper and Schindler, 2006:555). This test is also flexible since it can analyze the results of the studies that use two or more independent variables. In this study, ANOVA will be used to determine whether there is a significant difference in the perceptions of franchisees in the biographical variables (gender, age, highest educational qualification, number of years in business) regarding the variables of each question in the questionnaire.

## 3.7 Ethics

The research project raises no specific ethical or legal issue. However, privacy and confidentiality are important with regard to respondents. Self-determination will play an important role as a respondent may decide whether he wants to participate in the survey or not. The researcher will ensure that all persons contributing to this research project will be treated fairly at all times. All respondents will remain anonymous.

## 3.8 Conclusion

This chapter has clearly outlined the research design and how the questionnaire was developed. It also indicated how the questionnaire was refined. It covered the sample size and how the data were collected.

The next chapter presents an analysis of the data.

# CHAPTER 4

# RESULTS

## 4.1 Introduction

This chapter provides the analysis of the results. The questionnaire which was administered generated quantitative responses. The data were coded. The coded information was then interpreted using the SPSS software package. Both descriptive and inferential statistics were used. The questionnaire contained only closed questions. The responses on the Likert scale were converted into numbers from one through to five.

Initially, descriptive statistics were used, as this is an excellent way to describe and compare data (Sekaran, 2003:313). Descriptive statistics do not tell the researcher whether the results reflect the true situation or whether the results occurred by chance. For this reason, inferential statistics were utilized which, according to Sekaran (2003:315), give a good indication whether the quantitative results of any investigation have arisen by chance alone or represent true differences. Anova and T Tests were used to see if there were significant difference in opinions of respondents of different gender groups, age groups, educational qualification and experience.

A preliminary analysis of the questionnaire revealed a total of 40 questionnaires collected. All 40 questionnaires were used for the statistical analysis.

Cronbach's Alpha should fall between .70 and .90 for a narrow construct, and between .55 and .70 for a moderately broad construct, and between .35 and .55 for a very broad construct (Bryman and Bell, 2003:78).

The overall Cronbach Alpha for this study is shown below and indicates medium internal consistency and reliability.

**Reliability Statistics**

| Cronbach's Alpha | N of Items |
|---|---|
| .537 | 31 |

## 4.2 Descriptive Frequency statistics

**Table 3 :** D1: Respondent age group

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Under 21 | 1 | 2.5 | 2.5 | 2.5 |
| 21 - 30 | 7 | 17.5 | 17.5 | 20.0 |
| 31 - 40 | 10 | 25.0 | 25.0 | 45.0 |
| 41 - 50 | 16 | 40.0 | 40.0 | 85.0 |
| 51 - 60 | 6 | 15.0 | 15.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 3 reveals the age group dispersion of participated respondents in this project. Approximately 2.5 % of the respondents are under 21 years, 17.5 % are in between 21 -30 years, 25.0 % are 31 – 40 years, 40.0 % are 41 – 50 years and 15.0 % are 51- 60 years. The majority of the respondents' (80%) age group was between 31 and 60. Similar results were found in Parsa's (1994) study, where the majority age group (87.9%) was between 25 and 54 years.

**Table 4 :** D2: Respondent gender

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Male | 35 | 87.5 | 87.5 | 87.5 |
| Female | 5 | 12.5 | 12.5 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 4 results reveal gender dispersion of participated respondents in this project. The participated respondents in this project are 87.5 % males and 12.5 % females.

Similar results were obtained in terms of the portion of male and female franchisees in Parsa's (1994) study where the majority (89.4%) of the respondents in this study were male.

**Table 5 :** D3: Respondent Education

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Below Matric | 1 | 2.5 | 2.5 | 2.5 |
| Matric | 9 | 22.5 | 22.5 | 25.0 |
| Post Matric Diploma | 11 | 27.5 | 27.5 | 52.5 |
| Degree | 11 | 27.5 | 27.5 | 80.0 |
| Post Graduate | 8 | 20.0 | 20.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 5 results reveal that 2.5% of the respondents had an educational level below matric. The rest of the responses were evenly distributed through the different educational levels with 22.5% of respondents having done matric, 27.5% having done post-graduate diploma, 27.5% having done a degree and 20% completing post-graduate studies. The post-matric studies would definitely assist franchisees in understanding the franchise business.

**Table 6 :** D4: Years franchise has been in operation

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| 1-2 yrs | 2 | 5.0 | 5.0 | 5.0 |
| 2 – 5yrs | 8 | 20.0 | 20.0 | 25.0 |
| 5 - 10 yrs | 23 | 57.5 | 57.5 | 82.5 |
| 10 – 20 yrs | 5 | 12.5 | 12.5 | 95.0 |
| Above 20 yrs | 2 | 5.0 | 5.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 6 reveals that the majority of the respondents (57.5%) have been in their franchise business for 5-10 years. This finding shows that the majority of the franchisees are experienced and have been in business with their current franchisor for a reasonable period. 5% of the respondents have been in the franchise for over 22 years. This information could indicate a very low rate of franchise turnover in this industry as most of the respondents fall into the 5 years and above category. There is also a fairly extensive understanding and knowledge of franchisees about the participating franchisor. Forward and Fulop (1993) found that previous business experience was positively associated with the success of the outlet.

**Table 7** : D5: Previous Employment before deciding to run a franchise outlet

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Yes | 23 | 57.5 | 57.5 | 57.5 |
| No | 1 | 2.5 | 2.5 | 60.0 |
| In a Franchised business | 4 | 10.0 | 10.0 | 70.0 |
| Other | 12 | 30.0 | 30.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 7 reveals that 97.5% of the respondents were previously employed before getting into the franchise business. 10%, of the 97.5%, were employed in a franchise business and 30%, of the 97.5% were in other businesses. Only 2.5% of respondents were not employed before starting their franchisee. On the one hand, age of the relationship positively influences the expectations about the continuity of the liaison in the future. On the other hand, franchisees gain in experience over time and may, therefore, be increasingly reluctant to comply with imposed standards.

**Having completed a preliminary examination of the data, the information reflected in the following tables will now be interpreted.**

**Table 8 :** S1.1: The growth potential of the franchise industry

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Neutral | 2 | 5.0 | 5.1 | 5.1 |
| | Agree | 24 | 60.0 | 61.5 | 66.7 |
| | Strongly Agree | 13 | 32.5 | 33.3 | 100.0 |
| | Total | 39 | 97.5 | 100.0 | |
| Missing | System | 1 | 2.5 | | |
| Total | | 40 | 100.0 | | |

Table 8 shows a total of 92.5% of respondents believe that franchising is an industry that has a good growth potential. 5% of respondents, who were neutral about this statement, may have reached their growth potential in the market and may be in the maturity phase.

Gauzente (2002) cites other authors who prove that franchisees choose franchising because it has good growth potential in terms of offering a known brand (Hunt, 1977), quicker business development (Knight, 1986), high profitability (Peterson and Dant, 1990) and proven business format (Withane, 1991).

**Table 9 :** S1.2: The franchisor 's tools for success.

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Disagree | 4 | 10.0 | 10.3 | 10.3 |
| | Neutral | 5 | 12.5 | 12.8 | 23.1 |
| | Agree | 27 | 67.5 | 69.2 | 92.3 |
| | Strongly Agree | 3 | 7.5 | 7.7 | 100.0 |
| | Total | 39 | 97.5 | 100.0 | |
| Missing | System | 1 | 2.5 | | |
| Total | | 40 | 100.0 | | |

Table 9 reveals perceptions of participated respondents in this project. 10.0 % disagree, 12.5% are neutral, 67.5% agree, 7.5% strongly agree and 2.5% did not respond towards the above statement. Gauzente (2002) cites researchers such as Hunt (1977), Withane (1991), Knight (1986), who have proven that the franchisor provides a proven business format and brand name which helps franchisees to succeed.

**Table 10 :** S1.3: Franchising as a high yield investment.

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Strongly Disagree | 2 | 5.0 | 5.1 | 5.1 |
| | Disagree | 5 | 12.5 | 12.8 | 17.9 |
| | Neutral | 11 | 27.5 | 28.2 | 46.2 |
| | Agree | 19 | 47.5 | 48.7 | 94.9 |
| | Strongly Agree | 2 | 5.0 | 5.1 | 100.0 |
| | Total | 39 | 97.5 | 100.0 | |
| Missing | System | 1 | 2.5 | | |
| Total | | 40 | 100.0 | | |

Table 10 reveals perceptions of participated respondents in this project. 5.0 % strongly disagree, 12.5 % disagree, 27.5 % are neutral, 47.5 % agree, 5.0 % strongly agree and 2.5 % did not respond towards the above statement. The above results are in line with studies done by Withane (1991), whereby franchisors agree that they are offered a proven business format at a lower risk than independent business (Gauzente, 2002).

**Table 11 :** S1.4: Experience required for operating a franchise operation.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 4 | 10.0 | 10.0 | 10.0 |
| Neutral | 6 | 15.0 | 15.0 | 25.0 |
| Agree | 23 | 57.5 | 57.5 | 82.5 |
| Strongly Agree | 7 | 17.5 | 17.5 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 11 reveals the perception of participated respondents in this project. 10% strongly disagree that they have experience required for the franchise operation. 10% are neutral about the statement. 75% agree that they do have the correct experience required the franchise operation. This result also reveals that the franchisees are highly experienced and could mean that franchisees are committed to remaining in a franchise relationship.

**Table 12 :** S1.5: The franchisor offers complete systems, services and technical expertise to its franchisees.

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Strongly Disagree | 4 | 10.0 | 10.3 | 10.3 |
| | Neutral | 8 | 20.0 | 20.5 | 30.8 |
| | Agree | 21 | 52.5 | 53.8 | 84.6 |
| | Strongly Agree | 6 | 15.0 | 15.4 | 100.0 |
| | Total | 39 | 97.5 | 100.0 | |
| Missing | System | 1 | 2.5 | | |
| Total | | 40 | 100.0 | | |

Table 12 results show that the majority (67.5%) of the respondents agree that the franchisor offers support in terms of complete systems, services and technical expertise to its franchisees. 10% disagree and 20% are neutral about the statement. Quinn's (1999), ethnographic study proves that there was a high level of conflict amongst franchisees not because the franchisors were exerting excessive power but because franchisees were dissatisfied with the quantity and quality of support received. This view concurs with the responses received from the 30% of respondents who were neutral or strongly agreed that the franchisor offers complete systems, services and technical expertise to its franchisees.

**Table 13 :** S2.1: Training provided by the franchisor

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Strongly Disagree | 2 | 5.0 | 5.1 | 5.1 |
| | Disagree | 7 | 17.5 | 17.9 | 23.1 |
| | Neutral | 15 | 37.5 | 38.5 | 61.5 |
| | Agree | 15 | 37.5 | 38.5 | 100.0 |
| | Total | 39 | 97.5 | 100.0 | |
| Missing | System | 1 | 2.5 | | |
| Total | | 40 | 100.0 | | |

Table 13 reveals the perception of statement S2.1. The results are evenly distributed between neutral and agree at 37.5%. 17.5% disagree that the training is adequate and only 2% strongly disagree that the training is adequate. This result is in line with a study done by Quinn (1999) where it was found that franchisees required more support in terms of training.

**Table 14 :** S2.2: Franchise fees/royalties paid

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 7 | 17.5 | 17.5 | 17.5 |
| Disagree | 13 | 32.5 | 32.5 | 50.0 |
| Neutral | 15 | 37.5 | 37.5 | 87.5 |
| Agree | 3 | 7.5 | 7.5 | 95.0 |
| Strongly Agree | 2 | 5.0 | 5.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 14 reveals the perception of respondents to the amount of franchise fee being charged by the franchisor. 17.5% of the respondents strongly disagree with the statement, which means that the fees are high. 32.5% disagree with the statement while 37.5% are neutral. Only 12.5% strongly agree or agree with the statement. The majority of the franchisees feel that franchise fees are too high. This opinion is a general feeling across all franchisees in the petroleum industry.

**Table 15 :** S2.3: The promotional and advertising assistance is very good.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Disagree | 6 | 15.0 | 15.0 | 15.0 |
| Neutral | 4 | 10.0 | 10.0 | 25.0 |
| Agree | 28 | 70.0 | 70.0 | 95.0 |
| Strongly Agree | 2 | 5.0 | 5.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 15 reveals the perception of respondents regarding the promotional and advertising assistance offered by the franchisor. 70% of the respondents agree that the assistance is good while 5% strongly agree with the statement. 10% are neutral while 15% disagree with the statement. Studies by Quinn (1999) show that franchisees were not happy with promotional and advertising material provided by the franchisor as it was not relevant to the area of the business and the cost of the material was too high. However, these were results for the international franchising companies, while in domestic franchising, there are many controls in place with promotional material being charged at a reasonable cost and, therefore, results are positive.

**Table 16 :** S2.4: The franchisor provides assistance for its franchisee to ensure high standards are maintained.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 2 | 5.0 | 5.0 | 5.0 |
| Disagree | 2 | 5.0 | 5.0 | 10.0 |
| Neutral | 10 | 25.0 | 25.0 | 35.0 |
| Agree | 20 | 50.0 | 50.0 | 85.0 |
| Strongly Agree | 6 | 15.0 | 15.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 16 reveals the perception of the respondents. 65% of the respondents agree that the franchisor provides assistance for its franchisee to ensure that high standards are maintained. A total of 5% strongly disagree and 5% disagree with the statement. 25% of respondents are neutral about the statement. The results are also in line with studies done by Hunt (1997), Withane (1976), whereby the franchisees are given a proven concept that has been tried and tested. Also standards are set so that uniformity is ensured across all sites (Gauzente, 2002).

**Table 17 :** S2.5: The operations manual deals with all aspects of the franchise business adequately.

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Disagree | 4 | 10.0 | 10.3 | 10.3 |
| | Neutral | 14 | 35.0 | 35.9 | 46.2 |
| | Agree | 19 | 47.5 | 48.7 | 94.9 |
| | Strongly Agree | 2 | 5.0 | 5.1 | 100.0 |
| | Total | 39 | 97.5 | 100.0 | |
| Missing | System | 1 | 2.5 | | |
| Total | | 40 | 100.0 | | |

Table 17 reveals that 47.5% agree and 5% strongly agree that the operations manual deals with all aspects of the franchise business adequately. 10% disagree while 35% are neutral about the statement.

**Table 18 :** S2.6: Should my business not perform for whatever reason, the franchisor takes steps to find out why the business is performing poorly.

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Strongly Disagree | 1 | 2.5 | 2.6 | 2.6 |
| | Disagree | 13 | 32.5 | 33.3 | 35.9 |
| | Neutral | 15 | 37.5 | 38.5 | 74.4 |
| | Agree | 10 | 25.0 | 25.6 | 100.0 |
| | Total | 39 | 97.5 | 100.0 | |
| Missing | System | 1 | 2.5 | | |
| Total | | 40 | 100.0 | | |

Table 18 reveals the perception of the respondents towards statement S2.6. 2.5% strongly disagree and 32.5 % disagree that the franchisor takes steps to find out why the business is performing poorly. 37.5% neither agree or disagree. Only 25% of the respondents agree that their franchisor takes steps to find out why the business is performing poorly.

**Table 19 :** S3.1: My franchisor understands my problems and concerns.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 3 | 7.5 | 7.5 | 7.5 |
| Disagree | 18 | 45.0 | 45.0 | 52.5 |
| Neutral | 8 | 20.0 | 20.0 | 72.5 |
| Agree | 11 | 27.5 | 27.5 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 19 reveals the respondents, perception toward the statement. Only 27.5% agree that the franchisor understands their problems and concerns. 20% are neutral to the statement and 52.5% disagree, 7.5% of which strongly disagree that their franchisor understands their problems and concerns. The study done by Schul and Babakus (1998) shows that power sources affect conflict indirectly through the mediating effect of channel member perception of the decision structure of the channel organization.

**Table 20 :** S3.2: Disputes are not typical for the relationship between me and my franchisor.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 1 | 2.5 | 2.5 | 2.5 |
| Disagree | 3 | 7.5 | 7.5 | 10.0 |
| Neutral | 10 | 25.0 | 25.0 | 35.0 |
| Agree | 24 | 60.0 | 60.0 | 95.0 |
| Strongly Agree | 2 | 5.0 | 5.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 20 reveals the perception towards the statement: "Disputes are not typical for the relationship between me and my franchisor". 10% of the respondents disagree and strongly disagree with the statement. 25% of the respondents neither agree nor disagree with the statement. The majority (60%) of the respondents agree that its not typical for disputes between them and the franchisor. 5% strongly agree with the statement.

**Table 21 :** S3.3: My franchisor often ignores my suggestions and complaints.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 1 | 2.5 | 2.5 | 2.5 |
| Disagree | 6 | 15.0 | 15.0 | 17.5 |
| Neutral | 11 | 27.5 | 27.5 | 45.0 |
| Agree | 13 | 32.5 | 32.5 | 77.5 |
| Strongly Agree | 9 | 22.5 | 22.5 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 21 reveals respondents' perception to the above statement: "My franchisor often ignores my suggestions and complaints". 15% disagree with the statement. 27.5% neither agree nor disagree with the statement. 32.5% agree while 22.5% strongly agree with the statement. The above results are in line with Schul and Babakus's (1998) study which says that the level of conflict depends on how the franchisee perceives the decision-making structure of the franchisor organization.

**Table 22 :** S3.4: My franchisor asks for my participation in his/her long-term planning process.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 9 | 22.5 | 22.5 | 22.5 |
| Disagree | 15 | 37.5 | 37.5 | 60.0 |
| Neutral | 9 | 22.5 | 22.5 | 82.5 |
| Agree | 3 | 7.5 | 7.5 | 90.0 |
| Strongly Agree | 4 | 10.0 | 10.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 22 reveals the perception of the respondents towards the above statement S3.4. The response to this statement is very negative. 22.5% strongly disagree with the statement while 37.5% disagree with the statement. 17.5% agree and strongly disagree with the statement. 22.5% neither agree nor disagree with the statement.

**Table 23 :** S3.5: My relationship with the franchisor could be better described at an 'arms length'.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Disagree | 13 | 32.5 | 32.5 | 32.5 |
| Neutral | 9 | 22.5 | 22.5 | 55.0 |
| Agree | 17 | 42.5 | 42.5 | 97.5 |
| Strongly Agree | 1 | 2.5 | 2.5 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 23 reveals the perception of the respondents towards the above statement. 32.5% disagree that their relationship with their franchisee is at an arms length. 22.5% are neutral about the statement. 42.5% strongly agree that they share a very distant relationship while 2.5% strongly agree that this is the case.

**Table 24 :** S3.6: Lack of trust between franchisor and franchisee may arise out of incompatibility between the franchisee and the individual within the franchisor's organization with whom the franchisee has to deal.

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Strongly Disagree | 1 | 2.5 | 2.6 | 2.6 |
| | Disagree | 2 | 5.0 | 5.1 | 7.7 |
| | Neutral | 7 | 17.5 | 17.9 | 25.6 |
| | Agree | 23 | 57.5 | 59.0 | 84.6 |
| | Strongly Agree | 6 | 15.0 | 15.4 | 100.0 |
| | Total | 39 | 97.5 | 100.0 | |
| Missing | System | 1 | 2.5 | | |
| Total | | 40 | 100.0 | | |

Table 24 reveals the perception of respondents towards the above statement S3.6. Over half of the respondents agree with the statement, while 15% strongly agree that the incompatibility is with the individual that they deal with rather than the franchisor itself. Only 7.5% strongly disagree with the statement.

**Table 25 :** S3.7: My Franchisor does not monitor my performance as regularly as our contract allows him/her because he/she trust me

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 7 | 17.5 | 17.5 | 17.5 |
| Disagree | 11 | 27.5 | 27.5 | 45.0 |
| Neutral | 12 | 30.0 | 30.0 | 75.0 |
| Agree | 10 | 25.0 | 25.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 25 reveals the perception about respondents towards the above statement S3.7. A total of 45% strongly disagree and disagree with the statement that their franchisor does not monitor their performance as regularly as their contract allows. 30% are neutral towards the statement while 25% agree that the franchisor does not monitor the performance as regularly as the contract allows. Prior research has postulated trust as both an antecedent to successful long term relationship and outcome of these relationships (Morgan and Hunt, 1994).

**Table 26 :** S3.8 : The franchisor's operating procedures manual do limit my autonomy.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 1 | 2.5 | 2.5 | 2.5 |
| Disagree | 4 | 10.0 | 10.0 | 12.5 |
| Neutral | 8 | 20.0 | 20.0 | 32.5 |
| Agree | 25 | 62.5 | 62.5 | 95.0 |
| Strongly Agree | 2 | 5.0 | 5.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 26 reveals the perception of the respondents towards the above statement S3.8. A total of 62.5% agree that the operating procedures manual do limit their autonomy while 5% strongly agree with the statement. 20% are neutral towards the statement while 10% disagree that the operating procedures manual do limit their autonomy.

In franchise literature, the franchise manual is often referred to as the franchise bible. The franchise manual is seen as the key aspect of support and, therefore, a non-coercive source of power within the franchise relationship. However, over time, franchisees gain in experience regarding specificities of demand and efficient operating procedures. They develop their own beliefs about quality and challenge the franchisor's authority. The franchisees' willingness to comply with imposed standards may decrease augmenting conflict. (Crochet, Dormann, Erhmann, 2002).

**Table 27 :** S3.9: I am free to implement my own ideas.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 15 | 37.5 | 37.5 | 37.5 |
| Disagree | 15 | 37.5 | 37.5 | 75.0 |
| Neutral | 7 | 17.5 | 17.5 | 92.5 |
| Agree | 2 | 5.0 | 5.0 | 97.5 |
| Strongly Agree | 1 | 2.5 | 2.5 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 27 reveals that franchisees are not free to implement their own ideas. 37.5% strongly disagree while 37.5% disagree with the statement. 17.5% are neutral towards the statement while only 5% agree that they enjoy some level of freedom. Since, over time, franchisees gain in experience, they develop their own beliefs about quality and behavioural standards and increasingly challenge the franchisor's authority (Crochet, Dormann, Erhman, 2002). Their willingness to comply with imposed standards may decrease, thereby augmenting agency conflicts.

**Table 28 :** S3.10: Often, I find it difficult to agree with my franchisor's policies on important matters.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 1 | 2.5 | 2.5 | 2.5 |
| Disagree | 3 | 7.5 | 7.5 | 10.0 |
| Neutral | 20 | 50.0 | 50.0 | 60.0 |
| Agree | 12 | 30.0 | 30.0 | 90.0 |
| Strongly Agree | 4 | 10.0 | 10.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 28 reveals the perception of respondents towards the above statement. 50% are neutral towards the statement, while 40%, agree and strongly agree that they find it difficult to agree with the franchisor's policies on important matters. Only 7.5% disagree with the statement. This result is consistent with the argument that franchisees exhibit a strong desire for autonomy in operations of their franchised outlets (Tikkoo, 2005). The desire for autonomy is greater among established franchisees, which suggest that as franchisees establish themselves they are likely to be less tolerant of franchisors' influence.

**Table 29 :** S3.11: My franchisor makes it quite clear that failing to comply with their requests will result in penalties against our business

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Disagree | 1 | 2.5 | 2.5 | 2.5 |
| Neutral | 6 | 15.0 | 15.0 | 17.5 |
| Agree | 22 | 55.0 | 55.0 | 72.5 |
| Strongly Agree | 11 | 27.5 | 27.5 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 29 reveals perceptions of respondents to the above statement. 55% agree with the statement while 27.5% strongly agree that there will be penalties against their business should they not comply with requests. 15% is neutral about the statement while 2.5% disagree that there is punishment with non-compliance. Coercive sources of power would be found in the franchise contract where non-compliance of the terms of contract could lead to punishment through sanctions and potential contract termination (Quinn and Doherty, 2000).

**Table 30 :** S4.1: I have been very successful in exceeding my year-to-date sales quota so far.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Disagree | 3 | 7.5 | 7.5 | 7.5 |
| Neutral | 9 | 22.5 | 22.5 | 30.0 |
| Agree | 20 | 50.0 | 50.0 | 80.0 |
| Strongly Agree | 8 | 20.0 | 20.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

50% of the respondents agree that they have been successful in exceeding their year-to-date sales quota thus far. 20% strongly agree that they have far exceeded their targets while 22.5% are neutral about the statement. 7.5 % of the respondents disagree with the statement. These are reflected in Table 29. Studies by Peterson and Dant (1990) have shown that the franchisees, operating in the environment where they are generally successful, have power over the extent of control over the franchisor (Gauzente, 2002).

**Table 31 :** S4.2: I think that my sales performance so far this year ranks in the top half of the franchisees.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Disagree | 3 | 7.5 | 7.5 | 7.5 |
| Neutral | 10 | 25.0 | 25.0 | 32.5 |
| Agree | 17 | 42.5 | 42.5 | 75.0 |
| Strongly Agree | 10 | 25.0 | 25.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 31 reveals the respondents' perception towards S4.2. 42.5% of respondents agree that their sales performance ranks in the top half of the franchisees. 25% of the respondents strongly agree with the statement. 7.5% disagree, while 25% of the respondents are neutral about the statement.

**Table 32 :** S4.3: My perception is that my sales performance this year-to-date is below average relative to other franchisees in my company.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 11 | 27.5 | 27.5 | 27.5 |
| Disagree | 21 | 52.5 | 52.5 | 80.0 |
| Neutral | 6 | 15.0 | 15.0 | 95.0 |
| Agree | 2 | 5.0 | 5.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 32 reveals that 52.5% disagree that their sales performance is below average. 27.5% strongly disagree with the statement. 15% are neutral towards the statement while a very small 2% agree with the statement. Poor performing outlets are more likely to seek centralized franchisor support (Peterson and Dant, 1990), while the majority, who disagree with the statement are in favour of independent decision-making. This reasoning should suggest a strong requirement for relational exchange norms to accompany autonomy of successful franchisees.

**Table 33 :** S4.4: The amount of income I actually received from working as a franchisee is at least what I expected it to be.

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Strongly Disagree | 2 | 5.0 | 5.1 | 5.1 |
| | Disagree | 3 | 7.5 | 7.7 | 12.8 |
| | Neutral | 11 | 27.5 | 28.2 | 41.0 |
| | Agree | 20 | 50.0 | 51.3 | 92.3 |
| | Strongly Agree | 3 | 7.5 | 7.7 | 100.0 |
| | Total | 39 | 97.5 | 100.0 | |
| Missing | System | 1 | 2.5 | | |
| Total | | 40 | 100.0 | | |

Table 33 reveals that 50% of the respondents agree that the income that they receive from franchising is what they expect it to be. 7.5% of the respondents strongly agree with the statement. 27.5% of the respondents are neutral towards the statement. 12.5% disagree with the statement.

**Table 34 :** S4.5: My franchisor would rate the quality of my performance as very good.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 1 | 2.5 | 2.5 | 2.5 |
| Disagree | 1 | 2.5 | 2.5 | 5.0 |
| Neutral | 13 | 32.5 | 32.5 | 37.5 |
| Agree | 19 | 47.5 | 47.5 | 85.0 |
| Strongly Agree | 6 | 15.0 | 15.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 34 reveals that 47.5% agree and 15% strongly agree that their franchisor rates their quality of performance as very good. 32.5% are neutral about the statement. There are 2.5% of the respondents who strongly disagree and disagree with the statement.

**Table 35 :** S5.1: I am proud to tell others that I am part of this franchise system.

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Strongly Disagree | 1 | 2.5 | 2.6 | 2.6 |
| | Neutral | 4 | 10.0 | 10.3 | 12.8 |
| | Agree | 26 | 65.0 | 66.7 | 79.5 |
| | Strongly Agree | 8 | 20.0 | 20.5 | 100.0 |
| | Total | 39 | 97.5 | 100.0 | |
| Missing | System | 1 | 2.5 | | |
| Total | | 40 | 100.0 | | |

Table 35 reveals that 65% of the respondents are proud to be part of the franchise system. 20% of the respondents strongly agree with the statement. 2.5% strongly disagree that they are proud to tell others that they are part of the franchise system. 10% of the respondents were neutral towards the statement.

**Table 36 :** S5.2: My having access to the franchisor's trademark is crucial to the success of my business.

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Strongly Disagree | 1 | 2.5 | 2.5 | 2.5 |
| Disagree | 2 | 5.0 | 5.0 | 7.5 |
| Agree | 23 | 57.5 | 57.5 | 65.0 |
| Strongly Agree | 14 | 35.0 | 35.0 | 100.0 |
| Total | 40 | 100.0 | 100.0 | |

Table 36 reveals that 57.5% agree and 35% strongly agree that they need access to the franchisor's trademark for the success of their business. 5% of the respondents disagree while 2.5% strongly disagree that the franchisee trademark is crucial for the success of the business.

**Table 37 :** S5.3: Without the business assistance of my franchisor, we will not be able to run our business smoothly.

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Strongly Disagree | 8 | 20.0 | 20.0 | 20.0 |
| | Disagree | 6 | 15.0 | 15.0 | 35.0 |
| | Neutral | 6 | 15.0 | 15.0 | 50.0 |
| | Agree | 14 | 35.0 | 35.0 | 85.0 |
| | Strongly Agree | 6 | 15.0 | 15.0 | 100.0 |
| | Total | 40 | 100.0 | 100.0 | |

Table 37 results reveal the perception of the respondents towards statement S5.3. 35% of the respondents agree that they do require the assistance of their franchisor to run their business smoothly. 15% of the respondents strongly agree that, without the assistance of the franchisor, their business will not run smoothly. 20% strongly disagree with the statement while 15% disagree and 15% are neutral about the statement.

**Table 38 :** S5.4: It would be difficult to generate my franchise income from other sources.

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Strongly Disagree | 1 | 2.5 | 2.6 | 2.6 |
| | Disagree | 17 | 42.5 | 43.6 | 46.2 |
| | Neutral | 13 | 32.5 | 33.3 | 79.5 |
| | Agree | 3 | 7.5 | 7.7 | 87.2 |
| | Strongly Agree | 5 | 12.5 | 12.8 | 100.0 |
| | Total | 39 | 97.5 | 100.0 | |
| Missing | System | 1 | 2.5 | | |
| Total | | 40 | 100.0 | | |

Table 38 reveals that 2.5% of the respondents strongly disagree and 42.5% disagree with the statement that it would be difficult to generate franchise income from other sources. 7.5% agree with the statement while 12.5% strongly agree that it would be difficult to generate franchise income from other sources.

## 4.3 Chi-Square Test

It was then decided to assess whether or not significant levels of difference exist in certain of the responses as alluded to in the descriptive narrative for each of the tables. This assessment was accomplished by utilizing the Chi Square Test for each of the item. For each of the interpretations, the researcher has prepared a table summarizing the Chi Square and the p alpha has been set at 0.05.

**Table 39 :** Previous Employment vs Age of respondent

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 17.239 | 12 | .141 |
| N of Valid Cases | 40 | | |

The Chi-square ($\chi^2$) test result as presented in Table 39 indicates that the p value is 0.141, which is above 0.05. This result reveals there is no statistically significant relationship between statement D5 (Were you previously employed before deciding to run a franchise outlet?) and statement D1 (The age of the franchisee). These two variables are not associated and, therefore, are independent of each other.

**Table 40** : Previous Employment vs Gender

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 1.209 | 3 | .751 |
| N of Valid Cases | 40 | | |

The Chi Square ($\chi^2$) test result as presented in Table 40 ndicates that the p value is 0.751, which is above 0.05. This results reveals that there is no statistically significant relationship between statement D5 (Were you previously employed before deciding to run a franchise outlet?) and statement D2 (What is your gender?). These two variables are not associated to any meaningful extent.

**Table 41 :** Previous Employment vs Educational Level

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 7.598 | 12 | .816 |
| N of Valid Cases | 40 | | |

The Chi Square ($\chi^2$) test result as presented in Table 41indicates that the p value is 0.861, which is above 0.05. This result reveals that there is no significant relationship between statement D5 (Were you previously employed before deciding to run a franchise outlet?) and statement D3 (What is your educational qualifications?). These two variables are not associated and are independent of each other.

**Table 42 :** Previous Employment vs Number of years in franchise

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 25.983 | 12 | .011 |
| N of Valid Cases | 40 | | |

The Chi-square ($\chi^2$) test result as presented in Table 42 ndicates that the p value is 0.011, which is below 0.05. This result reveals that there is a relationship between statement D5 and statement D4, These two variables, Previous Employment and number of years in franchise, are associated and are dependent of each other.

## 4.4 T – Test: Gender

The T Tests were further done to see if there is any significant difference between the gender groups' perception towards the study statements S1.1 – S5.4

* p indicates probability value

**Table 43 :** Gender groups's perception towards study statements relating to motivation for choosing a franchise system

**T- Test**

| | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|
| S1.1 | Equal variances assumed | -1.377 | 37 | .177 |
| S1.2 | Equal variances assumed | 1.099 | 37 | .279 |
| S1.3 | Equal variances assumed | -1.104 | 37 | .277 |
| S1.4 | Equal variances assumed | .070 | 38 | .945 |
| S1.5 | Equal variances assumed | -.157 | 37 | .876 |

S1.1. Franchising is an industry that I believe has a good growth potential.

S1.2.The franchisor provides tools for success.

S1.3. Franchising appears to offer a high yield on my investment at a relatively low risk.

S1.4. I have the experience required for operating a franchise operation.

S1.5.The franchisor offers complete systems, services, and technical expertise to its franchisees.

- The T-test results as reflected in Table 43 reveal the p significance values are 0.177, 0.279, 0.277, 0.945, 0.876 for S1.1, S1.2, S1.3, S1.4 and S1.5, respectively. All these values are above 0.05. The results reveal that the gender groups', i.e. males and females, perceptions towards the above study statements relating to motivation for choosing a franchise system do not differ to any significant extent.

**Table 44 :** Gender group's perception towards study statements relating to franchisor support

**T- Test**

| | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|
| S2.1 | Equal variances assumed | 2.634 | 37 | .012 |
| S2.2 | Equal variances assumed | 1.157 | 38 | .255 |
| S2.3 | Equal variances assumed | -.442 | 38 | .661 |
| S2.4 | Equal variances assumed | 3.470 | 38 | .001 |
| S2.5 | Equal variances assumed | .273 | 37 | .787 |
| S2.6 | Equal variances assumed | -1.546 | 37 | .131 |

S2.2.The amount of franchise fees/royalties was not high.

S2.3.The promotional and advertising assistance is very good.

S2.5.The operations manual deals with all aspects of the franchise business adequately.

S2.6.Should my business not perform for whatever reason, the franchisor takes steps to find out why the business is performing poorly.

- The T-test results as presented in Table 44 reveal that the p significance values are 0.255, 0.661, 0.787, 0.131 for S2.2, S2.3, S2.5 and S2.6, respectively. All these values are above 0.05. These results reveal that statistically there is NO significant difference between gender groups' perceptions towards the above study statements relating to franchisor support.

S2.1.The training provided by the franchisee is adequate.

S2.4.The franchisor provides assistance for its franchisee to ensure high standards are maintained.

- S2.4 and S2.1 have significance values below 0.05, which means that there is a significant difference between the gender groups perceptions towards the above study statements relating to franchisor support.

**Table 45 :** Gender group's perception towards study statements relating to the relationship with the franchisor

**T-Test**

| | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|
| S3.1 | Equal variances assumed | .672 | 38 | .506 |
| S3.2 | Equal variances assumed | -.073 | 38 | .943 |
| S3.3 | Equal variances assumed | .382 | 38 | .705 |
| S3.4 | Equal variances assumed | .486 | 38 | .630 |
| S3.5 | Equal variances assumed | 2.648 | 38 | .012 |
| S3.6 | Equal variances assumed | 1.098 | 37 | .279 |

S3.1. My franchisor understands my problems and concerns.

S3.2. Disputes are not typical for the relationship between me and my franchisor because I have a very good working relationship with my franchisor.

S3.3.My franchisor often ignores my suggestions and complaints.

S3.4.My franchisor asks for my participation in his/her long-term planning process.

S3.6.Lack of trust between franchisor and franchisee may arise out of incompatibility between the franchisee and the individual within the franchisors organization with whom the franchisee has to deal.

- The T-test results as presented in Table 45 reveal that the p significance values are 0.506, 0.943, 0.705, 0.630, 0.279 for S3.1, S3.2, S3.3, S3.4 and S3.6, respectively. All these values are above 0.05. These results reveal that statistically there is NO significant difference between gender groups: that is, males and females have similar perceptions towards the above listed study statements relating to the relationship between the franchisor and franchisee.

S3.5.My relationship with the franchisor could be better described as a 'arms length negotiation' than a cooperative effort.

- S3.5 has significance values below 0.05 which means that there IS a significant difference between the gender groups' perceptions towards study statement S3.5.

**Table 46 :** Gender group's perception towards study statements relating to the relationship with the franchisor

**T- Test**

| | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|
| S3.7 | Equal variances assumed | -1.316 | 38 | .196 |
| S3.8 | Equal variances assumed | 1.064 | 38 | .294 |
| S3.9 | Equal variances assumed | -1.017 | 38 | .316 |
| S3.10 | Equal variances assumed | 1.034 | 38 | .308 |
| S3.11 | Equal variances assumed | 2.333 | 38 | .025 |

S3.7. My franchisor does not monitor my performance as regularly as our contract allows him/her because he/she trusts me.

S3.8. The Franchisors operating procedures manual does limit my autonomy.

S3.9. I am free to implement my own ideas.

S3.10.Often, I find it difficult to agree with my franchisor's policies on important matters relating to its franchisees.

- The T-test results as presented in Table 46 reveals that the p significance values are 0.196, 0.294, 0.316, 0.308 for S3.7, S3.8, S3.9 and S3.10, respectively. All these values are above 0.05. The results reveal that statistically there is NO significant difference between the gender groups' perceptions towards the above study statements relating to the relationship between the franchisor and franchisee. The findings means that males and females have almost similar perceptions towards the study statements relating to compliance with franchisor's requests.

3.11. My franchisor makes it quite clear that failing to comply with their requests will result in penalties against our business.

- S3.11 has significance values below 0.05 which means that there IS a significant difference between the gender groups' perception towards study statement S3.11.

**Table 47 :** Gender group's perception towards study statements relating to the performance of the business

**T- Test**

| | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|
| S4.1 | Equal variances assumed | 1.211 | 38 | .233 |
| S4.2 | Equal variances assumed | 1.212 | 38 | .233 |
| S4.3 | Equal variances assumed | -1.280 | 38 | .208 |
| S4.4 | Equal variances assumed | .219 | 37 | .828 |
| S4.5 | Equal variances assumed | .277 | 38 | .783 |

S4.1. I have been very successful in exceeding my year-to-date sales quota so far.

S4.2. I think that my sales performance so far this year ranks in the top half of the franchisees in my category of convenience business.

S4.3. My perception is that my sales performance this year-to-date is below average relative to other franchisees in my company.

S4.4. The amount of income I actually received from working as a franchisee is at least what I expected it to be.

S4.5. My franchisor would rate the quality of my performance as very good.

- The T-test results as presented in Table 47 reveal that the p significance values are 0.233, 0.233, 0.208, 0.828 and 0.783 for S4.1, S4.2, S4.3, S4.4 and S4.5 respectively. All these values are above 0.05. The results reveal that statistically there is NO significant difference between the gender groups' perceptions towards the above study statements relating to performance of the business.

**Table 48 :** Gender group's perceptions towards study statements relating to Loyalty/Commitment to Franchisor

**T- Test**

| | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|
| S5.1 | Equal variances assumed | .082 | 37 | .935 |
| S5.2 | Equal variances assumed | -.611 | 38 | .545 |
| S5.3 | Equal variances assumed | -2.359 | 38 | .024 |
| S5.4 | Equal variances assumed | -2.823 | 37 | .008 |

S5.1. I am proud to tell others that I am part of this franchise system.

S5.2. My having access to the franchisors trademark is crucial to the success of the business.

- The T-test results as presented in Table 48 reveal that the p significance values are 0.935, 0.545, for S5.1and S5.2, respectively. These values are above 0.05. The results reveal that there is NO significant difference between the gender groups' perceptions towards the above study statements relating to the loyalty/commitment to the franchisor. (This finding means that male and females have almost similar perceptions towards the study statements).

S5.3. Without the business assistance of my franchisor, we will not be able to run our business smoothly.

S5.4. It would be difficult to generate my franchise income from other sources.

- S5.3 and S5.4 have significance values below 0.05 which means that there IS a significant difference between the gender groups' perceptions towards study statements S5.3 and S5.4, relating to business assistance by the franchisor and franchisee's income from other sources, respectively.

## 4.5 Anova

### 4.5.1 D1: Age groups

- The Anova test results reveal that there is a difference in perceptions of the different age groups' respondents towards the study statements S1.1; S1.3; S1.5; S2.2; S2.3; S2.5, S3.5; S3.6; S4.5; S5.2; S5.3 because these statements have p significance values that are 0.000, 0.003, 0.033, 0.001, 0.014, 0.002, 0.023, 0.017, 0.002, 0.000, 0.034, respectively. These values are less than 0.05 (This findings means that different age groups have significant differences in their perceptions towards these study statements relating to motivation for choosing a franchise, franchise support, relationship between the franchisor and franchisee, performance of the business and loyalty/commitment to the franchisor).
- The Anova test results reveal that there is no difference in perceptions of different age groups towards the study statements S1.2, S1.4, S2.1, S2.4, S2.6 , S3.1, S3.2, S3.3, S3.4, S3.7, S3.8, S3.9, S3.10, S3.11, S4.1, S4.2, S4.3, S4.4, S5.1, S5.4 because the p significance values of the study statement are 0.142, 0.208, 0.538, 0.864, 0.137, 0.131, 0.122, 0.323, 0.125, 0.258, 0.063, 0.877, 0.167, 0.260, 0.422, 0.664, 0.463, 0.061, 0.274 and 0.375, respectively. These values are above 0.05. (This findings means that different age groups have almost similar perceptions towards study statements relating to motivation for choosing a franchise, franchise support, relationship between the franchisor and franchisee, performance of the business and loyalty/commitment to the franchisor).

### 4.5.2 D3: Education Qualifications

- The Anova test results reveal that there is a difference in perceptions of respondents with different levels of education, towards the study statements S2.1, S2.4, S2.5, S3.4, S3.6, S4.4, S4.5, S5.2 because the p significance values of these statements are 0.032, 0.015, 0.017, 0.032, 0.038, 0.004, 0.004 and 0.002, respectively. These values are less than 0.05 (This finding means that respondents with different educational levels have significant differences in their perceptions towards these study statements relating to motivation for choosing a franchise, franchise support, relationship between the franchisor and franchisee, performance of the business and loyalty/commitment to the franchisor).

  The Anova test results reveal that there is no difference in perceptions of respondents with different levels of education towards the study statements S1.1, S1.2, S1.3, S1.4, S1.5, S2.2, S2.3, S2.6, S3.1, S3.2, S3.3, S3.5, S3.7, S3.8, S3.9, S3.10, S3.11, S4.1, S4.2, S4.3, S5.3, S5.4 because the significance value of these statements are 0.098, 0.292, 0.414, 0.839, 0.531, 0.083, 0.300, 0.626, 0.905, 0893, 0.306, 0.852, 0.370, 0.449, 0.522, 0.261, 0.870, 0.828, 0.713, 0.218, 0.062, 0.080 and 0.141, respectively. These values are above 0.05. (This findings means that respondents with different educational levels have almost similar perceptions towards these statements relating to motivation for choosing a franchise, franchise support, relationship between the franchisor and franchisee, performance of the business and loyalty/commitment to the franchisor).

D4: Number of years in franchise

- The Anova test results reveal that there is a difference in perceptions of respondents based on the number of years spent in the franchise towards the study statements S1.2, S1.5, S2.1, S2.2, S2.3, S2.4, S3.3, S3.5, S3.6, S3.10, S4.5, S5.2, S5.3, S5.4 because the significance values of these study statements are 0.000, 0.026, 0.001, 0.011, 0.006, 0.000, 0.011, 0.040, 0.000, 0.001, 0.002, 0.039, 0.033 and 0.014, respectively. These values are less than 0.05. (This finding means that respondents, based on the number of years spent in the franchise, have significant differences in their perceptions towards these study statements relating to motivation for choosing a franchise, franchise support, relationship between the franchisor and franchisee, performance of the business and loyalty/commitment to the franchisor).
- The Anova test results reveal that there is no difference in perceptions of respondents based on number of years spent in the franchise towards the study statements S1.1, S1.3, S1.4, S2.5, S2.6, S3.1, S3.2, S3.4, S3.7, S3.8, S3.9, S3.11, S4.1, S4.2, S4.3, S4.4, S5.1 because the significance values of the study statements are 0.084, 0.543, 0.120, 0.146, 0.989, 0.126, 0.594, 0.355, 0.163, 0.092, 0.831, 0.106, 0.976, 0.750, 0.919, 0.095 and 0.381, respectively. These values are above 0.05. (This finding means that respondents, based on the number of years spent in the franchise, have almost similar perceptions towards these statements relating to motivation for choosing a franchise, franchise support, relationship between the franchisor and franchisee, performance of the business and loyalty/commitment to the franchisor and there is no huge difference in different groups' respondents opinions towards these study statements).

D5: Previous Experience

The Anova test results reveal that there is a difference in perceptions of respondents based on their previous experience towards the study statements S2.2, S3.6, S5.3 because these statements have a significance value of 0.022, 0.004 and 0.002, respectively. These values are less than 0.05. (This finding means that respondents, based on their previous experience, have significant differences in their perceptions towards these study statements relating to motivation for choosing a franchise, franchise support, relationship between the franchisor and franchisee, performance of the business and loyalty/commitment to the franchisor).

The Anova test results reveal that there is no statistically significance difference in perceptions of respondents based on their previous experience towards the study statements S1.1, S1.2, S1.3, S1.4, S1.5, S2.1, S2.3, S2.4, S2.5, S2.6, S3.1, S3.2, S3.3, S3.4, S3.5, S3.7, S3.8, S3.9, S3.10, S3.11, S4.1, S4.2, S4.3, S4.4, S4.5, S5.1, S5.2, S5.4 because the significance value of the study statements are 0.174, 0.103, 0.061, 0.220, 0.674, 0.993, 0.091, 0.924, 0.794, 0.822, 0.452, 0.102, 0.357, 0.486, 0.966, 0.979, 0.783, 0.220, 0.665, 0.732, 0.784, 0.620, 0.384, 0.643, 0.510, 0.252, 0.463 and 0.898, respectively These values are above 0.05. (This finding means that respondents based on their previous experience have almost similar perceptions towards these statements relating to motivation for choosing a franchise, franchise support, relationship between the franchisor and franchisee, performance of the business and loyalty/commitment to the franchisor).

## 4.6 Conclusions

This chapter presents a discussion on the analysis and interpretation of the empirical results on the Convenience Store franchisee survey. Reliability and Validity issues were also discussed.

The profile of the franchisees were analysed using descriptive statistics which looked at the age of the respondent, Gender, Education, Number of years in operation and the previous employment that the respondent was involved in. It was found that most franchisees were aged between 31-50 (65%) and a large proportion of them had previous management experience. In addition a large proportion of respondents were well educated and received adequate support from their franchisor.

The majority of the respondents believed that Franchising is an industry that has a good growth potential and the franchisor provides a proven business concept and brand name to help the franchisee succeed.

The areas of concern that were noted are: in the area of training where the result was not entirely positive; with franchise fees which were perceived to be too high; decision-making where franchisees felt that their suggestions and complaints were often ignored and that they were not asked to participate in the long term planning process. Franchisees also felt that they were not allowed to implement their own ideas as complete control was in the hands of the franchisor.

However Franchisees were still proud to be part of the franchise system and believe that access to the franchise trademark is crucial for their business to succeed.

The Chi- Square Test was performed to assess whether or not significant levels of difference exist in some of the responses as alluded to in the descriptive narrative for each of the tables.

The T Tests were further done to see if there is any significant difference between the gender groups' perception towards the study statements

Annova was also used to see the difference in perceptions amongst the respondents.

The following chapter will discuss the major findings of these results, as well as their implication and limitations. It also suggests the directions for the future research while providing conclusions and recommendations.

# CHAPTER 5

# CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This study explored the factors affecting the quality of the relationship between the franchisee and franchisor, and its impact on the franchisee's performance. This chapter will discuss the major findings of the study, the implications of those findings for franchising management applications, the implications for future research and the recommendations flowing from this study.

## 5.2 Major Findings

The extent to which the key questions of this study have been answered is presented below. The questions are restated here together with the conclusions that emanated from the study.

### 5.2.1 Is the success of franchising dependant on the franchisor–franchisee relationship and what are the key factors that impact on the quality of the relationship between the franchisor and franchisee?

This question is substantially answered in the literature review, where the relationship between franchisor and franchisees must be based on trust, commitment, communication, shared values and mutual dependence.

According to Sul and Khan (2006), franchisors perceive that the franchisor – franchisee relationship issues emerge as the most important aspect for the franchisors' entrepreneurial strategy and its financial success. They believe that the franchisees are knowledgeable about significant changes in the local environment, understand their customer needs and pay close attention to these needs. Therefore, free-flowing relationships, authority and communication channels between the franchisor and franchisees need to be formed to ensure that consideration of the franchisees' local environments are included in the franchisors' decision - making process.

Bradach (1998) maintains that the combination of both franchisors and franchisees in one organization provides the capability for both to learn from each other. The experiences and knowledge of the franchisee assist the franchisor in responding quickly to both current and future service needs. New ideas and products and services are perceived as being established through the innovative and creative franchisees.

Combs and Ketchen (2003) maintain that franchisees perceive that they are an important source of innovation for highly standardized franchise systems.

According to Dant (2006), the key relational management variables that impact on the relationship between the franchisee and franchisor are trust, commitment, communication, shared values and mutual dependence. These findings are closely paralleled by those of reviewed literature. For instance, numerous studies conducted by Doherty and Alexander (2000, 2002, 2006) and Tikoo (2005) have arrived at similar conclusions.

As pointed out by authors Hausman (2001:602), the qualities identified as having the potential to affect interfirm success are trust, commitment, dependence, relationalism, flexibility, communication and power balance.

Monroy and Anzola (2005) cite several studies which have focused on variables such as trust, commitment, conflict, relationalism, and cooperation to describe the relational behaviour in franchise networks (Dant and Schul, 1992; Cox, 1995; Dahlstrom and Nygaard, 1995; Mehta, 1999; Bordonaba Juste and Polo Redondo, 2002a, b).

### 5.2.2 Do Franchisees perceive themselves to be in a position of total submission in relation to the franchisor?

Two aspects that were tested in this study contribute to an understanding of this question. The first aspect relates to the participation of the franchisee in the long-term progress of the franchisor 75% of the respondents felt that the franchisor viewed himself/herself as being superior to the franchisee while 55% felt that the franchisor did not welcome their participation in respect of the progress of the franchisor's long-term plans.

The results also revealed that the franchisor should take franchisee inter-dependence into consideration rather than assuming franchisor superiority. Recommendations of dependence are favourably received only by franchisees that are highly dependent on the franchisor and value the franchisor's expertise. This result implies that, in order for its recommendations to be received positively by franchisees, the franchisor has to ensure that his/her franchisees continue to be significantly dependent on him/her. A franchisor can ensure the continued dependence of his/her franchisees if he/she constantly develops business expertise that provides value to his/her franchisees.

Finally, the franchisor should avoid using heavy-handed influence strategies like threats and legalistic pleas, but even the seemingly non-coercive requests should be used sparingly as their use is related to conflict in a business format franchise setting.

The next aspect relating to the free implementation of ideas by the franchisee also resulted in 75% showing concern that their franchisors did not allow them to implement their own ideas but expected them to carry out the franchisors' ideas only.

In summary, the results indicate that franchisees are generally not in favour of the franchisor's strong influence. This result is consistent with the argument that franchisees exhibit a strong desire for autonomy in the operations of their franchised outlets. The desire for autonomy is greater among more established franchisees, which suggests that as franchisees establish themselves, they are likely to be less tolerant of the franchisor's influence. This result suggests that, at some point in time, it becomes hard for a franchisor to coordinate franchisees without creating conflict. The inevitability of conflict in the franchise relationship has been suggested as one of the motivations for franchisors to bring franchisees under company ownership (Oxendfelt and Kelly, 1968-1969).

The relationship between the franchisor and franchisee must involve regulations and standards to define and protect the quality of the service or products to be provided or sold by the franchisee to the consumer. The business that the franchisee owns is one which they are licensed to carry out in accordance with the terms of their contract with the franchisor. The franchisor should carefully pay attention to grant decision rights selectively to those partners who are expected to behave appropriately. The caricature of the franchising relationship as being 'hierarchical', and placing the franchisees, in a position of total submission, in relation to the franchisor, should ideally be a thing of the past. Franchisees and franchisors have, over time, acquired sound experience and trust in their relationship.

### 5.2.3 How can franchisors maintain control over their outlets without constraining the franchisee's entrepreneurial spirit?

The results from the question on the franchisees' experience required for operating a franchise operation show that 75% of the respondents believe that they already have the experience necessary to operate the business. Hence it is redundant for the franchisor to teach franchisees anything new. Nevertheless, 69% of the respondents acknowledge that the franchisor offers complete systems, services and technical expertise while 30.8% of the respondents feel negatively about this offer.

Further, results reveal that a total of 61.5% of the respondents feel that the training provided by the franchisor is adequate.

As the business environment becomes more and more competitive, the need for entrepreneurial activity by the franchisee tends to increase dramatically. On the other hand, the different franchisee perceptions of advantages and disadvantages were related to individuals and particularly to their personality characteristics. The more entrepreneurial the franchisee was, the more likely he or she was to conflict with the franchisor's goals. The motivational drives of franchisees tend to change as they become more experienced and particularly more successful.

Franchisees felt that work was often internally rewarding, but constrained in some areas. On the one hand, the franchisees appreciated the support and stimuli provided by the franchise chain, but on the other hand they simultaneously faced some contractual and network-related obstacles, like the franchisee agreement and the payment of franchise fees. Finally, there appears to be circumspection with profitability. While franchisees gained satisfaction from a cheaper and easier start-up, they later tended to experience increased dissatisfaction with regular payments to the franchisor.

### 5.2.4 How do franchisors manage the friction that emerges from conflicts within the relationship?

To manage friction, franchisors need to first understand what causes it. The majority of franchisees felt that the franchisor did not understand their problems and concerns and, consequently, could not address them.

However, the next aspect relating to disputes appear not to be typical between the franchisee and the franchisor and almost 60% of the respondents agreed that it is not typical for disputes between them and their franchisor, i.e. they do not have a confrontational approach.

However, it was found that support given by the franchisor may gradually lose some of its value if it is not consistently updated and renewed. If the same support which has been provided from the inception is continuously provided without any further benefits, then the franchise fees often become a source of dissatisfaction, and later even a potential source of conflict. As time goes by, franchisees may feel that they are no longer receiving adequate and relevant assistance and support from the franchisor to justify paying the higher fees. Therefore, the support and assistance measures provided by the franchisor must be consistently updated and renewed. If this does not happen, the fees, standardized concepts and strict rules set down by the franchisors may gradually escalate to conflict which makes the relationship difficult to manage.

From previous studies done by Schul and Babakus (1998), it appears that power sources affect conflict indirectly because of the franchisees' perception of the decision structure of the organization.

The findings of the study suggest that if franchisors want to reduce conflict within the relationship, they need to take a closer look at how franchisees perceive the structure of the distribution of power in the organization. Changes may need to be made in the decision-making structure so as to incorporate more direct franchisee involvement in franchise related decision - making.

Regarding participation, franchisors could follow the lead of conventional organizations in the development and implementation of a participative decision making programme, which would enhance cooperation and increase franchisees' commitment to system goals. Additionally, mechanisms, by which rules, policies and operational procedures are communicated to franchisees, should be evaluated. Formalization of policies should be conducted in a structured manner, where clear rules and procedures are available and used to carry out relevant activities.

### 5.2.5 Do franchisors offer quality packages to Franchisees to motivate them to remain in the franchise?

According to the results produced by the survey, a total of 92.5% of the respondents believe that franchising is an industry that has a good growth potential. 67.5% agree and 7.5% strongly agree that the franchisor provides tools for success. One of the reasons franchisees enter franchise systems is the value they perceive in the brand name (Dant & Peterson, 1990).

While there is agreement amongst 52.5% of the respondents that franchising appears to offer a high yield on investment at a relatively low risk, 67.5% of the respondents agree that the franchisor offers complete systems, services and technical expertise to its franchisees.

Grunhagen and Dorsh (2003) suggest that franchisees will assess the value they receive from the franchisor (for example, through franchisor services) in relation to the payments they make (through franchise fees). What is of importance here is not what initially motivates franchisees to join a franchise system, but what motivates them to remain.

Results show that not all respondents are happy or find the training provided by the franchisor as adequate. Only 37.5% agree that the training is adequate while 37.5% are uncertain. On joining the franchise, franchisees will be provided with training in all aspects of the business to enable them to operate their outlets.

How franchisees perceive the continued contribution of the franchise system in terms of human capital is something that is likely to change over time, as franchise systems should offer continuous training (Mendelsohn, 1999). Such investments are unlikely to be as substantial as in the initial phase. Thus, for franchisees to remain in the system there must be other benefits the franchisor can offer.

Franchisors are also likely to have developed relational capital with suppliers, from which franchisees can benefit. Those franchisors, who do not directly supply products themselves, often have a list of approved suppliers with whom a relationship has been established. In addition, the development of central purchasing agreements generates economies of scale from which franchisees benefit.

Continuous franchisor support and provision of services is crucial to the effectiveness of the system and, thus, franchisees need to ensure that the structural capital is capable of delivering the support services (such as marketing and research and development) for which they are paying.

A number of authors (for example, Knight, 1986; Morrison, 1997) have suggested that, as franchisees become more experienced, they tend to view their success as a result of their own efforts, rather than from franchisor-related benefits.

There is much evidence to suggest that, over time, the very systems and procedures which attracted franchisees in the first place may be seen to be onerous and restrictive (for example, Dant & Gundlach, 1998; Dant & Nasr, 1998; Stanworth, 1995).

### 5.2.6 Do franchisors exert undue power and control in the relationship?

A majority of the respondents did not agree with their franchisors' policies on important matters. They felt that their franchisors' policies were not aligned with their own business policies.

While the majority, agree that undue power and control is exerted, they believe this is done when penalties are levelled against their business when they do not comply with the franchisors' requests.

Stanworth et al. (1984) adopted a different perspective in dealing with this issue on power and control. They studied the nature of the franchise agreement to determine the level of formal independence and investigated the level of operational independence by analysing the control that franchisees enjoyed in the day-to-day operations of the business. The study suggested that franchisees enjoyed a low level of formal independence due to the restrictive nature of the franchise agreement, but enjoyed high levels of operational independence.

Franchisees are less satisfied with franchisors that use coercive sources of power and are more satisfied with franchisors that use non-coercive sources such as providing higher quality assistance in the areas of training, equipment, site location and national advertising. To the extent that these forms of assistance are of a high quality, the franchisees establish the franchisor as an expert in their eyes.

### 5.2.7 Are Loyalty and commitment vital to the success of the business?

While the majority (92.5%) of the respondents agree that they need access to the franchisors' trademark for the success of their business, 35% of the respondents agree that they do require the assistance of their franchisor to run their business smoothly and 15% of the respondents believe that without the assistance of the franchisor, their business will not run smoothly.

The study also reveals that 45% would have difficultly in generating franchise income from other sources. Notably 65% of the respondents are proud to be part of the franchise system.

Franchise partners realize that successful relationships are built on trust, communication and support and not on the threat of the contract. The centrality of trust in the franchise relationship is crucial to its ongoing success and ultimate control. From the results produced, it can be concluded that although franchisees can make money from other sources, they do prefer to stay loyal to their franchisor for they do respect the brand and benefit from the franchised operation.

### 5.3 Limitations

As with any study, the present study has its limitations, including the limitations of time and financial considerations.

A second limitation in this study is that the validity of the data collected is a consequence of the respondents' understanding of the questions and willingness to answer them honestly. Even though the questionnaire was pretested and the respondents were promised anonymity, invalid data may be collected in any mail survey because the questions were misunderstood.

A complete listing of all franchisees is not currently available, as some franchisors refuse to reveal the details of their franchisees. Therefore, broader generalization of the results would require a truly random sample of a defined population.

In this study, only the franchisees in the Petroleum Convenience industry were investigated. This restricts the applicability of the results to a single industry.

### 5.4 Recommendations

Control in the day to day operations is often guaranteed by means of persuasion rather than authority, (Bradach, 1997:288). Relationships are crucial and when they deteriorate, it can become extremely frustrating to get the company's goals across.

The researcher does agree with previous studies done by Justis, Olsen and Chan (2003) who stress that the one problem which must be addressed is the responsibility of the franchisor to properly select those franchisees whose goals complement their franchising system. By spending time choosing the right franchise partner, the franchisor can reduce the likelihood that it will be necessary to invoke the contract and use coercive power. The franchisor also needs to develop and maintain a healthy, communicative relationship with its franchisees. This would reduce the need to use coercive power but rather control the franchisee through support and assistance.

Training can be used to exercise non-coercive control over franchisees to allow franchisors the opportunity to make them learn what the franchisors want franchisees to learn. Both franchisors and franchisees should consider training as a long-term issue because investing in training is one of the means to increase productivity, customer satisfaction, and customer loyalty, thus leading to higher profits.

The findings suggest that if franchisors want to reduce conflict in the franchisor - franchisee relationship, they need to take a closer look at how their franchisees perceive the structure of the distribution of power in the organization. Changes can be made in the decision structure whereby more direct franchisee involvement can be incorporated in franchise-related decision-making.

Franchisors need to use more non-coercive power sources in lieu of using coercion to exercise control. This recommendation is consistent with the prevailing literature on power and its impact on behavioural phenomena, (Schul and Babakus, 1998:399).

Franchisors need to find ways to allow their franchisees more operational independence as studies have shown that franchisees do accept low levels of formal independence due to the restrictive nature of the franchise agreement but enjoy operational independence.

To pursue franchising successfully, top management might need to demonstrate the willingness to suffer some loss of control and give more ownership to their representatives.

Finally the Franchisors should view the relationship with their franchisees as important and strive to preserve the relationship.

Franchisors should behave in a stable fashion and refrain from abrupt and frequent changes in strategic direction which could frustrate the franchisee. There should also be clear expectations from each party as to what they expect from each other. Also the Franchisor needs to make sure that the franchisees concerns are heard and resolved to their mutual satisfaction.

### 5.5 Areas for future Study

Future research, using a more comprehensive measure of quality of the relationship, would be useful and might include the measurement of franchisors in the relationship between franchisor and franchisee. Research should focus on the franchisor's personality and attitudes towards the franchisee since it is the strategic partnership of both parties which ensures effective franchise operations.

It is also recommended that the impact of the external environment on franchisee strategy be investigated. A unique perspective of the franchisees is that the internal environment plays an important role in the franchisors' strategy.

## 5.5 Conclusion

The majority of franchisees were satisfied with their franchisors. The principal sources of dissatisfaction included a lack of franchisor support. However, those with higher levels of satisfaction reported good working relationships with the franchisor, and developed a positive attitude towards various controls imposed by the franchisor.

A cautious franchisor must surely pay attention to the above-mentioned issues in order to manage the conflict inherent in this complex relationship. For mutual benefit, the franchisor needs to promote a climate of trust and cooperation, including the constant renewal and updating of the support measures. Otherwise, the entrepreneurial drive and commitment shown by the franchisee might suffer as a result of the increasing frustration and dissatisfaction.

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# APPENDIX A

## Results of Statistics - Anova

ANOVA

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S1.1 | Between Groups | 5.098 | 3 | 1.699 | .000 |
| | Within Groups | 6.799 | 35 | .194 | |
| | Total | 11.897 | 38 | | |
| S1.2 | Between Groups | 3.051 | 3 | 1.017 | .142 |
| | Within Groups | 18.385 | 35 | .525 | |
| | Total | 21.436 | 38 | | |
| S1.3 | Between Groups | 11.604 | 3 | 3.868 | .003 |
| | Within Groups | 23.371 | 35 | .668 | |
| | Total | 34.974 | 38 | | |
| S1.4 | Between Groups | 4.192 | 4 | 1.048 | .208 |
| | Within Groups | 23.583 | 35 | .674 | |
| | Total | 27.775 | 39 | | |
| S1.5 | Between Groups | 5.998 | 3 | 1.999 | .033 |
| | Within Groups | 21.438 | 35 | .613 | |
| | Total | 27.436 | 38 | | |

### Table 4.7.2

ANOVA

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S2.1 | Between Groups | 2.523 | 4 | .631 | .538 |
| | Within Groups | 27.067 | 34 | .796 | |
| | Total | 29.590 | 38 | | |
| S2.2 | Between Groups | 16.821 | 4 | 4.205 | .001 |
| | Within Groups | 25.179 | 35 | .719 | |
| | Total | 42.000 | 39 | | |
| S2.3 | Between Groups | 7.386 | 4 | 1.846 | .014 |
| | Within Groups | 17.714 | 35 | .506 | |
| | Total | 25.100 | 39 | | |
| S2.4 | Between Groups | 1.301 | 4 | .325 | .864 |
| | Within Groups | 35.799 | 35 | 1.023 | |
| | Total | 37.100 | 39 | | |
| S2.5 | Between Groups | 7.296 | 3 | 2.432 | .002 |
| | Within Groups | 14.448 | 35 | .413 | |
| | Total | 21.744 | 38 | | |
| S2.6 | Between Groups | 3.807 | 3 | 1.269 | .137 |
| | Within Groups | 22.552 | 35 | .644 | |
| | Total | 26.359 | 38 | | |

## Table 4.7.3

ANOVA

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S3.1 | Between Groups | 6.580 | 4 | 1.645 | .131 |
| | Within Groups | 30.195 | 35 | .863 | |
| | Total | 36.775 | 39 | | |
| S3.2 | Between Groups | 4.723 | 4 | 1.181 | .122 |
| | Within Groups | 21.052 | 35 | .601 | |
| | Total | 25.775 | 39 | | |
| S3.3 | Between Groups | 5.576 | 4 | 1.394 | .323 |
| | Within Groups | 40.199 | 35 | 1.149 | |
| | Total | 45.775 | 39 | | |
| S3.4 | Between Groups | 10.529 | 4 | 2.632 | .125 |
| | Within Groups | 47.371 | 35 | 1.353 | |
| | Total | 57.900 | 39 | | |
| S3.5 | Between Groups | 8.929 | 4 | 2.232 | .023 |
| | Within Groups | 24.171 | 35 | .691 | |
| | Total | 33.100 | 39 | | |
| S3.6 | Between Groups | 7.093 | 3 | 2.364 | .017 |
| | Within Groups | 21.266 | 35 | .608 | |
| | Total | 28.359 | 38 | | |

ANOVA

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S3.7 | Between Groups | 5.942 | 4 | 1.485 | .258 |
| | Within Groups | 37.433 | 35 | 1.070 | |
| | Total | 43.375 | 39 | | |
| S3.8 | Between Groups | 6.104 | 4 | 1.526 | .063 |
| | Within Groups | 21.671 | 35 | .619 | |
| | Total | 27.775 | 39 | | |
| S3.9 | Between Groups | 1.285 | 4 | .321 | .877 |
| | Within Groups | 37.690 | 35 | 1.077 | |
| | Total | 38.975 | 39 | | |
| S3.10 | Between Groups | 4.838 | 4 | 1.209 | .167 |
| | Within Groups | 24.538 | 35 | .701 | |
| | Total | 29.375 | 39 | | |
| S3.11 | Between Groups | 2.835 | 4 | .709 | .260 |
| | Within Groups | 17.940 | 35 | .513 | |
| | Total | 20.775 | 39 | | |

## Table 4.7.5

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S4.1 | Between Groups | 2.842 | 4 | .710 | .422 |
| | Within Groups | 24.933 | 35 | .712 | |
| | Total | 27.775 | 39 | | |
| S4.2 | Between Groups | 2.000 | 4 | .500 | .664 |
| | Within Groups | 29.100 | 35 | .831 | |
| | Total | 31.100 | 39 | | |
| S4.3 | Between Groups | 2.376 | 4 | .594 | .463 |
| | Within Groups | 22.599 | 35 | .646 | |
| | Total | 24.975 | 39 | | |
| S4.4 | Between Groups | 7.648 | 4 | 1.912 | .061 |
| | Within Groups | 26.095 | 34 | .768 | |
| | Total | 33.744 | 38 | | |
| S4.5 | Between Groups | 10.702 | 4 | 2.676 | .002 |
| | Within Groups | 17.698 | 35 | .506 | |
| | Total | 28.400 | 39 | | |

## Table 4.7.6

**ANOVA**

| | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| S5.1 | Between Groups | 2.175 | 3 | .725 | 1.350 | .274 |
| | Within Groups | 18.799 | 35 | .537 | | |
| | Total | 20.974 | 38 | | | |
| S5.2 | Between Groups | 13.976 | 4 | 3.494 | 7.740 | .000 |
| | Within Groups | 15.799 | 35 | .451 | | |
| | Total | 29.775 | 39 | | | |
| S5.3 | Between Groups | 18.972 | 4 | 4.743 | 2.932 | .034 |
| | Within Groups | 56.628 | 35 | 1.618 | | |
| | Total | 75.600 | 39 | | | |
| S5.4 | Between Groups | 4.910 | 4 | 1.228 | 1.094 | .375 |
| | Within Groups | 38.167 | 34 | 1.123 | | |
| | Total | 43.077 | 38 | | | |

## D3: Education qualifications

## Table 4.7.7

ANOVA

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S1.1 | Between Groups | 1.932 | 3 | .644 | .098 |
| | Within Groups | 9.966 | 35 | .285 | |
| | Total | 11.897 | 38 | | |
| S1.2 | Between Groups | 2.138 | 3 | .713 | .292 |
| | Within Groups | 19.298 | 35 | .551 | |
| | Total | 21.436 | 38 | | |
| S1.3 | Between Groups | 2.707 | 3 | .902 | .414 |
| | Within Groups | 32.268 | 35 | .922 | |
| | Total | 34.974 | 38 | | |
| S1.4 | Between Groups | 1.082 | 4 | .270 | .839 |
| | Within Groups | 26.693 | 35 | .763 | |
| | Total | 27.775 | 39 | | |
| S1.5 | Between Groups | 1.652 | 3 | .551 | .531 |
| | Within Groups | 25.784 | 35 | .737 | |
| | Total | 27.436 | 38 | | |

## Table 4.7.8

ANOVA

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S2.1 | Between Groups | 7.714 | 4 | 1.928 | .032 |
| | Within Groups | 21.876 | 34 | .643 | |
| | Total | 29.590 | 38 | | |
| S2.2 | Between Groups | 8.600 | 4 | 2.150 | .083 |
| | Within Groups | 33.400 | 35 | .954 | |
| | Total | 42.000 | 39 | | |
| S2.3 | Between Groups | 3.181 | 4 | .795 | .300 |
| | Within Groups | 21.919 | 35 | .626 | |
| | Total | 25.100 | 39 | | |
| S2.4 | Between Groups | 10.730 | 4 | 2.683 | .015 |
| | Within Groups | 26.370 | 35 | .753 | |
| | Total | 37.100 | 39 | | |
| S2.5 | Between Groups | 5.434 | 3 | 1.811 | .017 |
| | Within Groups | 16.309 | 35 | .466 | |
| | Total | 21.744 | 38 | | |
| S2.6 | Between Groups | 1.268 | 3 | .423 | .626 |
| | Within Groups | 25.091 | 35 | .717 | |
| | Total | 26.359 | 38 | | |

## Table 4.7.9

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S3.1 | Between Groups | 1.038 | 4 | .259 | .905 |
| | Within Groups | 35.737 | 35 | 1.021 | |
| | Total | 36.775 | 39 | | |
| S3.2 | Between Groups | .780 | 4 | .195 | .893 |
| | Within Groups | 24.995 | 35 | .714 | |
| | Total | 25.775 | 39 | | |
| S3.3 | Between Groups | 5.738 | 4 | 1.435 | .306 |
| | Within Groups | 40.037 | 35 | 1.144 | |
| | Total | 45.775 | 39 | | |
| S3.4 | Between Groups | 14.752 | 4 | 3.688 | .032 |
| | Within Groups | 43.148 | 35 | 1.233 | |
| | Total | 57.900 | 39 | | |
| S3.5 | Between Groups | 1.225 | 4 | .306 | .852 |
| | Within Groups | 31.875 | 35 | .911 | |
| | Total | 33.100 | 39 | | |
| S3.6 | Between Groups | 5.989 | 3 | 1.996 | .038 |
| | Within Groups | 22.370 | 35 | .639 | |
| | Total | 28.359 | 38 | | |

## Table 4.7.10

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S3.7 | Between Groups | 4.864 | 4 | 1.216 | .370 |
| | Within Groups | 38.511 | 35 | 1.100 | |
| | Total | 43.375 | 39 | | |
| S3.8 | Between Groups | 2.708 | 4 | .677 | .449 |
| | Within Groups | 25.067 | 35 | .716 | |
| | Total | 27.775 | 39 | | |
| S3.9 | Between Groups | 3.332 | 4 | .833 | .522 |
| | Within Groups | 35.643 | 35 | 1.018 | |
| | Total | 38.975 | 39 | | |
| S3.10 | Between Groups | 4.001 | 4 | 1.000 | .261 |
| | Within Groups | 25.374 | 35 | .725 | |
| | Total | 29.375 | 39 | | |
| S3.11 | Between Groups | .708 | 4 | .177 | .870 |
| | Within Groups | 20.067 | 35 | .573 | |
| | Total | 20.775 | 39 | | |

## Table 4.7.11

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S4.1 | Between Groups | 1.129 | 4 | .282 | .828 |
| | Within Groups | 26.646 | 35 | .761 | |
| | Total | 27.775 | 39 | | |
| S4.2 | Between Groups | 1.782 | 4 | .445 | .713 |
| | Within Groups | 29.318 | 35 | .838 | |
| | Total | 31.100 | 39 | | |
| S4.3 | Between Groups | 3.696 | 4 | .924 | .218 |
| | Within Groups | 21.279 | 35 | .608 | |
| | Total | 24.975 | 39 | | |
| S4.4 | Between Groups | 12.187 | 4 | 3.047 | .004 |
| | Within Groups | 21.557 | 34 | .634 | |
| | Total | 33.744 | 38 | | |
| S4.5 | Between Groups | 9.991 | 4 | 2.498 | .004 |
| | Within Groups | 18.409 | 35 | .526 | |
| | Total | 28.400 | 39 | | |

## Table 4.7.12

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S5.1 | Between Group | 3.907 | 3 | 1.302 | .062 |
| | Within Groups | 17.067 | 35 | .488 | |
| | Total | 20.974 | 38 | | |
| S5.2 | Between Group | 11.496 | 4 | 2.874 | .002 |
| | Within Groups | 18.279 | 35 | .522 | |
| | Total | 29.775 | 39 | | |
| S5.3 | Between Group | 15.634 | 4 | 3.909 | .080 |
| | Within Groups | 59.966 | 35 | 1.713 | |
| | Total | 75.600 | 39 | | |
| S5.4 | Between Group | 7.712 | 4 | 1.928 | .141 |
| | Within Groups | 35.365 | 34 | 1.040 | |
| | Total | 43.077 | 38 | | |

## D4: Number of years in Franchise

## Table 4.7.13

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S1.1 | Between Groups | 2.489 | 4 | .622 | .084 |
| | Within Groups | 9.409 | 34 | .277 | |
| | Total | 11.897 | 38 | | |
| S1.2 | Between Groups | 10.027 | 4 | 2.507 | .000 |
| | Within Groups | 11.409 | 34 | .336 | |
| | Total | 21.436 | 38 | | |
| S1.3 | Between Groups | 2.957 | 4 | .739 | .543 |
| | Within Groups | 32.017 | 34 | .942 | |
| | Total | 34.974 | 38 | | |
| S1.4 | Between Groups | 5.118 | 4 | 1.280 | .120 |
| | Within Groups | 22.657 | 35 | .647 | |
| | Total | 27.775 | 39 | | |
| S1.5 | Between Groups | 7.436 | 4 | 1.859 | .026 |
| | Within Groups | 20.000 | 34 | .588 | |
| | Total | 27.436 | 38 | | |

## Table 4.7.14

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S2.1 | Between Groups | 12.635 | 4 | 3.159 | .001 |
| | Within Groups | 16.955 | 34 | .499 | |
| | Total | 29.590 | 38 | | |
| S2.2 | Between Groups | 12.830 | 4 | 3.208 | .011 |
| | Within Groups | 29.170 | 35 | .833 | |
| | Total | 42.000 | 39 | | |
| S2.3 | Between Groups | 8.316 | 4 | 2.079 | .006 |
| | Within Groups | 16.784 | 35 | .480 | |
| | Total | 25.100 | 39 | | |
| S2.4 | Between Groups | 17.948 | 4 | 4.487 | .000 |
| | Within Groups | 19.152 | 35 | .547 | |
| | Total | 37.100 | 39 | | |
| S2.5 | Between Groups | 3.851 | 4 | .963 | .146 |
| | Within Groups | 17.892 | 34 | .526 | |
| | Total | 21.744 | 38 | | |
| S2.6 | Between Groups | .233 | 4 | .058 | .989 |
| | Within Groups | 26.126 | 34 | .768 | |
| | Total | 26.359 | 38 | | |

## Table 4.7.15

ANOVA

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S3.1 | Between Groups | 6.671 | 4 | 1.668 | .126 |
| | Within Groups | 30.104 | 35 | .860 | |
| | Total | 36.775 | 39 | | |
| S3.2 | Between Groups | 1.922 | 4 | .480 | .594 |
| | Within Groups | 23.853 | 35 | .682 | |
| | Total | 25.775 | 39 | | |
| S3.3 | Between Groups | 13.858 | 4 | 3.464 | .011 |
| | Within Groups | 31.917 | 35 | .912 | |
| | Total | 45.775 | 39 | | |
| S3.4 | Between Groups | 6.655 | 4 | 1.664 | .355 |
| | Within Groups | 51.245 | 35 | 1.464 | |
| | Total | 57.900 | 39 | | |
| S3.5 | Between Groups | 8.047 | 4 | 2.012 | .040 |
| | Within Groups | 25.053 | 35 | .716 | |
| | Total | 33.100 | 39 | | |
| S3.6 | Between Groups | 14.284 | 4 | 3.571 | .000 |
| | Within Groups | 14.075 | 34 | .414 | |
| | Total | 28.359 | 38 | | |

## Table 4.7.16

ANOVA

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S3.7 | Between Groups | 7.205 | 4 | 1.801 | .163 |
| | Within Groups | 36.170 | 35 | 1.033 | |
| | Total | 43.375 | 39 | | |
| S3.8 | Between Groups | 5.530 | 4 | 1.383 | .092 |
| | Within Groups | 22.245 | 35 | .636 | |
| | Total | 27.775 | 39 | | |
| S3.9 | Between Groups | 1.566 | 4 | .392 | .831 |
| | Within Groups | 37.409 | 35 | 1.069 | |
| | Total | 38.975 | 39 | | |
| S3.10 | Between Groups | 11.371 | 4 | 2.843 | .001 |
| | Within Groups | 18.004 | 35 | .514 | |
| | Total | 29.375 | 39 | | |
| S3.11 | Between Groups | 3.975 | 4 | .994 | .106 |
| | Within Groups | 16.800 | 35 | .480 | |
| | Total | 20.775 | 39 | | |

## Table 4.7.17

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S4.1 | Between Groups | .366 | 4 | .092 | .976 |
| | Within Groups | 27.409 | 35 | .783 | |
| | Total | 27.775 | 39 | | |
| S4.2 | Between Groups | 1.616 | 4 | .404 | .750 |
| | Within Groups | 29.484 | 35 | .842 | |
| | Total | 31.100 | 39 | | |
| S4.3 | Between Groups | .643 | 4 | .161 | .919 |
| | Within Groups | 24.332 | 35 | .695 | |
| | Total | 24.975 | 39 | | |
| S4.4 | Between Groups | 6.837 | 4 | 1.709 | .095 |
| | Within Groups | 26.907 | 34 | .791 | |
| | Total | 33.744 | 38 | | |
| S4.5 | Between Groups | 10.665 | 4 | 2.666 | .002 |
| | Within Groups | 17.735 | 35 | .507 | |
| | Total | 28.400 | 39 | | |

## Table 4.7.18

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S5.1 | Between Groups | 2.366 | 4 | .591 | .381 |
| | Within Groups | 18.609 | 34 | .547 | |
| | Total | 20.974 | 38 | | |
| S5.2 | Between Groups | 7.271 | 4 | 1.818 | .039 |
| | Within Groups | 22.504 | 35 | .643 | |
| | Total | 29.775 | 39 | | |
| S5.3 | Between Groups | 19.090 | 4 | 4.773 | .033 |
| | Within Groups | 56.510 | 35 | 1.615 | |
| | Total | 75.600 | 39 | | |
| S5.4 | Between Groups | 12.922 | 4 | 3.231 | .014 |
| | Within Groups | 30.155 | 34 | .887 | |
| | Total | 43.077 | 38 | | |

## D5: Previous Experience

## Table 4.7.19

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S1.1 | Between Groups | 1.557 | 3 | .519 | .174 |
| | Within Groups | 10.341 | 35 | .295 | |
| | Total | 11.897 | 38 | | |
| S1.2 | Between Groups | 3.428 | 3 | 1.143 | .103 |
| | Within Groups | 18.008 | 35 | .515 | |
| | Total | 21.436 | 38 | | |
| S1.3 | Between Groups | 6.558 | 3 | 2.186 | .061 |
| | Within Groups | 28.417 | 35 | .812 | |
| | Total | 34.974 | 38 | | |
| S1.4 | Between Groups | 3.166 | 3 | 1.055 | .220 |
| | Within Groups | 24.609 | 36 | .684 | |
| | Total | 27.775 | 39 | | |
| S1.5 | Between Groups | 1.163 | 3 | .388 | .674 |
| | Within Groups | 26.273 | 35 | .751 | |
| | Total | 27.436 | 38 | | |

## Table 4.7.20

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S2.1 | Between Groups | .072 | 3 | .024 | .993 |
| | Within Groups | 29.518 | 35 | .843 | |
| | Total | 29.590 | 38 | | |
| S2.2 | Between Groups | 9.757 | 3 | 3.252 | .022 |
| | Within Groups | 32.243 | 36 | .896 | |
| | Total | 42.000 | 39 | | |
| S2.3 | Between Groups | 4.075 | 3 | 1.358 | .091 |
| | Within Groups | 21.025 | 36 | .584 | |
| | Total | 25.100 | 39 | | |
| S2.4 | Between Groups | .480 | 3 | .160 | .924 |
| | Within Groups | 36.620 | 36 | 1.017 | |
| | Total | 37.100 | 39 | | |
| S2.5 | Between Groups | .622 | 3 | .207 | .794 |
| | Within Groups | 21.121 | 35 | .603 | |
| | Total | 21.744 | 38 | | |
| S2.6 | Between Groups | .670 | 3 | .223 | .822 |
| | Within Groups | 25.689 | 35 | .734 | |
| | Total | 26.359 | 38 | | |

## Table 4.7.21

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S3.1 | Between Groups | 2.558 | 3 | .853 | .452 |
| | Within Groups | 34.217 | 36 | .950 | |
| | Total | 36.775 | 39 | | |
| S3.2 | Between Groups | 4.036 | 3 | 1.345 | .102 |
| | Within Groups | 21.739 | 36 | .604 | |
| | Total | 25.775 | 39 | | |
| S3.3 | Between Groups | 3.880 | 3 | 1.293 | .357 |
| | Within Groups | 41.895 | 36 | 1.164 | |
| | Total | 45.775 | 39 | | |
| S3.4 | Between Groups | 3.744 | 3 | 1.248 | .486 |
| | Within Groups | 54.156 | 36 | 1.504 | |
| | Total | 57.900 | 39 | | |
| S3.5 | Between Groups | .241 | 3 | .080 | .966 |
| | Within Groups | 32.859 | 36 | .913 | |
| | Total | 33.100 | 39 | | |
| S3.6 | Between Groups | 8.874 | 3 | 2.958 | .004 |
| | Within Groups | 19.485 | 35 | .557 | |
| | Total | 28.359 | 38 | | |

## Table 4.7.22

**ANOVA**

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S3.7 | Between Groups | .230 | 3 | .077 | .979 |
| | Within Groups | 43.145 | 36 | 1.198 | |
| | Total | 43.375 | 39 | | |
| S3.8 | Between Groups | .808 | 3 | .269 | .783 |
| | Within Groups | 26.967 | 36 | .749 | |
| | Total | 27.775 | 39 | | |
| S3.9 | Between Groups | 4.439 | 3 | 1.480 | .220 |
| | Within Groups | 34.536 | 36 | .959 | |
| | Total | 38.975 | 39 | | |
| S3.10 | Between Groups | 1.241 | 3 | .414 | .665 |
| | Within Groups | 28.134 | 36 | .782 | |
| | Total | 29.375 | 39 | | |
| S3.11 | Between Groups | .721 | 3 | .240 | .732 |
| | Within Groups | 20.054 | 36 | .557 | |
| | Total | 20.775 | 39 | | |

**Table 4.7.23**

ANOVA

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S4.1 | Between Groups | .804 | 3 | .268 | .784 |
| | Within Groups | 26.971 | 36 | .749 | |
| | Total | 27.775 | 39 | | |
| S4.2 | Between Groups | 1.477 | 3 | .492 | .620 |
| | Within Groups | 29.623 | 36 | .823 | |
| | Total | 31.100 | 39 | | |
| S4.3 | Between Groups | 2.004 | 3 | .668 | .384 |
| | Within Groups | 22.971 | 36 | .638 | |
| | Total | 24.975 | 39 | | |
| S4.4 | Between Groups | 1.554 | 3 | .518 | .643 |
| | Within Groups | 32.189 | 35 | .920 | |
| | Total | 33.744 | 38 | | |
| S4.5 | Between Groups | 1.744 | 3 | .581 | .510 |
| | Within Groups | 26.656 | 36 | .740 | |
| | Total | 28.400 | 39 | | |

**Table 4.7.24**

ANOVA

| | | Sum of Squares | df | Mean Square | Sig. |
|---|---|---|---|---|---|
| S5.1 | Between Grou | 2.285 | 3 | .762 | .252 |
| | Within Groups | 18.689 | 35 | .534 | |
| | Total | 20.974 | 38 | | |
| S5.2 | Between Grou | 2.025 | 3 | .675 | .463 |
| | Within Groups | 27.750 | 36 | .771 | |
| | Total | 29.775 | 39 | | |
| S5.3 | Between Grou | 24.861 | 3 | 8.287 | .002 |
| | Within Groups | 50.739 | 36 | 1.409 | |
| | Total | 75.600 | 39 | | |
| S5.4 | Between Grou | .713 | 3 | .238 | .898 |
| | Within Groups | 42.364 | 35 | 1.210 | |
| | Total | 43.077 | 38 | | |

## Informed Consent Document

UNIVERSITY OF
KWAZULU-NATAL

Dear participant

The purpose of this study is to improve the understanding of relationship between franchisee and franchisor by seeking information from franchisees of Convenience Stores within the petroleum industry.

**What we will ask you to do**: If you agree to be in this study, we will conduct a survey with you. Your co-operation and participation are critically important for the results of this study. There are no right or wrong answers in this survey. We just want to know your personal opinion. The survey should take you between 10 – 15 minutes to complete. You are not required to disclose your identity when completing the measurement instruments but, please, complete the demographic details in order to facilitate the execution of the statistical analysis.

**Taking part is voluntary**: Taking part in this study is completely voluntary. You may skip any questions that you do not want to answer. If you decide to take part, you are free to withdraw at any time.

**Confidentiality**: All of your answers will be kept strictly confidential and will be used only to produce statistics related to the subject. The records of this study will be kept private. In any sort of report we make public we will not include any information that will make it possible to identify you. Research records will be kept in a locked file; only the researchers will have access to the records.

**If you have questions**: The researcher conducting this study is Devrani Govender. If you have questions later, you may contact Devrani Govender at 0834017234. You will be given a copy of this form to keep for your records. The Supervisor overlooking this research is Prof. K. Poovalingum. She can be contacted on 031 2607254.

**Statement of Consent:**

I *(RESPONDENT)* have read the above information, hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project. I understand that I am at liberty to withdraw from the project at any time, should I so desire.

**Your Signature**: *(the respondent)* **Date**: ________________________

## Questionnaire

UNIVERSITY OF
KWAZULU-NATAL

*It will be greatly appreciated if you took the time to complete the questionnaire. Strict confidentiality will be adhered to. Please read the directions carefully at the beginning of each part and answer all the questions as accurately as possibly. We greatly appreciate your prompt response!*

# QUESTIONNAIRE

## DEMOGRAPHIC DETAILS

**1. What age group do you fall under?**

○ Under 21 ○ 21-30 yrs ○ 31-40 yrs ○ 41-50 yrs ○ 51-60 yrs ○ Over 60 yrs

**2. What is your gender?**

○ Male ○ Female

**3. What are your educational qualifications?**

○ Less than Matric ○ Matric ○ Post Matric Diploma ○ Degree ○ Post Grad Degree ○ Other

**4. How many months/years has your franchise been in operation?**

○ 0-12 mths ○ 1-2 yrs ○ 2-5 yrs ○ 5-10 yrs ○ 10-20 yrs ○ Over 20 yrs

**5. Were you previously employed before deciding to run a franchise outlet?**

○ Yes ○ No ○ In a franchised business ○ Other

## SECTION 1: MOTIVATION FOR CHOOSING A FRANCHISE SYSTEM

***The statements below describe various reasons why franchisees choose the franchise system. Using the scale below, please indicate how much you agree or disagree with the following statements by selecting the number that most closely describes your opinion.***

**1. Strongly disagree 2. Disagree 3. Neither disagree or agree 4. Agree 5. Strongly agree**

1. Franchising is an industry that I believe has a good growth potential ○1 ○2 ○3 ○4 ○5

2. The franchisor provides tools for success ○1 ○2 ○3 ○4 ○5

3. Franchising appears to offer a high yield on my investment at a relatively low risk ○1 ○2 ○3 ○4 ○5

4. I have the experience required for operating a franchise operations ○1 ○2 ○3 ○4 ○5

5. The franchisor offers complete systems, services, and technical expertise to its franchisees. ○1 ○2 ○3 ○4 ○5

## SECTION 2: FRANCHISOR SUPPORT

***The statements in this section relate to franchisee support by the franchisor. Using the scale provided, please indicate the response to items 1 – 10 that best represents your opinion.***

**1. Strongly disagree 2. Disagree 3. Neither disagree or agree 4. Agree 5. Strongly agree**

| | |
|---|---|
| 1. The training provided by the franchisee is adequate | ○1 ○2 ○3 ○4 ○5 |
| 2. The amount of franchise fees/royalties was not high | ○1 ○2 ○3 ○4 ○5 |
| 3. The promotional and advertising assistance is very good | ○1 ○2 ○3 ○4 ○5 |
| 4. The franchisor provides assistance for its franchisee to ensure high standards are maintained. | ○1 ○2 ○3 ○4 ○5 |
| 5. There are few franchisor restrictions | ○1 ○2 ○3 ○4 ○5 |
| 6. My franchisor provides products superior to those available from other sources | ○1 ○2 ○3 ○4 ○5 |
| 7. The operations manual deals with all aspects of the franchise business adequately | ○1 ○2 ○3 ○4 ○5 |
| 8. I can follow the recommendations of my franchisor without any hesitation | ○1 ○2 ○3 ○4 ○5 |
| 9. Should my business not perform for whatever reason, the franchisor takes steps to find out why the business is performing poorly. | ○1 ○2 ○3 ○4 ○5 |
| 10. I am willing to put in a great deal of effort beyond that normally expected in order to help the organization be successful. | ○1 ○2 ○3 ○4 ○5 |

## SECTION 3: RELATIONSHIP

***The statements in this section relate to franchisee relationship with the franchisor. Using the scale provided, please indicate the response to items 1 – 22 that best represents your opinion.***

**1. Strongly disagree 2. Disagree 3. Neither disagree or agree 4. Agree 5. Strongly agree**

**Relationship: Conflict Resolution**

| | |
|---|---|
| 1. My franchisor understands my problems and concerns | ○1 ○2 ○3 ○4 ○5 |
| 2. My franchisor compromises to accommodate conflicts | ○1 ○2 ○3 ○4 ○5 |
| 3. Disputes are not typical for the relationship between me and my franchisor because I have a very good working relationship with my franchisor | ○1 ○2 ○3 ○4 ○5 |
| 4. My franchisor is satisfied with how I operate my business | ○1 ○2 ○3 ○4 ○5 |
| | ○1 ○2 ○3 ○4 ○5 |

| | |
|---|---|
| 5. My franchisor considers my opinion before making decisions that affect my business | ○1 ○2 ○3 ○4 ○5 |
| 6. My franchisor often ignores my suggestions and complaints | ○1 ○2 ○3 ○4 ○5 |

**Relationship: Co-operation**

| | |
|---|---|
| 7. My franchisor asks for my participation in his/her long term planning process | ○1 ○2 ○3 ○4 ○5 |
| 8. There are many systems in place to keep in touch with the franchisor and I receive my information on time | ○1 ○2 ○3 ○4 ○5 |
| 9. My relationship with the franchisor could be better described as a 'arms length negotiation' than a cooperative effort | ○1 ○2 ○3 ○4 ○5 |
| 10. My relationship with the franchisor involves co-operation about many issues beyond buying and selling | ○1 ○2 ○3 ○4 ○5 |

**Relationship: Trust**

| | |
|---|---|
| 11. My franchisor's trust in me is high | ○1 ○2 ○3 ○4 ○5 |
| 12. Lack of trust between franchisor and franchisee may arise out of incompatibility between the franchisee and the individual within the franchisors organization with whom the franchisee has to deal with. | ○1 ○2 ○3 ○4 ○5 |
| 13. My franchisor does not monitor my performance as regularly as our contract allows him/her because he/she trusts me. | ○1 ○2 ○3 ○4 ○5 |
| 14. The franchisor monitors my performance on a regular basis to ensure compliance with set standards. | ○1 ○2 ○3 ○4 ○5 |

**Relationship: Autonomy**

| | |
|---|---|
| 15. The Franchisors operating procedures manual do limit my autonomy | ○1 ○2 ○3 ○4 ○5 |
| 16. I am free to implement my own ideas | ○1 ○2 ○3 ○4 ○5 |
| 17. As franchisees I feel more like an entrepreneur rather than like its employees | ○1 ○2 ○3 ○4 ○5 |
| 18. Franchisees very quickly develop a feeling of and desire for independence | ○1 ○2 ○3 ○4 ○5 |

**Relationship: Power and Control**

| | |
|---|---|
| 19. Often, I find it difficult to agree with my franchisor's policies on important matters relating to its franchisees | ○1 ○2 ○3 ○4 ○5 |
| 20. My franchisor makes it quite clear that failing to comply with their requests will result in penalties against our business | ○1 ○2 ○3 ○4 ○5 |
| 21. My franchisor communicates their ability to make "things difficult" for our business if specific demands are not me | ○1 ○2 ○3 ○4 ○5 |
| 22. My franchisee states that specific services will be discontinued for not complying with standards | ○1 ○2 ○3 ○4 ○5 |

**SECTION 4: SUCCESS OF MY BUSINESS**

***The statements in this section relate to the success of your business. Using the scale provided, please***

***indicate the response to items 1 – 9 that best represents your opinion.***

**1. Strongly disagree 2. Disagree 3. Neither disagree or agree 4. Agree 5. Strongly agree**

| | |
|---|---|
| 1. I have been very successful in exceeding my year-to-date sales quota so far | ○1 ○2 ○3 ○4 ○5 |
| 2. I think that my sales performance so far this year ranks in the top half of the franchisees in my category of convenience business | ○1 ○2 ○3 ○4 ○5 |
| 3. My perception is that my sales performance this year-to-date is below average relative to other franchisees in my company | ○1 ○2 ○3 ○4 ○5 |
| 4. I am behind in reaching my sales quota thus far this year | ○1 ○2 ○3 ○4 ○5 |
| 5. The amount of income I actually received from working as a franchisee is at least what I expected it to be | ○1 ○2 ○3 ○4 ○5 |
| 6. My franchisor would rate the quality of my performance as very good | ○1 ○2 ○3 ○4 ○5 |
| 7. My franchisor's operational commitment compares favourably to my competitors | ○1 ○2 ○3 ○4 ○5 |
| 8. I am satisfied with the effectiveness of my franchisor's brand name | ○1 ○2 ○3 ○4 ○5 |
| 9. I really care about the fate of my franchisor | ○1 ○2 ○3 ○4 ○5 |

## SECTION 4: LOYALTY/COMMITMENT TO FRANCHISOR

***The statements in this section relate to how loyal the franchisee is to franchisor. Using the scale provided, please indicate the response to items 1 – 8 that best represents your opinion.***

**1. Strongly disagree 2. Disagree 3. Neither disagree or agree 4. Agree 5. Strongly agree**

| | |
|---|---|
| 1. My franchisor does not exploit my dependency | ○1 ○2 ○3 ○4 ○5 |
| 2. I am proud to tell others that I am part of this franchise system | ○1 ○2 ○3 ○4 ○5 |
| 3. There is not too much to be gained by sticking with my franchisor indefinitely | ○1 ○2 ○3 ○4 ○5 |
| 4. My having access to the franchisors trademark is crucial to the success of the business | ○1 ○2 ○3 ○4 ○5 |
| 5. Without the business assistance of my franchisor, we will not be able to run our business smoothly. | ○1 ○2 ○3 ○4 ○5 |
| 6. We could easily replace my franchisor with another | ○1 ○2 ○3 ○4 ○5 |
| 7. It would be difficult to generate my franchise income from other sources | ○1 ○2 ○3 ○4 ○5 |
| 8. I feel very little loyalty to my franchisor | ○1 ○2 ○3 ○4 ○5 |

*'hank you for your time and effort in filling out this questionnaire. If you would like to make any comments or suggestions, please indicate them below.*

## Ethics Clearance Certificate

UNIVERSITY OF
KWAZULU-NATAL

RESEARCH OFFICE (GOVAN MBEKI CENTRE)
WESTVILLE CAMPUS
TELEPHONE NO.: 031 – 2603587
EMAIL: ximbap@ukzn.ac.za

18 SEPTEMBER 2006

**MRS. T GOVENDER (205507927)**
**MANAGEMENT STUDIES**

Dear Mrs. Govender

**ETHICAL CLEARANCE: "THE FACTORS THAT EFFECT THE RELATIONSHIP BETWEEN THE FRANCHISOR AND FRANCHISEE IN THE CONVENIENCE STORES WITHIN THE PETROLEUM INDUSTRY"**

I wish to confirm that ethical clearance has been granted for the above project, subject to Supervisor's contact details being include on the informed consent document:

**This approval is granted provisionally and the final clearance for this project will be given once the above condition has been met. Your Provisional Ethical Clearance Number is HSS/06581**

Kindly forward your response to the undersigned as soon as possible

Yours faithfully

PXimba
..........................................
MS. PHUMELELE XIMBA
RESEARCH OFFICE

cc. Faculty Officer (Post-Graduate Studies)
cc. Supervisor (Prof. K Poovalingam)