



Entrepreneurship and Franchisee Performance

A Thesis Submitted for the Degree of Doctor of Philosophy

By

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Declaration Statement



Declaration

I hereby declare that the thesis is based on my original work, except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at Brunel University or other institutions.

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Abstract

This thesis aims to investigate the performance of different types of franchisees, in terms of perceived market share and profitability, are affected by constraints defined by the theories of franchise selection and contractual terms. The two different types of franchisees researched include novice and parallel. This begins by examining how the constraints defined by the Resource Base, Social Exchange and Equity theories of franchise selection are applicable to entrepreneurs who want to become franchisees, and by examining the differences in the attitude of franchisees toward contractual terms.

The main contribution is that the research broadens and extends other franchising and entrepreneurship studies by exploring external and internal factors to examine perceived franchisee performance. Therefore, this study relates the criteria used by franchisees in the selection of potential franchisors and contract clauses, to their performance in the Kingdom of Saudi Arabia, and the Sultanate of Oman in the food and beverage sector. Moreover, existing research has primarily focused on the perspective of franchisors and has not adequately explored the franchisee's perspective on determining success. Therefore, this study contributes to franchising literature by broadening the scope of existing theories.

The study has adopted a multi-methodology strategy, employing a combination of quantitative and qualitative approaches. Qualitative data was collected through 11 face-to-face interviews, 5 franchisees in Oman, and 6 in Saudi Arabia; using semi-structured questionnaires. Quantitative data was collected via a survey. A self-administrated questionnaire was designed, translated, piloted and distributed in

Riyadh, Saudi Arabia. Data analysis was conducted on a sample of 123 responses. Factor analysis was implemented to test the scale, followed by the Mann-Whitney U test, regression, and moderation analysis.

The qualitative findings show that constraints defined by the resource-based theory are applicable to novice franchisees. However, franchisor training and support were found to be exceptional resources, applicable to both novice and parallel franchisees. Constraints defined by the social exchange theory are applicable to both novice and parallel franchisees; whereas constraints defined by the equity theory are applicable only to parallel franchisees.

The quantitative findings indicate that both types of franchisee have different attitudes toward training clauses; support clauses; contract duration clauses; territorial exclusivity clauses; tying arrangement clauses and franchise fees clauses. However, both types of franchisees have similar attitudes toward termination clauses.

Moreover, the results show that franchisor brand reputation, technical know-how and high franchise fee factors will increase the franchisee perceived market share.

Additionally, franchisor brand reputation and higher franchise fees, will increase franchisee perceived profitability. Furthermore, parallel franchisees believe that a franchisor's local market knowledge will decrease their performance in terms of perceived profitability. Alternatively, novice franchisees believe long contract duration will help them increase their perceived profitability. In addition, imposing higher franchise fees on novice franchisees will increase their perceived profitability more than that of parallel franchisees.

Finally, the results show that contract clauses such as: extensiveness of support; long contract duration, and stricter termination clauses, will affect franchisee perceived market share positively. Finally, contract clauses such as extensiveness of support and short contract duration clauses, will affect franchisee perceived profitability positively; whereas extensiveness of training clauses will affect franchisee perceived profitability negatively.

Dedication

The success of this research is due largely to my late loving grandmother, Al Sharifa Maryam bint Abdul Munim Al-Zawawi, who passed away during my PhD work. She was a warm and caring matriarch of our family. My grandmother was indeed a fount of knowledge and instilled many valuable teachings in me. She was a remarkable woman and an inspiration to all who knew her. I am sure she is looking down on me with proud radiance from Jannah (paradise). May Allah rest her soul in peace, Inshallah.

Special Thanks

A heartfelt thank you to my precious brothers, sisters, cousins and friends for their encouragement and love throughout this process.

Acknowledgements

In the name of Allah, the most gracious and the most merciful,

I would like to begin by thanking Allah (S.W.T) for His guidance and unwavering spiritual presence as I undertook my research. To Him alone, I give thanks and gratitude for successfully seeing me through a challenging yet rewarding academic journey.

There are a select number of people whom I would like to especially acknowledge namely, my first supervisor Dr. Dorothy Yen for her endless support, encouragement and mentorship - without her I would not have been able to overcome the initial hurdles and accomplish what I have.

In addition, I would like to extend gratitude toward my second supervisor, Prof. Suma Athreye for her encouragement.

For his belief in me and his sponsorship, my thanks go to H.E Dr. Omar Abdul Munim Al-Zawawi.

To my parents, I extend unconditional love and appreciation. In particular, to my mother Al Sheikha Zain Al- Amodi, for her unwavering love and faith in me, as without her constant prayers, I would never have achieved all this.

I would like to extend a sincere special thank you to my grandfather, Mr. Brian William Ritchie. I am eternally thankful for his love, support and encouragement.

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CHAPTER ONE – INTRODUCTION

1.0 Research Background

Franchising is often regarded as an exciting and fairy tale means of making money. In many respects, it is considered to be one of the safest ways of investing. For example, in 2009, the United Kingdom experienced a severe recession, however this had little impact on franchising investment in the region (Thomas and Kwan Yuk, 2009).

Reasons such as these provide evidence of the economic power of franchising. Most franchisees are small or medium enterprises. This particular segment is considered to be the backbone and heart of any economy. Therefore, I believe that the franchisee's perspective should be considered more closely compared to than the historical consideration paid predominantly to the franchisor's perspective. The aim of this research investigates whether the type of franchisee would affect the relationship between major factors and franchisee performance, especially in the Middle East region. This research gives insight into improving current and future franchisee performance especially in Saudi Arabia. This in turn contributes to the achievement of Saudi Arabia's 2030 vision in terms of reducing the economy's dependence on oil, increasing business diversity, and developing public service facilities.

Franchising is a strategy that has contributed to the growth of entrepreneurship globally (Clarkin and Rosa, 2005). Therefore, the theory of entrepreneurship is used to identify the types of entrepreneurs and the entrepreneurs' individual aims for becoming franchisees. Franchisees are entrepreneurs since they bear the risk of investment when pursuing franchising. Additionally, franchisees are entrepreneurs

since they are involved in innovation through ensuring local adaptation. Therefore, franchising represents entrepreneurial behaviour.

Entrepreneurs select franchising as opposed to operating their business independently, and Kaufmann and Stanworth (1995) state that one of the motivations toward becoming a franchisee is based on the need to be self-employed, and to own their business as opposed to working for others. In addition to having the opportunity of owning their own business, franchisees are able to obtain access to a franchisor's proven business concept with a reputable brand, whilst obtaining the requisite training and support. If researchers neglect franchising as a form of entrepreneurship, it will result in a key economic activity being omitted from the definition of entrepreneurship. Although Shane (2003) identified franchising as a form of entrepreneurship, there was no specific reference to franchising studies and despite the growth in franchising, it is not widely acknowledged as a form of entrepreneurship.

The results of this study indicate that franchisees do assume an entrepreneurial role and that entrepreneurs become franchisees. There are however, different reasons why entrepreneurs become franchisees. Ucbasaran et al. (2003) identify two main categories of franchisees, namely, the novice franchisee and the parallel franchisee. The novice franchisee is a completely new entrant to the franchising market; has adequate financial resources and becomes a franchisee in order to enter the market in a relatively low-risk manner. Parallel franchisees are those with prior experience and who use franchising as an additional business opportunity simultaneously with their

other businesses. In addition to experience, the attitude to risk is also considered and both types of franchisees prefer low risk.

Academically, the research adds to entrepreneurship theory by identifying how the different types of franchisee entrepreneurs perceive the clauses in the franchise contract; and how each constraint of the resource scarcity, social exchange and equity theory and contract clauses impact the franchisee's performance. Performance is defined as the franchisee's perception of market share and profitability.

The research is divided into three parts. The first part of the research, which is based on the qualitative methodology, considers how constraints defined by the theories of franchise selection are applicable to entrepreneurs who want to become franchisees in addition to the factors that are important to different franchisees in selecting franchisors. These theories include: the resourced based theory, the social exchange theory and the equity theory. The constraints of the resource based theory considered by the franchisee; include the franchisor's brand reputation, training, support and technical know-how. The constraints of the social exchange theory include local market knowledge, contract duration and collaborative communication. The constraints of the equity theory include fees.

The second aspect of the thesis involves quantitative research conducted through a survey. It evaluates the different attitudes of franchisees towards the contractual clauses, which include: training clauses, support clauses, contract duration clauses, exit strategy clauses, termination clauses, territorial exclusivity clauses, tying arrangement clauses and clauses relating to franchise fees.

Finally the research examines how the constraints defined by the theories of franchise selection and contractual terms affect franchisee performance in respect of perceived market share and perceived profitability.

According to Hitt et al. (2000) resource based theory is based on the premise that the reason for becoming a franchisee, as opposed to operating your own business, is the resource contributions the franchisor provides to the franchisee. Therefore, the constraints of the resource scarcity theory include the franchisor's brand reputation, training and support and the technical know-how provided by the franchisor.

According to the social exchange theory, economic activity is the result of an exchange process with the objective of maximizing benefits and minimizing costs. Individuals evaluate the benefits and risks of social relationships, and if the risks or costs are higher than the rewards or benefits, the association will be terminated (Emerson, 1976). The constraints of the social exchange theory include collaborative communication between franchisor and franchisee, the franchisor's local market knowledge and duration of the contract.

The basis of the equity theory according to Das and Teng (2001) is that there is a relational risk to an alliance, as franchising will not cooperate in good faith and will be involved in unfair opportunistic behaviour. The constraints of the equity theory include the franchise fees.

Since novice and parallel franchisees have different requirements in terms of contractual clauses and terms, the two types of franchisees will, in some cases, impact the contractual terms differently or similarly. These constraints become the objectives of the two different franchisees, which in turn affect the contractual terms.

Therefore, the second consideration of the research is to evaluate the attitudes of different types of franchisees toward contractual terms. A consideration of factors that determine the performance of franchisees operating in the food and beverage sector will enable prospective franchisees to overcome barriers to success. Franchisee performance is assessed by their ability to increase perceived market share and their perceived profitability. Using the responses of face-to-face interviews with franchisees in the retail food and beverage sector, this research identifies the factors that affect an entrepreneur's motivation to become a franchisee and their performance in the international market.

Finally, the research evaluates how the constraints defined by the three theories affect franchisee performance. Franchisee performance depends on the extent to which the franchisee obtains financial returns by owning the franchise; the metrics of franchisee performance include perceived market share and perceived profitability (Ramani and Kumar, 2008; Sheng et al., 2011).

1.1 Research Aim and Objectives

The main research objective is to investigate whether different types of franchisees would affect the relationship between constraints defined by the theories of franchise selection and contract clauses related to franchisee performance in terms of perceived profitability and perceived market share. To achieve this primary objective, the research applies theories of entrepreneurship to define the two types of franchisees, namely, novice and parallel, and their objectives.

The research also identifies the constraints faced by each type of franchisee as defined by the resource-based theory, the social exchange theory and the equity theory, which are also the factors that the franchisee considers in selecting a franchisor. The factors of the resource-based theory include brand reputation, training, support and technical know-how. The factors associated with the social exchange theory include local market knowledge, contract duration and collaborative communication; and the factors relating to the equity theory include franchise fees. These factors become the objectives of the different types of franchisees.

Moreover, the different types of franchisees have different attitudes towards contract clauses and this impacts the contractual terms differently. The different contract clauses that affect the franchisee's performance in respect of perceived market share and perceived profitability, include: training clauses, support clauses, franchise fee clauses, tying arrangement clauses, territorial exclusivity clauses, contract duration clauses, termination clauses, territorial exclusivity clauses and exit strategy clauses.

According to Locke and Golden-Biddle (1997) cited in Sandberg and Alvesson, (2011), structuring intertextual coherence and problematisation are two main methods of contributions. The intertextual approach applies to this study whereby the researcher attempts to contextually combine existing studies for contribution. The research context created by the researcher is a culmination of previous contributions in the relevant area of study. From the three strategies that contextually combine existing studies for contribution: synthesised coherence is most applicable to this study. Justification for synthesized coherence in this study stems from the fact that researchers draw evidence from multiple investigations and works - that are unlikely to be cited together - to propose the deficiency of research in the relevant research area.

Furthermore, this study's research questions were informed by Neglect spotting and Application spotting to identify gaps and construct research questions as proposed by Sandberg and Alvesson (2011). This study addresses three primary gaps, namely:

1. There is a lack of research on the applicability of constraints defined by the theories of franchise selection to entrepreneurs who want to become a franchisee, and identifying new types of franchisees by applying entrepreneurship theory in terms of risk adversity and experience.
2. It is important to address the lack of research on the differences in attitudes of different types of franchisees towards the contractual terms.
3. The key question remains to investigate whether different types of franchisees would affect the relationship between the constraints defined by the theories of franchise selection and contractual clauses, and franchisee performance in terms of perceived market share and perceived profitability.

The main research questions below address the gaps identified:

1. How the constraints defined by the theories of franchise selection are applicable to entrepreneurs who want to become franchisees.
2. What are the differences in the attitudes of different types of franchisees towards the contractual terms.
3. How the constraints defined by the theories of franchise selection and contractual terms affect franchisee performance.

1.2 Anticipated Findings and Expected Contribution

The intention of this research study is to contribute towards academic as well as professional, practitioner focused contributions to knowledge in the area of entrepreneurship and franchising. Existing literature on franchising provides limited theoretical explanations of the factors that affect franchisees' performance. This study will attempt to identify the attitudes and behaviours that novice and parallel franchisees exhibit towards contract clauses and will identify the factors that determine franchisee's performance in respect of perceived market share and perceived profitability. The research also adds value to existing literature by focusing on both the perceived market share and perceived profitability for franchisees, and more significantly the study also emphasises the importance of contractual clauses, thereby considering the importance of legal and contractual aspects of the franchising relationship.

This study addresses a deficiency in franchising literature by investigating franchising performance from the franchisee's point of view (Ehsan, 2015; Doherty, 2009; Dant et

al., 2011; Wu, 2015). In addition, it provides a step towards explaining the factors that affect franchisee performance. Furthermore, Wu (2015) studied the effect of relationship marketing and resource-based theory on franchisee performance. Ehsan (2015) studied the effect of resource-based theory, contingency theory and relation exchange theory on franchisee performance. In relation, this research broadens the scope of research by exploring constraints of resource-base theory, social exchange theory and equity theory to provide a more comprehensive view of franchisee performance.

In addition, in terms of selection criteria, Saraogi (2009) states that his study pioneered the importance of the relationship between the selection criteria used by the franchisor in the selection of potential franchisees to their behavior outcomes.

Subsequently, this study relates the selection criteria used by the franchisees in the selection of potential franchisors and contract clauses to their performance. With regards to categorizing franchisees, Merrilees and Frazer (2006) used high, average and low franchisee performers as types of franchisees. Grunhagen and Dorsch (2003) and Weaven et al., (2007) used single-unit franchisees and multi-unit franchisees as types of franchisees. By using novice franchisees and parallel franchisees as types of franchisees based on their experience and risk adversity, this study provides an alternate category in describing franchisees.

Furthermore, some studies on franchising such as (El Akremi, et al. 2015; Wu, 2015; Chiou and Droge, 2015) used quantitative methods. Others such as (Grewal et al., 2011) used qualitative methods and (Lim and Frazer, 2004) used mixed methods. This study used multi-methods inclusive of qualitative and quantitative in three phases to

investigate the three separate research questions. Therefore, this research can be considered as one of the pioneer studies using a multi-methodological approach which emphasises the academic contribution to the field of franchising and entrepreneurship.

Subsequently, this would be of interest to both academics as well as practitioners in the field of entrepreneurship and franchising. Additionally, the findings of this study will be of benefit to franchisors as they can gain a deeper understanding of the expectations of the franchisees and the contractual clauses relevant to the franchisors. The franchisee's perspective and franchisee performance are very important to the franchisor since the franchisee's performance affects that of the franchisor and the franchise system in general.

1.3 Research Design and Structure of the Thesis

This research is based on three phases, namely: phase 1 – qualitative research; phase 2 – quantitative research; phase 3 – quantitative research (see figure 1-1). Therefore, this research has adopted a multi-methodology research strategy, collecting both qualitative as well as quantitative data.

In Phase 1, qualitative research was used to address the first research objective of identifying factors that are important to different types of franchisees in selecting franchisors. The qualitative research was based on investigating individual opinions regarding how the constraints defined by the theories of franchise selection are applicable to entrepreneurs who want to become franchisees.

Phase 2 and Phase 3 (see figure 1-1) which comprised quantitative research was conducted in order to identify differences in the attitudes of novice and parallel franchisees towards contractual terms and how the constraints defined by the theories of franchise selection in the qualitative research, and the contractual terms, affect franchisee performance (perceived market share and perceived profitability). The multi-methodology is justified on the grounds that both quantitative and qualitative data together will provide a better understanding of the factors that affect franchisee performance in the international market.

In Phase 1, qualitative data was collected during two stages using semi-structured, face-to-face (stage 1) and e-mail interviews (stage 2). A non-probability based method of sampling, convenience sampling, was used where the sample was selected from a part of the population that was easily available and accessible to the researcher and the method was convenient. The questions being asked by the researcher were such that could be adequately responded to, using a convenience sample. The sample size was 11 franchisees including 6 franchisees in the Sultanate of Oman and 5 franchisees in Saudi Arabia. The data was analysed with computer software NVIVO and manually, and the findings presented which constraints defined by the theories of franchise selection are applicable to different types of franchisees.

The qualitative research was initially used to obtain insights into the research constructs amongst the targeted group of franchisees. Subsequently, in Phases 2 & 3 the survey, including items from the literature review and the qualitative research, was developed to measure research constructs and to investigate the research hypotheses mentioned in the conceptual framework (see figure 2-6).

Furthermore, in phases 2 and 3 quantitative research involved an online survey to obtain collective responses from 123 respondents. Surveys permitted the researcher to quantify an issue and identify results that could be projected onto a larger population. Quantitative research implemented the use of a 7-point Likert scale to measure attitudes, perceptions and behavioural constructs (Ogden and Lo, 2011). The 7-point Likert scale allowed respondents to indicate their position on issues along a quantitative continuum. Following this, the data collection conceptual model and research hypotheses were tested using statistical techniques, including exploratory and confirmatory analyses and structural equation modelling. To reduce confusion regarding the research process, a research procedure diagram was created to highlight main sections of the research process. The diagram as seen below in figure 1-1 will appear as a signpost at various points throughout the thesis.

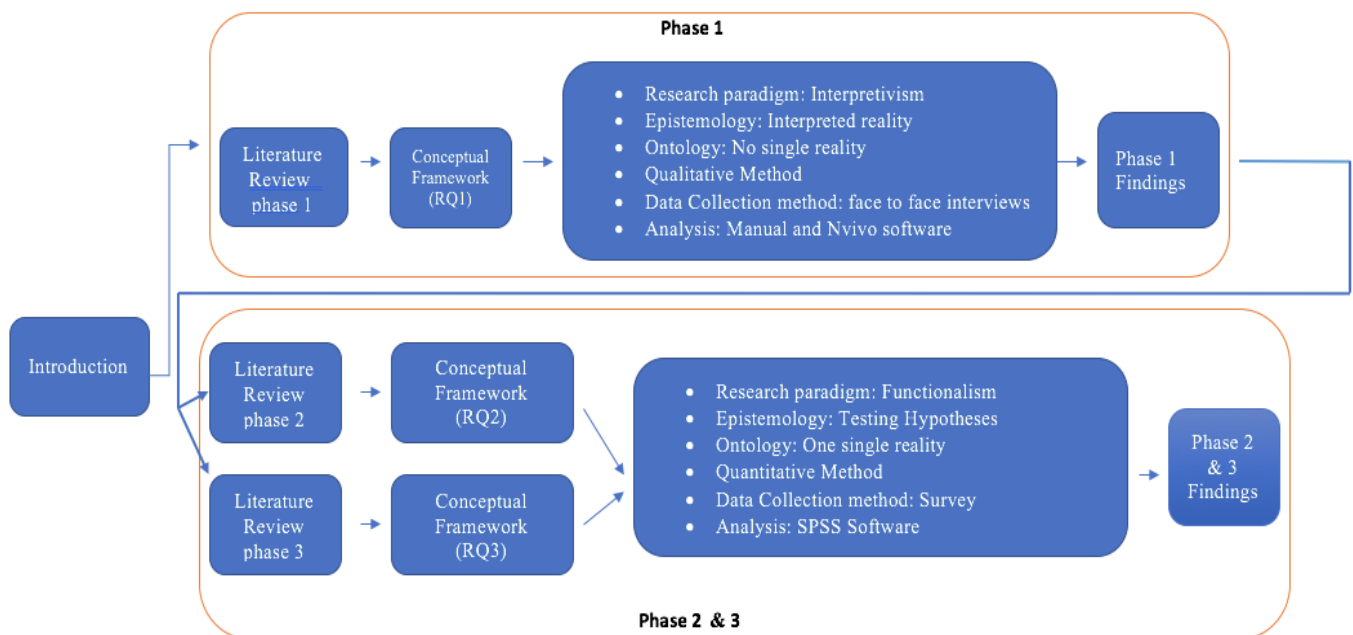


Figure 1-1: Research Procedure Diagram

This study is presented in seven chapters (Figure 1-2). Each chapter represents the different stages of the research process. This chapter introduces the research background and identifies the research problems and research questions. It provides the research aim and objectives and defines the main methods used in the research design in order to achieve the research aim and objectives.

Chapter 2 includes the literature review, which provides a critical evaluation of the existing research in entrepreneurship and franchising, with a consideration of whether or not franchisees are entrepreneurs. While conducting the literature review in the areas of entrepreneurship, franchise selection, franchise contract clauses and franchisee performance, the conceptual framework was designed and revised, and the related relationships in the framework were hypothesised.

Chapter 3 provides a description of the research methodology and describes the research philosophy, approaches, strategy, sample selection, data collection and data analysis. The chapter provides a description of the pilot study and the main research procedures have been detailed. Chapter 3 also discusses the reliability and validity tests applied in the research, as well as construct measurements, and progresses to describe how method biases, normality checks, and multicollinearity have been addressed.

In Chapter 4 of the study the researcher addresses the qualitative findings, analysis and discussion focusing on the first research objective of the study, to investigate how the constraints defined by the theories of resource based theory, social exchange

theory and equity theory are applicable to the novice and parallel franchisees in selecting franchisors.

Chapter 5 describes the quantitative analysis which evaluates differences in the attitudes of the novice and parallel franchisees toward the contractual terms and clauses related to training, support, contract duration, exit strategy, termination, territorial exclusivity clauses, tying arrangements and franchise fees. Additionally, the chapter also evaluates the findings of how the constraints and factors defined by the theories of franchise selection and contractual terms affect franchisee performance, as determined by perceived market share and profitability.

Chapter 6 provides a discussion of the quantitative analysis.

Chapter 7 provides a conclusion for the research study along with a summary of the project. Based on the findings discussed, the study identifies its academic contributions and managerial implications. The chapter also outlines research limitations and suggestions for future research.

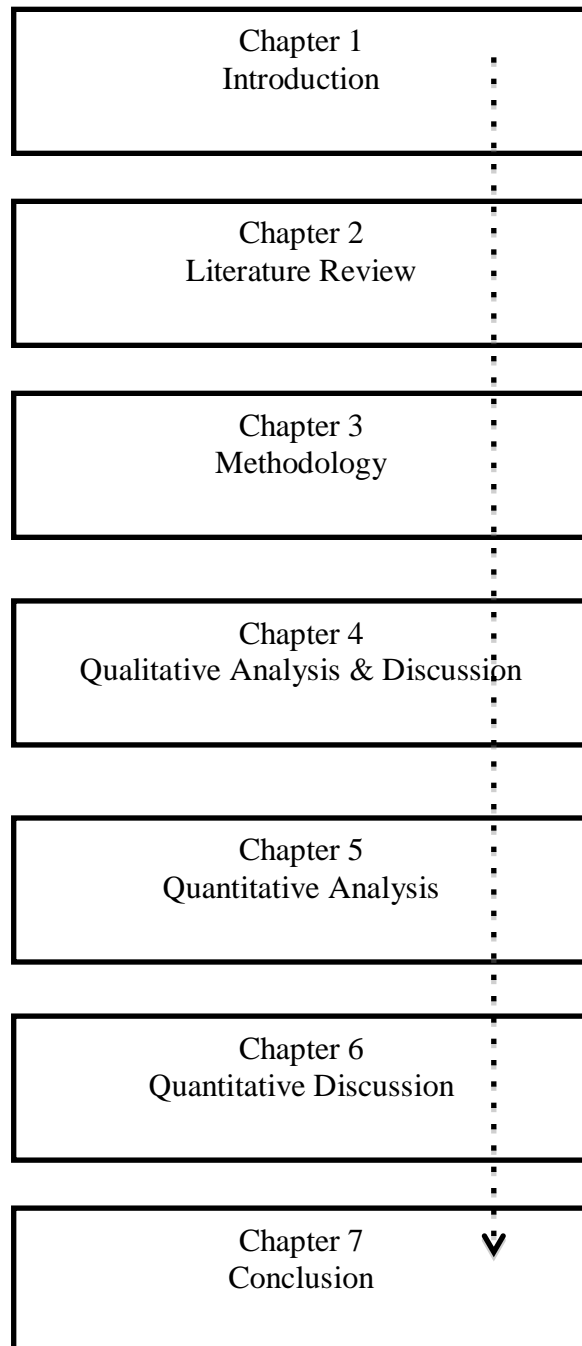


Figure 1-2: The Structure of the thesis

1.4 Chapter Summary

This chapter of the research study provides an introduction to the background of the research, in addition to the research aims and objectives. Additionally, the chapter explains the research design and the conceptual framework. The contents of subsequent chapters of the thesis are outlined. This study aims to provide a comprehensive evaluation of the factors important to franchisees in selecting franchisors, attitudes of franchisees toward contract clauses and factors affecting franchisee performance, with reference to perceived market share and perceived profitability.

CHAPTER TWO – LITERATURE REVIEW

2.0 Introduction

International franchising is an entry mode concerning independent legal entities with separate ownership that are involved in an on-going relationship to create mutual benefit within the franchised network (Shane, 1996). Therefore, the definition of the relationship between franchisor and franchisee is based on a franchise contract resulting in interdependent and ongoing relationships. (Chen, 2010)

Franchising is a strategy that has contributed to the growth of entrepreneurship from the perspective of the franchisors, but existing research indicates that franchisees have little scope for entrepreneurship (Clarkin and Rosa, 2005), and does not classify the franchisee's activities as entrepreneurship (Dada et al, 2010). According to Clarkin and Rosa (2005) franchising is not viewed as a business operation where entrepreneurship is possible.

Moreover, Ketchen et al. (2011) also state that there is little evidence that franchisees can be viewed as entrepreneurs. This is because franchisees buy into the franchisor's business model in a highly prescribed manner (Clarkin and Rosa, 2005 & Clarkin and Swavely, 2006) and this does not represent entrepreneurship as the franchisee merely adopts a business model and therefore does not have the independence associated with entrepreneurship due to the terms of the franchise agreement contract (Hoy, 2008). In addition, Seawright et al. (2013) illustrate that franchisees are not entrepreneurs but are non-entrepreneur managers. Franchisees may not be 'entrepreneurs,' since being

part of a franchise system requires franchisees to follow the rules and requirements of the franchise system, which restricts autonomous decision-making.

It has also been recommended by Altinay (2006) that additional research should be conducted on how franchisees select their respective franchisors, keeping in mind the factors that determine their performance in international markets. It is suggested that franchising research in respect of franchisees needs to be more theoretically robust (Ketchen, et al., 2011)

Existing research indicates that entrepreneurial behaviour is not congruent with franchising as franchising requires standardisation and uniformity, and franchisees lack autonomy since the franchisor controls the way franchisees operate their business. This raises issues about the ability of franchisees to engage in entrepreneurial activity (Cox and Mason, 2007). In contrast, Dada and Watson (2013) state that there is evidence that there are entrepreneurial characteristics of franchisees as franchisors highlight this fact when promoting their franchises.

Other researchers also argue that the franchising model is not entirely based on the franchise agreement and franchisees that are entrepreneurial in their approach have necessary flexibility. Research indicates that often it is the franchisee that provides ideas for innovation because of their proximity to the market and customer base (Bürkle and Posselt, 2008). It has been posited that franchising represents a type of entrepreneurship, which involves the co-existence of autonomy and dependency (Dant and Gundlach, 1999). Entrepreneurial activity involves exploiting opportunities based on competencies and the access to scarce resources (Shane and Venkataraman, 2000).

This study takes the view that franchisees can assume an entrepreneurial role and entrepreneurs become franchisees as opposed to operating an independent business. Therefore, franchising is a means of becoming an entrepreneur. It is important to consider franchisees are entrepreneurs because in taking up a franchise, franchisees exercise their initiative and assume risk; both of which are key characteristics of entrepreneurs.

Franchising is a form of entrepreneurship because it involves taking advantages of opportunities and minimising risks and implementing new ideas. (Bann, 2009) The research adds to entrepreneurship theory and literature by identifying how the different types of franchisee entrepreneurs perceive the clauses in the franchise contract, and how each constraint of the resource-based theory: social exchange, equity theory and contract clauses impact the franchisee's performance in terms of perceived market share and perceived profitability.

Although Shane (2003) identified franchising as a form of entrepreneurship, there was no specific reference to franchising studies. Additionally, despite the growth in franchising, it is not widely acknowledged as a form of entrepreneurship.

Franchising exists as a form of entrepreneurship since one of the objectives is profit and because franchising identifies and exploits opportunities through formation of new relationships, it requires the necessity to assume risk and requires some degree of innovation. (Shane, 2003; Moroz and Hindle, 2012) Franchising provides franchisees

with the opportunity to expand by opening additional outlets in different territories and thereby creating multi-unit franchisees. Tuunanen and Hoy (2007) state that franchisees performance is affected by the fact that they can expand their franchise by opening new outlets and learning from the mistakes of the franchisor. If researchers neglect the study of franchising as a form of entrepreneurship, this will result in a key economic activity being omitted from the definition of entrepreneurship.

Consequently, there are two main types of entrepreneurs who select franchising as an option. The first are novice entrepreneurs who do not have prior business ownership experience, owning a business for the first time. The second type is the parallel entrepreneur who has previous experience in other franchise businesses (Ucbasaran et al., 2003).

Therefore, the consensus from existing research is that franchisors can be classified as entrepreneurs. This research will prove that franchisees are entrepreneurs as well. Consequently the research would add value to the theory of entrepreneurship by focusing on franchisees as well. Limited research from the franchisee's perspective, has resulted in a very restrictive appreciation of what motivates the behaviour and attitudes of franchisees (Croonen and Brand, 2013). Given the importance of franchisees to become successful franchises, the current limited appreciation of factors affecting their performance represents a research gap. As a result there is heightened interest in the franchisee performance from many different academic disciplines (Lee et al., 2015).

Currently, there is limited research that explores the significance of external and internal factors, other than brand reputation that affect franchisees' performance (Wu, 2015). Based on research by Combs et al. (2004) franchisee performance is dependent on additional factors rather than merely having access to scarce resources.

Additionally, according to Wu (2015) there has been limited research on the franchisee performance in the manufacturing sector and on the applicability of the theories in an international context. His study has only identified factors of knowledge sharing, trust, conflict management and brand reputation as key factors affecting franchisees' performance. Hence it is necessary to identify other significant determinants that affect franchisee performance.

Moreover, Nijmeijer et al. (2014) suggest that the “future researcher should combine economic-based approaches (e.g. agency theory), organisational approaches (e.g. strategic), and social-psychological perspectives (e.g. relational exchange, expectancy and entrepreneurship theory) to test factors influencing franchise success”.

Therefore, this study has integrated different theories to explain the impact of constraints defined by theories of franchise selection and franchisee performance. Existing research has primarily focused on the perspective of franchisors and does not adequately explore the franchisee's perspective in terms of determining success, nor does it identify factors that affect the franchisee's performance in the international market.

According to Doherty (2009), who studied market and partner selection in

international retail franchising in UK from the franchisor's perception, researchers should study market and partner selection in international retail franchising from the perspective of the franchisee. Additionally, Brooks and Altinay (2012) expand the understanding of the partner selection process in international master franchise agreement in one single hotel industry from the franchisee and franchisor point of view.

Furthermore, researchers identify the need for further investigation across other franchise agreements and other industry sectors using quantitative methods to validate the findings. Moreover, Saraogi (2009) states that his study was considered to be one of the first to relate the selection criteria used by the franchisors in the selection of potential franchisees to their behavioural outcomes which the franchisors desire. Therefore, this study relates the selection criteria used by the franchisees in the selection of potential franchisors and contract clauses to their performance in terms of perceived market share and perceived profitability in Saudi Arabia and Sultanate of Oman in the food and beverage sector.

Existing franchising literature provides limited theoretical explanations of the factors that affect franchisees' performance. Different types of franchisees exhibit different behaviours and performance (Marnburg et al., 2004), and therefore identify factors that determine franchisees' performance to increase the probability of franchisees surviving (Michael and Combs, 2008). Furthermore, "there are limited studies which pay attention to franchisee performance" (Ehsan, 2015 & Frazer and Winzar, 2005).

This study provides a step toward explaining the factors that affect franchisee performance. Whereas, Wu (2015) concentrates on relationship marketing and resource-based theory, this study broadens the scope of the research by exploring the constraints of the resource-based theory, social exchange theory and equity theory to provide a more comprehensive view of franchisee performance. The study also provides support for the resource-based view with explanations for franchisees' performance in chain stores.

The main research objective is to investigate how the performance of different types of franchisees is affected. Franchisee performance is assessed by the perceived profitability of the franchisee and the perceived market share. To achieve this main objective, the research will apply the theory of entrepreneurship to define the types of franchisees and identify the objectives of the two different types of franchisees. The research will also identify the constraints faced by each category of franchisees as defined by resource-based theory, social exchange theory and the equity theory. These constraints become the objectives of the different franchisees, which in turn affect contract forms.

Therefore, the two different types of franchisees have different attitudes towards contract clauses and will impact the contractual terms differently. Additionally, the study will identify the moderator factor that affects the strength of the relationship between the dependent variable which is the franchisee performance and the independent variables which are the factors that are important to different franchisees in selecting franchisors and contract clauses.

The main research questions include:

1. How are the constraints defined by the theories of franchise selection applicable to entrepreneurs who want to become franchisees?
2. What are the differences in the attitudes of different types of franchisees towards the contractual terms?
3. How do the constraints defined by the theories of franchise selection and contractual terms affect the franchisee performance?

In order to address the above research questions, this study used a multiphase approach in a sequential order. Phase 1 comprises the qualitative section of the research which tested several propositions using interview data obtained from a sample of 11 face-to-face interviews in Stage 1 and follow-up email surveys were used in Stage 2. These were conducted with 5 franchisees in Oman, and 6 in Saudi Arabia. In Phase 2 & 3, the quantitative section of the research tested several hypotheses using surveys to obtain data from 123 respondents in Saudi Arabia. Based on the sequential multi-phase approach adopted in this research, the method of literature reviewing followed the abductive approach according to the phases of fieldwork.

Entrepreneurs select franchising as opposed to operating their business independently for a variety of reasons. According to Kaufmann and Stanworth (1995) the motivation to become a franchisee is based on the need to be self-employed and own their business rather than working for others. In addition, to having the opportunity to own their own business, the franchisee gains access to a proven business concept and is associated with a recognised brand whilst obtaining the requisite support.

Franchisees have the opportunity to expand by opening additional outlets in different territories and thereby creating multi-unit franchisees. Tuunanen and Hoy (2007) reinforce this view by stating that franchisees can expand their franchise by opening new outlets. This is most evident in the case of master franchising. Carraher and Welsh (2009) state that the master franchisee becomes a franchisor and sub-franchises the original franchisor's brand to several franchisees in the region. The master franchisee effectively operates two distinct businesses. The master franchisee becomes the agent of the overseas franchisor and the motivation is to secure long-term international growth and earn a return on investment, while at the same time having access to an entire support network of the franchisor (Carraher and Welsh, 2009).

Entrepreneurs averse to risk prefer franchising, since buying into a recognised franchise system with a franchisor that has a proven track record, means lower risk than starting a business from scratch. The risk is reduced by the fact that although the initial start-up investment cost is high; subsequently the franchisees need to make smaller investments. Kalnins and Mayer (2004) state that franchised units benefit from their owner's experience. This results in a reduction in rate of failure. The motivation of entrepreneurs to become franchisees is adversely affected according to Welsh et al. (2011) who state that franchisees are less likely to be profitable than independent businesses because of higher labour costs and the necessity to meet upfront franchise fees, royalty payments and the possibility of having to renovate at the franchisor's insistence.

Baucus et al. (1996) state that franchisors may prevent franchisees from adding products or services through inclusion of specific restraining clauses in the franchise agreement. The profitability of franchisees may also be adversely impacted by the fact that the performance of other franchisees in the system can have a negative impact on the performance and reputation of the entire franchise system.

Peterson and Dant (1990) state that entrepreneurs become franchisees because of the training they receive from the franchisors, the opportunity to be associated with an established franchisor brand name, greater independence, and low development costs.

Watson et al. (2005) state that entrepreneurs become franchisees to obtain the benefits of franchisee forums, and the right to use the franchisor's suppliers, communication channels and information systems. A franchisee can thereby share knowledge and best practice and learn from the mistakes of the franchisor as well as avail of the experience of the brand reputation of the franchisor.

Franchising provides the entrepreneur with buying power in the supply chain due to their association with the franchisor. Franchisors assist franchisees by providing access to a supplier network and other services.

Although franchising is a preferred means of entrepreneurship, in the emerging markets this has not received research attention (Baena, 2012). A consideration of this issue adds value to the research, as there is an existence of different types of entrepreneur franchisees in the international emerging markets whose performance is affected by contractual terms.

2.1 Why Franchisees are Entrepreneurs

Entrepreneurs display certain traits or characteristics that identify them as entrepreneurial individuals. This study proposes that franchisees share similar, if not the same characteristics, such as: risk-taking; innovation; profit-driven; being visionary; autonomy; and identifying opportunities. (Bann, 2009)

Further, there is the misconception that franchisees are guaranteed sustainability and profit because they follow a proven business model of the franchisor whereas entrepreneurs are not. However, this misconception is disproved by various franchisees who were unsuccessful in their business (Michael and Combs, 2007). In addition, the link between franchise theory and entrepreneurship theory is strengthened by highlighting that franchisees are entrepreneurs.

Furthermore, by considering franchisees as entrepreneurs it will add value to franchise theory in terms of using entrepreneurship traits to influence the classification of new types of franchisees. These new types of franchisees will influence future research in the field.

2.2 Types of Entrepreneurs who choose to be Franchisees

Westhead et al. (2005) identify two types of entrepreneurs who select franchising as an option, namely, novice and parallel entrepreneurs. Novice franchisees are alternatively classified as nascent franchisees (Davidson, 2006). This study will refer to them as novice franchisees. The typology is based on the entrepreneur's prior experience and knowledge and attitude to risk. The attitude to risk is integral to entrepreneurship (Caliendo and Kritikos, 2012) and affects the entrepreneur's ability

to commit resources to ventures with an uncertain outcome (Li et al., 2009). See figure 2-1.

Novice franchisees are defined as those “individuals with no prior business ownership experience but are presently having shares in businesses they have inherited, purchased, acquired or founded”, (Ucbasaran et al., 2001). Novice franchisees have no prior experience and are risk averse. They are therefore at a disadvantage when compared to the parallel franchisees and have to overcome various challenges in order to ensure subsequent business ownership. (Ucbasaran et al., 2008).

The second type of entrepreneur is known as the parallel franchisee with previous experience in other franchise businesses. Parallel franchisees are “those individuals with prior business ownership experience who have the capacity to start new businesses and launch new products”. (Westhead et al., 2005) Parallel franchisees are risk takers and since they have extensive experience they are prepared to assume a higher level of risk. They aim to diversify risk by purchasing and retaining ownership of different businesses simultaneously (Ucbasaran et al., 2003). Parallel franchisees establish new firms while they are already running other firms (Alsos and Kolvereid, 1998 & Renzulli et al., 2000). Due to the fact that parallel franchisees own many businesses, they have developed a diverse range of knowledge and skills and have experience with different businesses simultaneously.

Risk, Experience and Types of entrepreneur

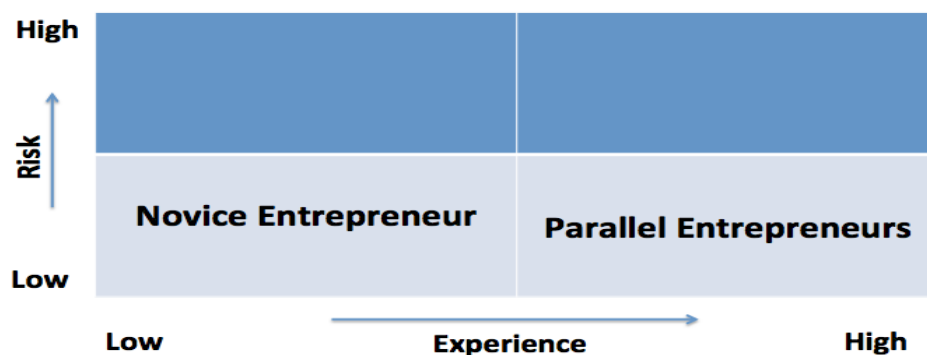


Figure 2-1: Matrix: Risk and Experience

2.3 Theories of Franchisee Selection and Type of Entrepreneur (Phase 1)

In Phase 1, the resource scarcity theory, the social exchange theory and the equity theory are theories of franchisee selection that affect the performance of the franchisee. These theories explain the reasons why entrepreneurs decide to adopt the franchising model as opposed to setting up their independent businesses; they also determine franchisee objectives. Franchising is therefore a strategic decision made by entrepreneurs which affect performance. Therefore franchisees' intentions are to ensure a balance between payments they make to the franchisor, in the form of fees and other costs, and the rewards they receive. (Lee and Cavusgil, 2006). Dant and Kaufmann (2003) state that franchisees seek value from the contributions they make to the franchisor.

2.4 The Conceptual Framework (Phase 1)

In Phase 1, the resource scarcity theory (Hitt et al., 2000), the social exchange theory (Koza and Dant, 2007) and the equity theory, Lewin and Johnston (1997) illustrate the

reasons why entrepreneurs select franchising as opposed to operating independent businesses. Further, the constraints of these theories also determine the franchisee's objectives. These theories represent the criteria for franchisor selection that has an impact on the performance of the franchisee (Altinay and Wang, 2006; Metcalf et al., 1992; Adams, 1965). Each theory identifies various constraints. The emphasis of the resource scarcity theory is on four constraints, namely, brand reputation, training, support and technical know-how. Local market knowledge, contract duration and collaborative communication are constraints associated with the social exchange theory. Finally, the equity theory focuses on one constraint that is franchise fees. See figure (2-2).

The theory of entrepreneurship has identified two types of franchisees: parallel franchisee and novice franchisee, (Westhead et al., 2005). The constraints defined by the theories of franchise selection apply to entrepreneurs who want to become franchisees.

Those factors will be reviewed in the following section.

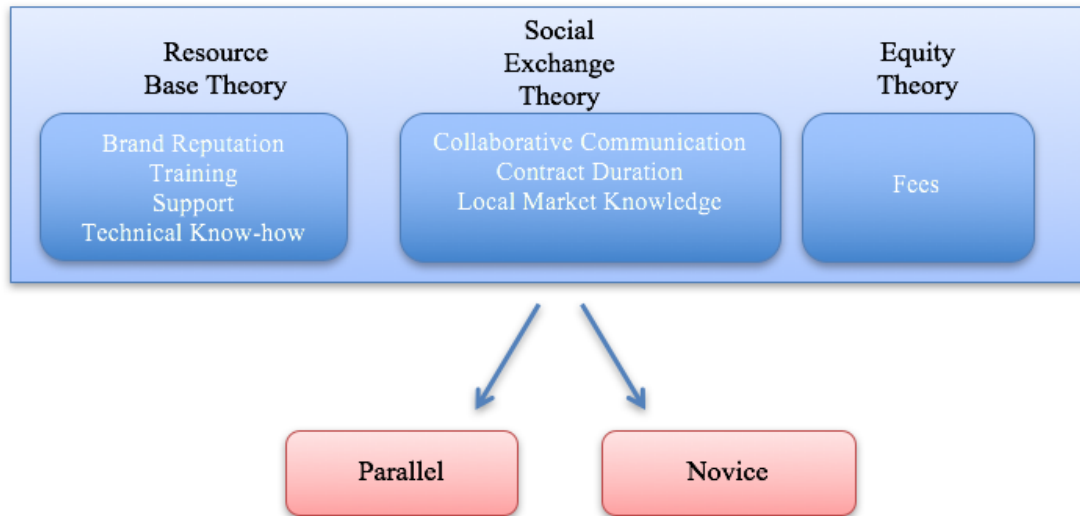


Figure 2-2: Conceptual Model

Figure 2-3 below indicates the literature review and conceptual framework creation stages for Phase 1 which will be discussed further.

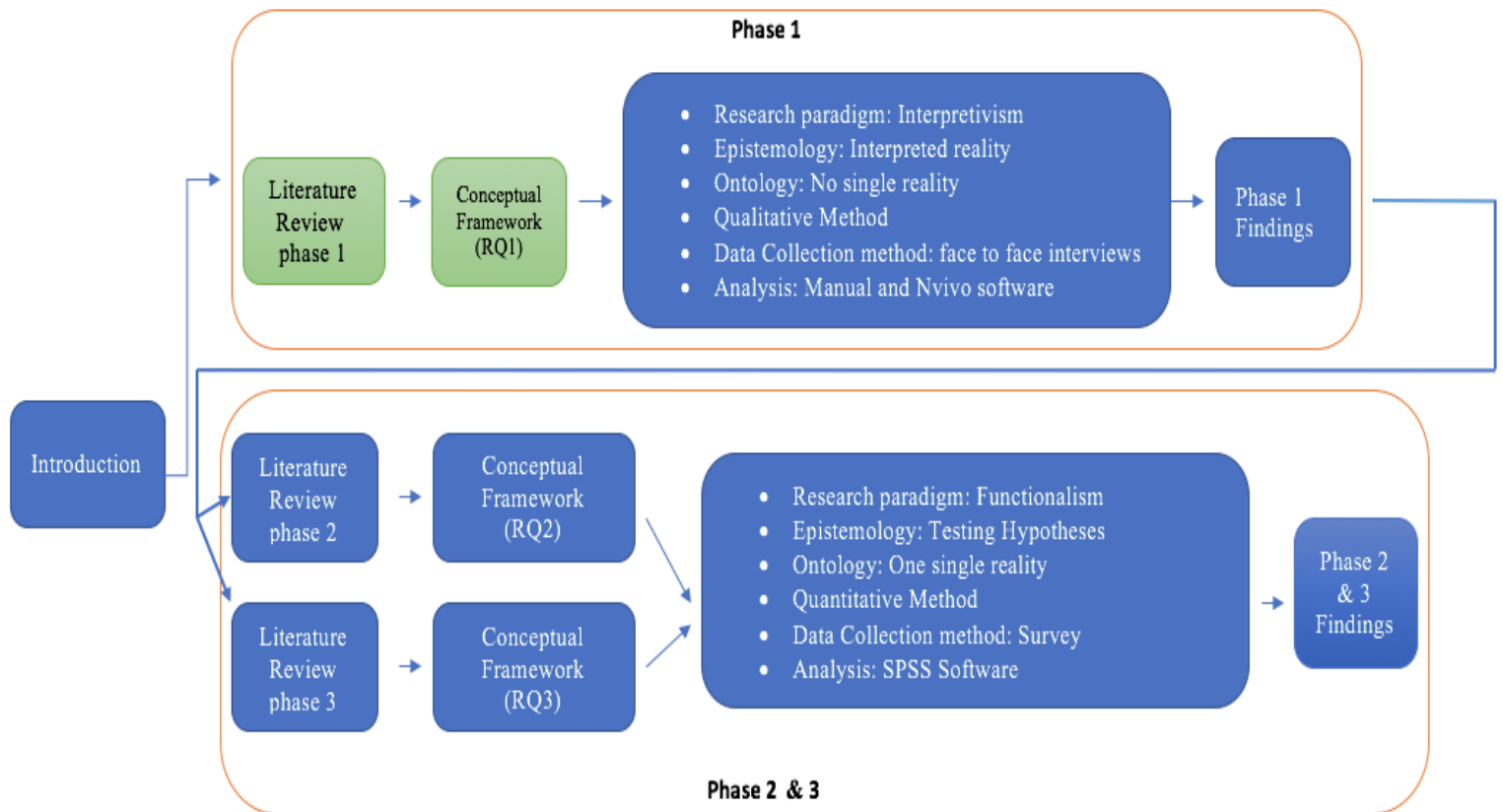


Figure 2-3: Research Procedure Diagram: Phase 1 Literature Review and Conceptual Framework for RQ1

2.4.1 Resource Based Theory

Entrepreneurial endeavours experience resource constraints in respect of market resources, training resources and financial resources. Altinay and Wang (2006) specify that the examination of the constraints from the franchisee perspective is essential because both parties should evaluate and assess the prospect of establishing a mutually beneficial long-term relationship. In addition the challenges faced in selection of franchise partners in international franchising are enhanced by the cultural diversity which makes assessment of the franchisor more difficult. Therefore to alleviate these resource constraints entrepreneurs opt to become a franchisee. Chathoth and Olsen (2003) state that when franchise partners have complementary resources, they are more likely to experience long-term success.

According to Hitt et al, (2000) the resource based theory's premise is that a reason for becoming a franchisee as opposed to operating their own business, is because of the resource contributions the franchisor provides to the franchisee. The entrepreneur franchisees respond to their constraints of scarcity of resources by obtaining access to the franchisor's resources. Altinay (2006) states that the greater the amount of resources a party to the franchise is capable of bringing to the franchise arrangement; the more likely it is that the party will be selected as a franchise partner by the other party.

Although Wu (2015) acknowledges that the resource-based view relates more to firms rather than franchises which are a co-operative organisational form, resources such as the ability for organisational learning are essential for the successful operation of franchises. (Bhasin, 2012)

Some researchers argue that the resource based theory is used in conjunction with, and to complement, the agency theory (Hsu and Jang, 2009). The agency theory defines the franchisor as the principal and the franchisee as the agent. In the agency theory there is the assumption that the principal and agent do not share the same objectives, and consequently there are moral hazard problems that are resolved through monitoring. The monitoring ability is more complex and expensive in the international market than in the domestic market (Chen, 2010). However, according to Barthélemy (2008), the agency theory cannot be applied to franchising since both franchisor and franchisee have objectives of maximising their respective profit and consequently the franchisor would have to incur monitoring costs.

However, Ekelund (2014) supports Barthélemy (2008), and argues that franchising is relationship based. However, the principles associated with the agency theory will require franchise contracts to reconcile and support the incentives of the franchisee and the franchisor (Grewal et al., 2011). Although the franchisor has a stronger bargaining position, there are also many franchisors which franchisees can select and moreover, franchisees are in a position to refuse to enter into franchise agreements that may not appear equitable to them.

Resource based theory is applicable to novice franchisees in terms of market resources and training resources. They depend on the franchisor's resource of brand reputation, training and on-going support clauses, as well as technical and business expertise, and training and technical know-how.

The novice franchisee has financial resources. Through franchising they overcome their constraints by using the franchisor's brand reputation, training and technical know-how.

Brand Reputation

Brand reputation is an important intangible asset derived from factors including desirability, perceptions of quality and trust. Selecting a franchisor with strong brand reputation for providing quality products allows the firm to attract and retain customers, makes customers less price-sensitive and increases the franchisee's revenues (Keller, 1993).

A franchisor's brand reputation differentiates it from competitors; when franchisees invest in a franchisor's brand they are investing in franchisor's intellectual property, from which derives the reputation of the brand. Brand reputation is an intangible resource; it is the market's opinion about a company (Gorovaia and Windsperger, 2013); is a result of customer interactions; and is therefore, created by the attitudes and feelings about specific qualities of the company.

There have been significant changes in consumer lifestyles all over the world which have resulted in an increase in the demand for fast-food restaurants (Min and Min, 2011). This increase in the number of chain restaurants has made franchisees select franchisors with a strong reputation so that consumers can recognise the brand.

A brand is built by the reputation of the company from the perspective of its different stakeholders. (Elliott and Percy, 2015). Therefore, reputation contributes to the

success of the brand. Kapferer (2012) defines brand reputation as the opinion of consumers regarding the quality of the product or service. Furthermore, a reputable brand is an invaluable, intangible asset to the company. Brand reputation is dependent on the quality of the products as well as the credibility of the franchisor as perceived by the prospective franchisees.

It is important to recognise that a franchisee shares the brand reputation with the franchisor, and so the franchise system as a whole gains from the franchisors' brand reputation. Developing on the resource-based theory, firms utilise their unique resources to develop and implement strategic actions to improve performance (Paniagua and Sapena, 2014). As a result, franchisees value brand reputation as a factor when selecting a franchisor.

By investing in an established reputable franchise, the novice franchisee also obtains access to the brand reputation of the established franchisor as he is buying into a proven business model and system of resources, developed by the franchisor.

The quality of products and services is dependent on the reputation of the franchisor's brand and plays an important role in franchisee performance. Franchisees associated with a franchisor who has good brand reputation will attract customers. Brand reputation is also difficult for rivals to replicate and therefore serves as a barrier to entry into the industry. (Gorovaia and Windsperger, 2013) From the perspective of a novice franchisee, strong brand reputation is considered an extremely valuable resource.

The parallel franchisees have experience, but not in the specific segment they now want to enter, and consequently lack market resources such as brand recognition and brand awareness. Ghantous and Jaolis (2013) state that the franchisor's brand reputation is one of the main resources that the franchisee buys into on the assumption that the franchisor's brand reputation will add value to the franchisee. A key objective of the parallel franchisee is to have market access to the franchisor's network of other franchisees. Therefore, parallel franchisees overcome their constraints by prioritising the franchisor's brand reputation to an effective marketing programme. They have experience in franchising but require a strong franchisor brand reputation to compete in the new market.

The parallel entrepreneur franchisees use the franchisor's brand for functional, symbolic and economic, as well as relational benefits, and thereby obtain positive responses from consumers, employees and financial partners towards the franchise (Ghantous, and Jaolis, 2013). The added value is the scarce resource that attracts the parallel franchisee to enter the network and remain motivated to continue the franchise relationship. However, for this to happen, the franchisors must integrate the brand in their value proposition. Parallel entrepreneurs consider brand reputation to be important, but not a priority.

This has led us to the following propositions:

Proposition P1: Novice franchisees consider franchisor's brand reputation as a priority factor before going into a franchise relationship.

Training

According to Morrison (1996) training involves operational training and according to Grunhagen et al. (2008) research training involves field visits, staff training, conferences, market analysis, and franchise councils. The training includes initial training as well as on-going continuous training and a reference manual. Training involves the transfer of knowledge and business practices from franchisor to franchisee. Initial training allows franchisors to ensure the franchisee maintains uniform standards. Franchisors develop their own specific training programmes, which are conducted either at the franchisor's headquarters or at the franchisee's location. (Morrison, 1996)

Novice franchisees lack any experience of business ownership; they value training provided by the franchisor. Since the parallel franchisees have experience in a different sector they still need to use the franchisor for training resources.

The above has led to the following proposition:

Proposition P2: Novice franchisees and parallel franchisors consider training provided by the franchisor as an important factor before going into the franchise relationship.

Support

Franchisors need to provide the necessary support and guidance to their franchisees. (Altinay, et al., 2013) This is an important consideration as the level of franchisee satisfaction is based on the franchisee's expectations relating to the support provided by their franchisors, such as, promotion and advertising, as well as operational

support. Support involves both initial, as well as, ongoing assistance in the form of technical, promotional support and advertising support. (Lim and Frazer, 2004).

According to Morrison (1996) some franchisors include the training costs as part of the initial franchise fees.

Existing studies show that support provided by the franchisor is an important factor in franchisor selection as it affects financial performance and survival (Nijmeijer et al., 2014) The extent of the support provided is an important factor for selection of franchisors since support contributes to positive outcomes for franchisees and their performance is improved when they are provided with extensive support (Minguela-Rata et al., 2010). However, the value of support decreases over time (Grünhagen and Dorsch, 2003). It is also noted that different franchisees within a particular franchise system value support differently (Huang and Phau, 2009).

The novice franchisee requires support on an on-going basis and, consequently they consider the support provided by the franchisor as a significant factor in deciding on the selection of franchisor.

The parallel franchisee sets up a new line of business in a new industry segment, without any prior experience in that industry sector. Consequently, they lack business-specific market resources.

This has led to the following proposition:

Proposition P3: In selecting a franchisor, novice franchisees and parallel franchisees consider the support provided by the franchisor as an important factor.

Technical Know-how

For a franchise to be successful there has to be a transfer of technical know-how from the franchisor to its franchisees, and consequently, franchisees view this transfer as an important factor. Technical know-how includes knowledge required to operate the franchise in accordance with the franchisor's operations manual. Technical know-how includes trade secrets and other technical information, such as recipes, processes and commercial information. Hence, technical know-how includes system specific know-how which is important to the success of the product or service in the market.

Technical know-how is specific know-how integrated into the franchise (Combs, et al., 2004). The franchisor's ability to transmit specific technical know-how is an important factor in selection of a franchisor by the franchisee (Knott, 2003).

The novice franchisees depend on the franchisor's provision of technical know-how since they have no prior technical or franchising experience. The technical know-how provided by the franchisor is also important to parallel franchisees in selecting franchisors since, although they have the experience, it may not be in the same field.

The resulting propositions are:

Proposition P4: While selecting a franchisor, novice franchisees consider the technical know-how provided by the franchisor as a priority.

2.4.2 Social Exchange Theory

Social exchange theory states that any social relationship is the result of an exchange process. The objective of which, is to maximise benefits and minimise costs.

Individuals evaluate the benefits and risks of social relationships and if the risks or costs are higher than the rewards or benefits, the association will be terminated (Emerson, 1976). Tikoo (2005) defines franchising as a social system with close relationships between the parties, and Hornibrook et al. (2009) state that the franchise relationship involves social elements. Ekelund (2014) states that the objective of the social exchange theory is to establish long-term associations as social exchange encourages trust in the franchise relationship.

The assumption of the social exchange theory is that all social relationships involve an exchange of resources between individuals with the objective of achieving mutual benefit. The main motive for social exchange is to maximise economic benefits. The franchisor and franchisee engage in an ongoing, long-term relationship, which commences with, according to Nathan (2004), the franchisor being dependent on the local customer, consumer information and franchisee's access to local markets.

In contrast, the franchisee is dependent on the franchisor's knowledge and reputation to establish their business. As time progresses the relationship becomes more interdependent as franchisees become more experienced with the franchise system and may develop new products and solutions through local adaptation.

Koza and Dant (2007) state that for the relationship between the franchisor and franchisee to be successful, there has to be common beliefs and shared values in respect of desired attitudes and behaviour of both parties.

The performance of a franchisee is affected by social aspects and both types of entrepreneur franchisees are affected by this theory. The implication is that there has to be an exchange of benefits between the franchisee and the franchisor and the creation of an interdependent relationship. The social exchange theory is based on acceptance of social norms in interpersonal interactions (Thibault and Kelley, 1959) and is defined by the expectations that exchange members have regarding behaviour (Gundlach et al., 1995). These exchanges between partners are based on self-interest, cooperation and reciprocity, and lead to mutually beneficial economic and/or non-economic outcomes (Metcalf et al., 1992). The franchisor and franchisee interaction centres on regular exchanges that should be based on a mutually beneficial relationship, so that both parties adapt to one another (Groenroos, 1994). Altinay and Brookes (2012) state that there should be a systematic approach to management of the franchise relationship and that cultural factors play a significant role in the extent to which values are shared.

Social exchange theory suggests individuals will reciprocate positively or negatively, to what they receive in a business relationship. Partner firms obtain information about each other to evaluate potential partners on criteria of reliability and competence. The members of the franchise system are mutually dependent on each party's performance and objectives to achieve individual goals.

Pizanti and Lerner (2003) state that franchisor-franchisee relationships are based on social exchanges that are flexible and dynamic with each having the capacity to arrange transactions in a manner that works to their advantage, based on the balance

of resources between them. Due to their diverse levels of resources and experience, both the novice entrepreneur and the parallel entrepreneur franchisee possess different resources that lead to differing perspectives regarding the benefit exchange. Potential conflict between the two parties may arise and adversely affect performance. Therefore, control mechanisms that re-establish relevant incentives for each party are necessary. Based on the social exchange theory, relational norms are an important informal mechanism for independent parties (Brookes and Roper, 2011).

The social exchange theory is applicable to parallel franchisees as they need access to networks in order to obtain information and contacts. Having access to a social network allows members to interact and to organise themselves, and expand their opportunities. The parallel entrepreneur sets up a new line of business in a new industry segment without any prior experience in that industry sector. Consequently, they need to have access to networks that provide them with social capital (Hansen, 1995).

Local Market Knowledge

According to Kalnins and Mayer (2004), restaurant franchisees value the transfer of local knowledge from franchisor to franchisee. Altinay and Brookes (2012) state that there should be a systematic approach to the selection of franchise partners and management of the franchise relationship. Additionally, cultural factors play a significant role in the extent to which values are shared. Franchisees need to adapt their business practices to the cultures of the franchisor's host countries. At the same time, franchisors need to possess extensive local knowledge about customer preferences, location and spending power in the franchisee's market (Barkham 1994).

Franchisors need to understand their target markets and have knowledge of customers' needs and performance. Although franchisors will receive international exposure through local franchisees, they will still need to have local knowledge of the culture and the market. In terms of local market knowledge, it is essential that franchisors are aware of, and sensitive to, the franchisee's local culture (Sashi and Karuppur, 2002). Franchisors demonstrate local market knowledge through the allocation of resources to local markets and adapting products and services, so as to make them relevant to local tastes and conditions (Sorenson and Sørensen, 2001).

When franchisors demonstrate local market knowledge and cultural awareness there is also more trust on the part of the franchisee. (Altinay, 2006) The local market knowledge of the franchisor also becomes relevant as the franchisees become more experienced in the local market. They resist standardisation on the grounds that it conflicts with local market conditions (Sorenson and Sørensen, 2001). Consequently, franchisors local market knowledge and appreciation of the need to be more adaptive is necessary.

Dekker (2008) mentions that identification of common beliefs and shared values can be achieved through direct interaction, such as prior experience with the franchisor, screening, interviews and visits, when franchisees can obtain specific information about potential franchisors and can compare and evaluate different franchisors on the trust-based criteria of reliability and competence.

This has led to the following proposition:

Proposition P5: In selecting a franchisor, both novice franchisees and parallel franchisees consider the franchisor's local market knowledge as an important factor.

Contract Duration

Contract duration is the length of time the relationship between the franchisor and franchisee exists, and is the time period before which the original contract is renewed. (Tractenberg et al., 2004).

The contract duration is dependent on various factors that strengthen the relationship between the parties. These include communication, trust, service assistance, competitive advantage, input of other businesses, interlinked networks and the intention of the franchisee to remain in the relationship. Hence, it is essential to consider what ought to be done in establishing, nurturing and maintaining a strong working relationship between the franchisor and the franchisee.

Besides contract duration, another aspect of social exchange is termination clauses. Franchise agreements can be terminated on the expiration of the contract term or if the franchisee fails to renew the contract when the original contract expires. Franchisors need to demonstrate good cause to terminate a franchisee within the duration of the contract term and many franchise contracts explicitly specify expiration dates. The renewal terms after expiration of the original contract gives the franchisee protection by limiting the changes to contract provisions. Novice franchisees are unsure about contractual provisions and this uncertainty results in their preference for shorter term contract duration. (Brickley et al., 2006) However, both novice and parallel franchisees prioritise contract duration, whether short or long-term. Due to the high level of investment in fixed assets, contract duration is prioritised by both categories

of franchisee entrepreneurs to recoup their investment. Hence, contract duration is relevant to both. The duration and timing of the franchise relationship is relevant to the social exchange theory.

Novice franchisees prefer short-term contracts, since they have the capital, but lack experience. Therefore, short-term contract duration is preferable, as it allows them to obtain business know-how until they open their own business. Novice franchisees are not risk-takers and do not seek a long-term commitment with a franchisor (Falbe and Welsh, 1998). It is beneficial for novice entrepreneurs to commence with a short-term relationship with a franchisor until they establish a credible record to subsequently enter into a longer-term contract (Darrel, 1998). However, El Akremi, et al. (2015) found that there is a negative relationship between contract duration and performance.

Parallel franchisees prefer long-term contracts as they have experience and market knowledge, and would therefore prefer a long-term relationship with a franchisor to recoup their initial investment (Darrel, 1998).

The proposition derived is:

Proposition P6: Novice franchisees and parallel franchisees consider contract duration as an important factor in selecting a franchisor.

Collaborative Communication

The franchising relationship encounters challenges from time to time and addressing these challenges strengthens the entire franchise system. These challenges become particularly prominent in circumstances when there are product or system changes. A

key to implementing change requires the franchisees' acceptance and the franchisor needs to work collaboratively with the franchisees to implement the changes. When changes involve new product introductions and/or rebranding, the franchisor needs communication with the franchisee as the latter interacts with local customers regularly. According to Watson and Johnson (2010), effective collaborative communication is essential in ensuring relationships that involve trust and commitment.

Based on the social exchange theory, the personality of both franchisor and franchisee is instrumental in the success or failure of franchising relationships and to franchisee performance. The personality attributes are embedded in a person. The personality traits affecting performance include truthfulness, openness and commitment.

Commitment is necessary for nurturing the relationship. Openness is essential as it ensures that the parties are fully aware of what is happening. In a case where issues are likely to have an adverse impact on performance, these issues need to be addressed in detail and at the appropriate time. This is aimed at averting any crisis, which might destroy the relationship. Where these elements are absent, there is lack of trust between the parties and their business existence is threatened.

Collaborative communication develops trust and establishes relationships between a franchisor and franchisee (Brookes and Roper, 2011). According to Altinay and Brookes (2012), franchisors and franchisees are in a position to exchange information about experiences and expertise through collaborative communication.

Franchisees will exit the relationship if elements of mutuality, trust, commitment, effective communications and a clear design of franchising are not present (Altinay et al., 2014). The greater the extent of collaborative communication, the higher the franchisee's commitment is, and the lower their tendency is to leaving the franchising relationship. Watson and Johnson (2010) state that effective collaborative communication is extremely essential to ensure shared values, trust and commitment in the franchise relationship. Frequent collaborative communication between franchisors and franchisees reduces the probability of franchisee exit (Frazer and Winzar, 2005). Abdullah et al. (2008) reiterate the view that collaborative communication results in a positive effect on franchisee satisfaction, the intention to remain, success and a perceived competitive position. Research consistently indicates that lack of collaborative communication results in conflict between the franchisor and franchisee (Frazer and Winzar, 2005).

The resulting proposition is that:

Proposition P7: Both novice franchisees and parallel franchisees consider collaborative communication as an important factor while selecting a franchisor.

2.4.3 Equity Theory

Equity theory describes a dyadic relationship between parties based on each party's perception of equitable behaviour on the part of each party. This in turn affects franchisee performance. Equity theory assumes that individuals attempt to maintain an equitable balance between the inputs that they provide to the relationship and the outcomes they receive from it (Adams, 1965). Das and Teng (2001) state that there is a relational risk that partners in an alliance, such as: franchising will not cooperate in

good faith and practice opportunistic behaviour. Since franchisors normally have a greater bargaining power than the franchisees, they are in a position to insert inequitable terms in the franchise agreement.

Equity theory focuses upon outcome evaluation that results from relationships characterised by economic productivity objectives and suggests that parties in exchange relationships compare their ratios of exchange inputs to outcomes. Parties compare their own ratio to that of their exchange partner; those of others who interact with their exchange partner at the same level; and to that of one of their best alternative exchange partners (Geyskens, 1998).

Inequity is said to exist when perceived inputs and/or outcomes in an exchange relationship are psychologically inconsistent with perceived inputs and/or outcomes of the referent. The closer the exchange relationship, the more likely it is that relationship participants will perceive inequity (Huppertz et al., 1978). If equity prevails, the ratio of one's outcomes to inputs is assumed constant across exchange partners, resulting in outcome satisfaction (Lewin and Johnston, 1997). Equitable outcomes stimulate confidence that parties do not take advantage of each other and are concerned about each other's welfare (Ganesan, 1994). Therefore the concept of "good faith" affects the on-going franchise relationship as it allows both parties to maintain on-going relationships based on mutual trust.

Weavin and Frazer (2007) state that even though the franchisees gain access to a recognised brand, the franchisee may not always have the required autonomy to respond to local market demands, particularly if it is a business format franchise

where the franchisors specify the entire plan for the franchisee, which governs the franchisee's operations. This constraint is applicable to both novice as well as parallel franchisee as they all have to consider, for example, whether they would be required to procure goods and services from vendors specified by the franchisor which could often be more expensive.

This could have an adverse effect on the franchisee's profitability and performance as they are subject to satisfying the franchisor's sales quotas as well. No franchisee is entirely independent, rather, they are required to operate their businesses according to the procedures and restrictions imposed by the franchisor in the franchise agreement. These restrictions usually include restriction on the products or services which can be offered, pricing and geographic territory. The franchisee's perception of equity may therefore be negative.

A consideration of the equity theory is that the franchisee is often expected to participate in marketing activities and also to initiate changes required to keep the franchise system competitive. Based on the equity theory, the factors determining franchisee performance include the level of competition from other franchisors and franchisees in the market, the costs involved and the opportunity to generate profits with the royalties being paid to the franchisor.

Fees

A franchisor incurs costs in starting up, and servicing new franchisees and, as discussed under the section on support, includes marketing, site selection, initial

training, field support and travel. The franchisor will need to include these costs in determining the fees to be charged to the franchisee.

The franchisor is entitled to royalties based on revenue even if the franchise is not profitable; franchisees only have a residual claim on the profit. According to Baucus et al. (1993), the franchisor is in a position to set performance standards and manage brand reputation as well as economic efficiencies. Franchisors also have the power to terminate the franchise, force franchisees to purchase inputs; a franchisor may also abuse the royalties. Franchisors can engage in opportunistic behaviour to the detriment of the franchisee by offering a franchise to a particular franchisee, and then terminating it and re-selling the franchise, consequently making a profit each time the franchisee changes.

Galen and Touby (1993) state that a franchisor may encroach on the franchisees' market; may not disclose information to the franchisee or may even deliberately disclose misleading information regarding costs and revenues. Consequently, both categories of franchisee recognise that the franchisors' actions may not always be in their best interests and may adversely affect franchisee performance. According to Chathoth and Olsen (2003), a franchisor is normally in a dominant position compared to the franchisee, and is also exposed to lower risks than the franchisee. The franchisor may also not have interest in the franchise being successful and may only be motivated in collecting the franchise fees from the franchisee. High ongoing payments in terms of franchisee fees have a negative effect on franchisee satisfaction if they are perceived to be very high (Abdullah et al., 2008).

This has led to the following proposition:

Proposition P8: Parallel franchisees consider fees an important factor when selecting a franchisor.

2.5 Conceptual Framework Selected Factors (Phase 2)

Phase 2 aims to identify the differences in attitudes of different types of franchisees towards the contractual terms. The franchise contract includes important clauses, specifically training, Shane and Spell (1998); support, Shane and Spell (1998); franchise fees, Emerson and Benoliel (2013); tying arrangements, Wu (2015); contract duration, Brickley et al. (2006) and Tractenberg et al. (2004); termination, Dnes (1993); territorial exclusivity, Mathewson and Winter (1994) and exit strategy, Detienne (2010). These clauses consequently affect the franchisee's performance. The performance of the franchisee was measured in this research by perceived market share and perceived profitability as shown in figure 2-.

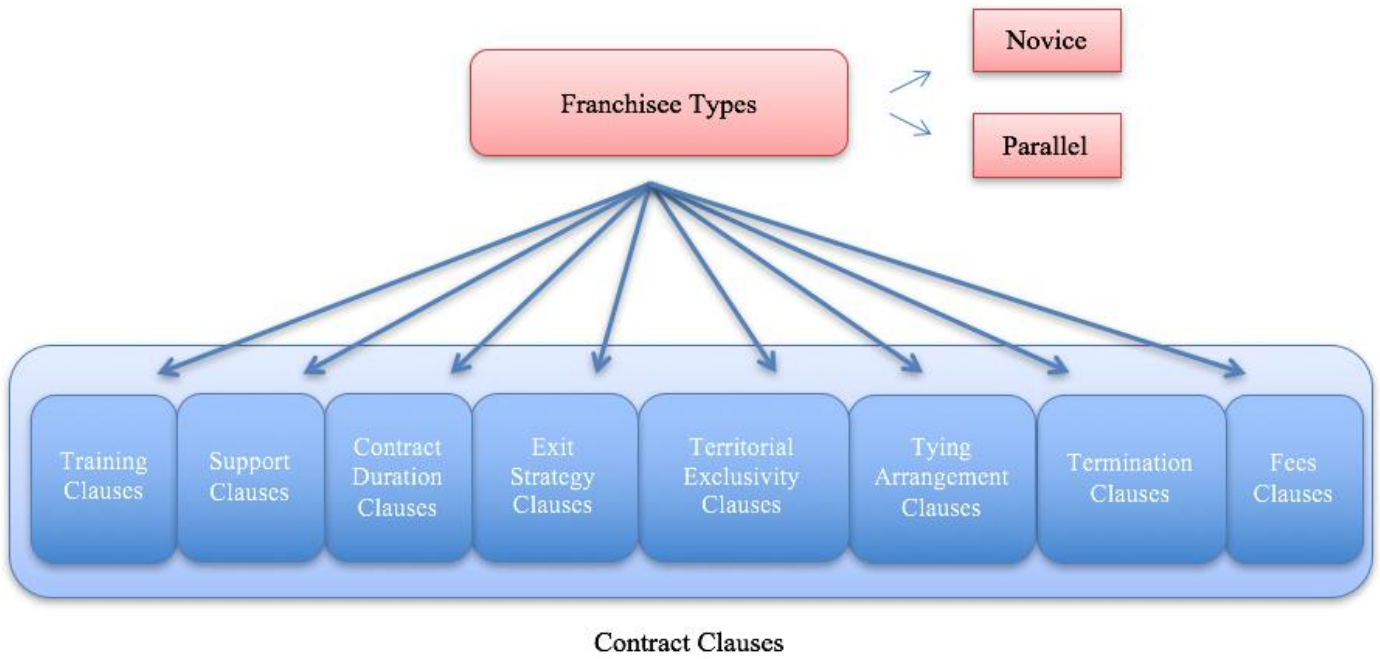


Figure 2-4: Conceptual Framework Selected Factors (Phase 2)

Figure 2-5 below indicates the literature review and conceptual framework creation stages for Phase 2 that will be discussed further.

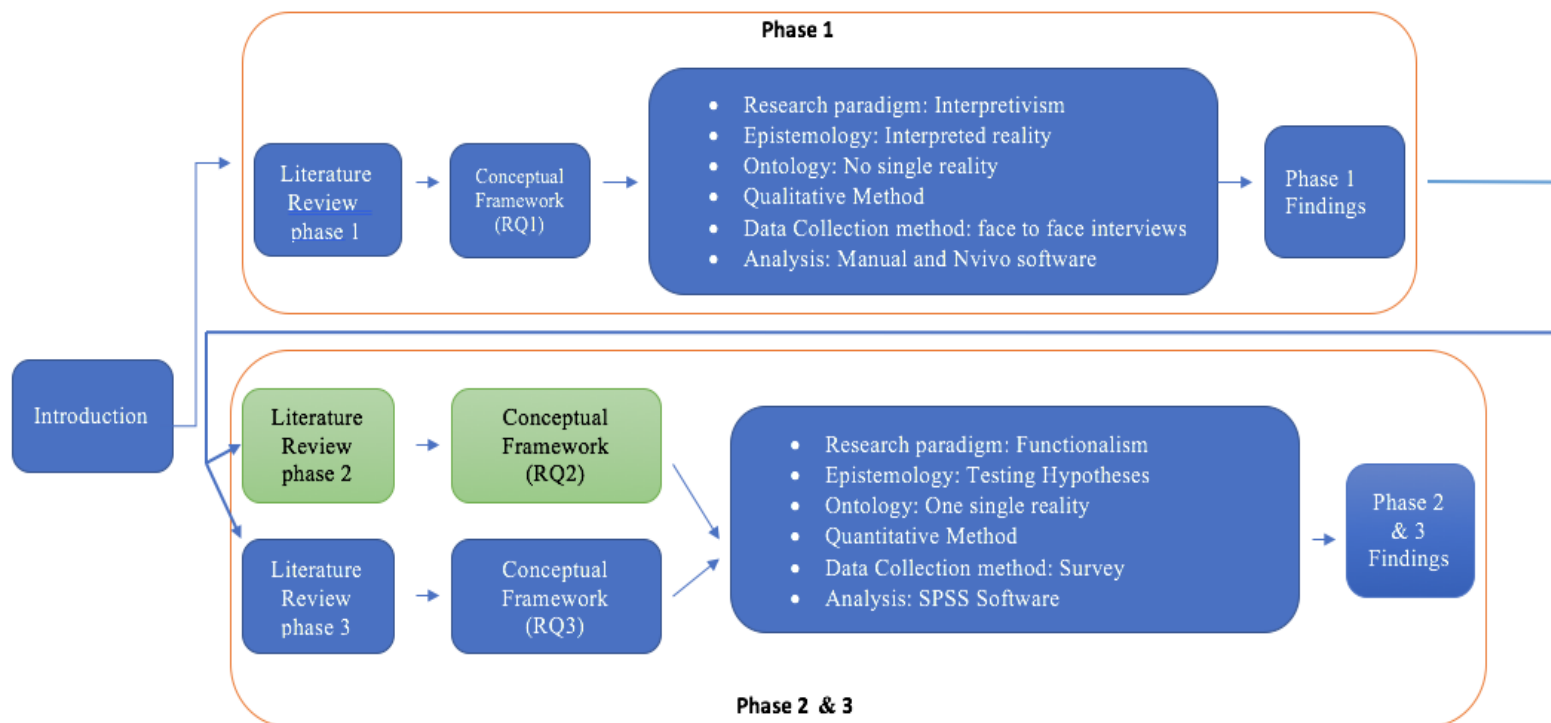


Figure 2-5: Research Procedure Diagram: Phase 2 Literature Review and Conceptual Framework for RQ2

2.6 Research Hypothesis: Types of Franchisees and Contract Clauses (Phase 2)

Phase 2 comprises the different attitudes of different types of franchisees towards the contract clauses. Inherently, franchising involves the provision of information and expertise of the franchisor, in exchange for the entrepreneurship of the franchisee.

Therefore, franchise contracts are based on profit sharing (Dnes, 1993), and the main

objective of the franchise agreement or contract is to ensure that the franchisee's decisions are consistent with the maximisation of the entire franchise network (Arruhiada, et al., 2001). The parties document their expectations in respect of their operational, as well as strategic responsibilities, and therefore franchise contracts are lengthy and detailed. In addition to the formal standard, uniform contract listing each party's obligations, there are also implicit expectations that should not be broken (Robinson, 1996).

The business model of franchising involves contracting to create a governance structure in which franchisees expect franchisors to be highly involved in sharing know-how and providing training and support, in exchange for the royalties and reinforcement of the franchisor's brand reputation. (Leslie and McNeill, 2010) The franchise agreement or contract forms the legal contract between brand owners who are the franchisors and the franchisees, and the agreement also specifies the duties and responsibilities of each party to the agreement. The terms of the franchise agreement are negotiable and are normally in the franchisor's favour.

Franchise agreements and contracts give the franchisee the right to use the franchisor's name and business format for a specified period of time, for which the franchisee pays an up-front fee and an ongoing sales royalty. The franchisees are compensated based on their profits and are incentivised to train and monitor employees, adhere to the franchisor's quality control procedures and promote the brand in their respective territories.

Objectives of a franchise contract include regulating responsibilities, decision rights and the resources of the franchisor and the franchisee (Pizanti and Lerner, 2003), and could result in conflict as some clauses can potentially be unfair from the franchisee's perspective. These include lack of territorial exclusivity clauses, (Hoy, 1994) and termination clauses agreement (Fulop and Forward, 1997). Based on the agency theory, contractual terms are a source of formal control by the franchisor over the franchisee (Choo, 2005; Doherty and Alexander, 2006).

However, those franchisees that view themselves as entrepreneurs do not always control (Stanworth, 1996). As a result, the agency theory focuses on formal controls that fail to consider relational aspects and does not reflect the actual dynamics of the relationship between franchisor and franchisee. As a result the study has been primarily based on the resource scarcity theory, social exchange theory and equity theory. The social exchange theory involves a consideration of less formal controls in the franchise agreement where there is less degree of control by the franchisor.

In contrast to the agency theory, the control based on the social exchange theory is dependent on franchisors developing relationships with franchisees, common beliefs and shared values (Choo, 2005). Background and experience diversity of franchisees leads them to have different resources, which result in them having divergent perspectives on benefits received and conflict. It has been suggested that franchisors can use relationship contractual terms to control and alleviate the agency problem arising from the franchisee's need for autonomy and non-aligned objectives between franchisor and franchisee (Cocbet et al., 2008).

Research by Chen (2010) indicates that the franchise contractual terms, interaction and clauses such as the extent of support provided by the franchisor, allow the franchisor to control the franchisee.

The contractual terms included in this study include training, support, franchise fees, tying, contract duration, termination clauses, territorial exclusivity clauses and exit strategy. The terms of the franchise agreement specify the obligations that are strictly enforced. If a franchisee fails to meet these terms, the franchisor can terminate on the grounds of breach of contract. The franchisee objectives based on the resource scarcity theory, the social exchange theory and the equity theory, affect the contractual form required by them. Different types of franchisees have different attitudes toward the contract clauses, and therefore, the type of franchisee influences the contractual terms of the franchise agreement and contractual terms play a significant role in the success of franchisees in international franchising.

Clause: Training

One of the franchisor's obligations, both initial and ongoing, includes providing training to the franchisee in the form of an operations and procedures manual, and additional training in response to specific problems encountered by the franchisee. The amount of training the franchisee receives determines the success of the franchise. A successful franchise operation requires support that includes training, sales promotion and strong franchisor brand (Shane and Spell, 1998).

For novice franchisees the contractual term of training would be very significant as they lack experience. The training clauses would also be relevant for parallel

franchisees, even though they have experience, because they would still require training to operate the specific business.

Lack of training is a constraint exemplified by the resource theory and the clause applies as a priority for novice and parallel franchisees as they consider the training provided by the franchisor is a key determinant of their performance. Training is an important factor for parallel franchisees even though they have experience, as they would require training to successfully operate the individual specific business.

H1: Different types of franchisees perceive the extensiveness of the training clauses in the franchise contract in a similar manner.

Clause: Support

Studies on the impact of support provided by the franchisor to the franchisees reflects a positive effect on franchisee performance (Abdullah et al. 2008; Dubost et al., 2008 and Minguela-Rata et al., 2010). The level of support a franchisor provides to franchisees is therefore an important contractual clause and is one of the factors that the franchisee pays for. The franchisor has an obligation to provide support both initially as well as ongoing. A successful franchise operation requires support, including marketing and promotional support. (Shane and Spell, 1998) For novice franchisees, the contractual term of support would be very significant as they lack experience. The marketing and promotional support provided by the franchisor, and how the franchisor sustains and supports the franchisee, are essential clauses that franchisees would like to see included.

For novice franchisees, the contractual term of support is very significant as they lack experience. Support clauses would also be relevant for parallel franchisees, even though they have experience, because they would still require training and support to operate the specific business. Lack of support is a constraint exemplified by the resource theory and is a priority for novice and parallel franchisees as they consider support provided by the franchisor as a key determinant of their performance. Support is an important factor for parallel franchisees even though they have experience as they require the support to operate the individual specific business.

H2: Different types of franchisees perceive the extensiveness of the support clauses in the franchise contract in a similar manner.

Clause: Contract Duration

Based on research by Chaudey and Fadairo (2008, 2010), there is a relationship between contract duration and franchisee performance. Since franchisees make substantial investments, they normally want long-term contracts with generous renewal rights to allow them time to generate a return on their investment and the contract duration increases with the extent of the franchisee's investment (Tractenberg et al., 2014). Similarly, Hirschhausen and Neumann (2008) argue that the contract duration is longer when firms have specific investments that need to be protected and is shorter in uncertain environments. According to Brickley et al. (2006), long term contracts enhance franchisee performance as they allow the franchisee to develop a long-term commitment that is necessary to replicate the franchisor's intangible resources.

However, Blair and Lafontaine (2005) state that franchisees should recognise that franchise contracts are fixed duration, short-term licences from which the franchisee should obtain short-term benefit. The franchisee obtains the right to use the franchisor's brand reputation in a particular location for a particular period of time only, and therefore, the franchisee is not creating an independent business. The resource scarcity theory specifies that the contract duration facilitates the development of a strong brand reputation and intangible resources. (Mouzas and Ford, 2012).

According to Vásquez (2007) the franchisee's initial investment needs to be recovered to avoid any investment hold. Since the franchise relationship is dyadic, the contract duration affects this relationship and impacts the extent to which the franchisee can recover their initial investment. This ability to recover the initial outlay is a criterion of performance. From a franchisee's point of view, the contract duration depends greatly on franchisee objectives. If the franchisee has the resources, such as capital, employees and market knowledge, a long-term contact is preferred.

Novice franchisees prefer a short-term duration if the intention is to gain business know-how until they are confident enough to open their own business. From the novice franchisee's perspective, long-term contracts create uncertainty. Novice franchisees do not have strong bargaining power (Brickely, et al., 2006).

Parallel franchisees prefer long contract durations even though they have developed a diverse range of business, as it provides them with something to sell when exiting the franchise and also to avoid being subject to franchisor hold-up.

Contract duration is influenced by the constraints of the social exchange theory because it is dependent on the tradeoff between protecting the parties against potential hold-up of investments and reducing the flexibility of parties to respond to environmental changes. The contract duration clause involves interpersonal exchanges where franchisees need to be satisfied that they are getting adequate time to recoup their investment and to ensure that there is mutual benefit.

H3: Different types of franchisees perceive the length of contract duration clauses in the franchise contract differently.

Clause: Exit Strategy

Existing literature indicates that individuals exit and enter the start-ups regularly, referring to it as, 'revolving door entrepreneurship.' Franchisees exit if they have gained the experience they were looking for. Franchisee exit indicates an accumulated entrepreneurial human capital, defined as knowledge, skills and experience. The skills and experience acquired are valuable for subsequent ventures (Hessels, et al., 2011). Franchisees develop human capital through start-up experience, classified as parallel franchisees. According to Detienne (2010), appreciation of entrepreneurship, and consequently franchising, requires a consideration of exit strategies. When a parallel franchisee exits a venture, this facilitates involvement in other initiatives, and human capital resources are deployed in new or emerging, as well as in existing initiatives (Detienne, 2010).

Exit strategy clauses relate to discontinuing or sale of the franchise and can be an indicator of learning. Exit strategies for franchisees include sale to either a third party

or a sale back to the franchisor. The franchisee's rights to sell are dictated by the terms of the franchise agreement. If there is a termination without a renewal clause or specific expiration date for the franchise, the franchisor reserves an option to take over the lease and purchase certain assets of the business, and the franchisee is bound by a non-competition covenant; all of the franchisee's goodwill in the business is lost. The franchisees would therefore want to be paid fair market value as a going concern. The exit strategy not only protects the goodwill of the business but also ensures smooth transition of the business if necessary.

Exit from one venture increases the probabilities of being involved in another venture. This positive relationship indicates that franchisees who exit one venture have acquired relevant skills and therefore seek out other opportunities. (Hessels, et al., 2011). This is also applicable to novice franchisees who exit one franchise venture after acquiring knowledge, skills and experience.

Therefore, exit strategy clauses are important for both novice and parallel franchisees. Exit strategy clauses are based on the equity theory and are important determinants of performance as they permit franchisees to recover the money they have invested in the franchise. The implication is that both types of franchisees need to protect the goodwill of the business and ensure smooth transition of the business.

H4: Different types of franchisees perceive the difficulty of franchisee exit strategy clauses in the franchise contract in a similar manner.

Clause: Termination

Franchisors control the right to decide the terms of the franchise agreement as the right to decide whether or not to renew the contract. Franchise agreements and contracts normally provide for termination with notice for good cause, such as, six months' notice to terminate the contract. Other scenarios that constitute good cause, whereby the franchisor has a termination right, include substandard operations, contractual breach by the franchisee and the franchisee's insolvency (Dnes, 2009).

Franchisors earn their profits on the basis of royalties, whereas the franchisees earn income based on profits after royalties have been paid. If the franchisor terminates the franchise relationship, the franchisee would be compelled to abandon the site and other franchise-specific investments, which would result in a holdup. After the contract has been entered into, the franchisor could impose a penalty, unless the franchisee accepts an increase in franchise fees, in which case the franchisee is no longer able to cover his investment. Such post-contract opportunism would result in the franchisee either accepting the new, less favourable terms or sell the franchise-specific assets at low prices (Dnes, 1993).

Franchise agreements require franchisees to pay initial up-front fees and make large investments in the business, which need to be recouped. The franchise agreement or contract gives the franchisor the right to terminate the relationship if specific performance criteria are not met by the franchisee (Dnes, 1993). This would affect the stability of revenue; termination clauses are therefore relevant to both novice and parallel franchisees. Termination clauses are dependent on the constraints of the equity theory and extensive termination provisions that allow the franchisor to

terminate early, even if the franchisee has not breached contractual terms this could affect the performance of the franchisee adversely. Franchisees are normally not entitled to early termination.

H5: Different types of franchisees perceive termination clauses in the franchise contracts in a similar manner.

Clause: Territorial Exclusivity

According to Zeller et al. (1980), territories are defined by geographical boundaries, minimum distances between outlets, and by market and population measurements. Spinelli et al. (2004) also state that franchisors identify territories based on population estimates, patterns and volumes of traffic and visibility. Additionally, Spinelli et al. (2004) state that demographic changes, competition, increased visibility and awareness of the franchisor's brand and local infrastructure developments, such as new shopping malls and roads, can alter a defined territory.

Since a franchisor's income is derived from sale volume and fees paid by franchisees, they benefit from the opening of additional units, which increases the revenue of the entire franchise system, allows franchisors to take advantage of economies of scale, as well as increasing their visibility, brand awareness and preventing encroachment by other franchisors.

However, this is not beneficial from the franchisee perspective (Fock, 2001) since their income is based on profits after royalties have been paid. If the franchisor allows the opening of additional units in the same territory it would cannibalise the sales and

profits of existing franchisees (Mayfield, 1997). Lack of territorial exclusivity is a particular problem for franchisees in mature and saturated markets such as food and beverage (Vincent, 1998).

Mathewson and Winter (1994) state that exclusive territories increase the importance of the franchisee to the success of the system by making it more difficult to replace franchisees by the franchisors. Franchisors can provide the franchisees with a protected territory through insertion of territorial clauses. Franchisors prefer to create a higher density of outlets in a geographic area (Zeller et al., 1980), and the location of new units allows franchisors to extract rent from franchisees. Territorial exclusivity provisions therefore mitigate hold-up hazards that may arise from encroachment (Azoulay and Shane, 2001).

Additionally, territorial exclusivity reduces the problems of franchise chain failure. An important characteristic of a successful franchisee is the ability to achieve a size that allows them to compete effectively with established firms who operate at the minimum scale of efficiency (Caves and Murphy, 1976). Allocating exclusive territories positively affects the survival of the franchisee (Azoulay and Shane 2001; Michael and Combs, 2008), and positively influences the franchisees' financial performance since it prevents other franchise units from the same brand franchisor, from obtaining revenues from existing franchisees. (Kalnins, 2004)

Novice franchisees defer territorial exclusivity until they obtain experience and evidence of the uncertainties of their business concepts. Novice franchisees also tend to be more concerned about encroachment on their territory and about conflict over

encroachment as they do not have experience of resolving the conflicts (Azoulay and Shane, 2001). Therefore, novice entrepreneurs consider that the level of competition and their performance would be adversely affected if there were other franchisors in the territory offering the same products and services.

Parallel franchisees, because of their experience, have positive expectations about their capabilities and prefer exclusive territories as it allows them to use the intellectual property of the franchisor to develop the business at a particular location. This ensures that there is no franchisor encroachment, whereby the franchisor develops alternative distribution channels in the franchisee's territory through other franchisees.

The performance of parallel franchisees would not be adversely affected if there are other franchisors in the territory offering the same products and services because they have many parallel businesses, as well as prior experience, which places them in a position to develop their customer base. Territorial exclusivity clauses are based on the constraints of the equity theory as they affect the level of competition, and franchisee performance would be adversely affected if there are other franchisors in the territory offering the same products and services.

H6: Different types of franchisees perceive the territorial exclusivity clauses in the franchise contracts differently.

Clauses: Tying Arrangements

A tying arrangement requires a franchisee to purchase products from a franchisor or a supplier approved by the franchisor as a condition of receiving the franchise. The argument for tying arrangements is that it reduces the likelihood of franchisees supplying low-quality products (Michael, 2000).

Through tying arrangements, the franchisor can control suppliers and provide consistency over products all through the franchise system (Paik and Choi, 2007). It provides value to the franchisees. Consistency in the quality of services makes consumers trust the franchise firm; both consistency and quality are important requisites of success for firms in the food and beverage sector (Wu, 2015).

Franchisees can benefit from tying arrangements if it allows them to take advantage of centralised bulk purchases. Franchisees are often able to purchase from external suppliers at the lowest prices and with the best terms. However, such tying arrangements or clauses increase the imbalance of power by placing more authority in the hands of the franchisor. (Petty, 2002) This reduces the franchisee's satisfaction and tying franchisees to suppliers reduces franchisee's flexibility, which may result in franchisees having to pay higher prices whilst experiencing reduction in their profit margins. However, novice franchisees will accept tying arrangements, as due to their lack of experience they will not have the opportunity to purchase externally at the best possible market price and terms.

Additionally, third parties would be reluctant to transact with novice franchisees as they have not yet acquired credibility in the market. Parallel franchisees would not

accept tying arrangements because they have many businesses and therefore have a reputation in the market with suppliers who enable them to purchase at competitive market prices.

Tying arrangements result in franchisees having to pay exorbitant prices for supplies, Franchisees are of the opinion that they are overcharged and therefore generate lower profits (Hunt and Nevin, 1975). Tying agreements are not viewed as being relevant to the success of franchising and three out of four research studies reflect that tying arrangements are not beneficial to the franchisee. The role of tying arrangements is therefore marginal (Michael, 2000).

Tying arrangements are related to the constraints of the equity theory; restrictions by franchisors on the source from which supplies or services are purchased by their franchisees at exorbitant prices from franchisor designated suppliers, is inequitable as it prevents franchisees from buying on the open market.

H7: Different types of franchisees perceive tying arrangement clauses in franchise contracts differently.

Clause: Franchise Fees

In respect of franchise fees, the franchise agreement requires two types of payments to be made by the franchisee to the franchisor: the initial franchise fee and the ongoing royalty payment (Kaufmann and Dant, 2001). As the initial franchise fee is paid in advance the contract duration should be long enough to cover start-up costs and upfront fees to open the outlet. Since the ongoing royalty payments represent a

percentage of turnover as opposed to percentage of profit, the franchisee may have to make royalty payments even if they are incurring a loss. The franchise contract includes an up-front franchise fee as well as royalty payments based on ongoing sales to the franchisor and is the means by which the franchisor covers the costs of ongoing services provided to the franchisees, which can earn a profit from the operations.

The franchisee receives the residual profit (Brickley, 2002). Bhattacharyya and Lafontaine (1995) state that the initial franchise fee is positively related to the total value created, but that the royalty rate is not affected by the total value created by the franchise relationship. The total value is determined by factors such as the characteristics of the local market, the value of the brand name, the total number of franchisees, and the extent of market power. They argue that the main determinant of royalty fees is the franchisor and franchisee's continuing efforts and that the royalty rates are higher when the importance of franchisor effort is greater. (Bhattacharyya and Lafontaine, 1995)

The ongoing franchise royalties ensure that there is an incentive for both parties to maintain standards (Dnes, 1993). The franchisor will maintain standards by effective monitoring of opportunistic behaviour by franchisees and the provision of quality services to franchisee because the franchisor's income depends on royalties and the value of the brand.

The royalty rates for novice franchisees are therefore higher as they depend more on the franchisor's efforts such as the training provided on various aspects of business by the franchisors. Royalty rates for parallel franchisees are lower, due to the fact that

their experience makes them less dependent on the franchisor's efforts. Since royalty payments are linked to profitability of the franchisee, the franchisor should support the franchisee in ensuring that the franchise is profitable. Franchise fees are related to constraints of the equity theory which emphasises outcome evaluation by the franchisee. The franchisees compare their ratios of exchange inputs to outcomes with that of the franchisor and thereby determine the extent to which franchisee fees and royalties are reasonable, and whether or not their performance will be adversely affected by the franchise fees. (Emerson and Benoliel, 2013)

H8: Different types of franchisees perceive franchisee fee clauses in the franchise contracts differently.

2.7 Conceptual Framework Selected Factors (Phase 3)

Phase 3 identifies how franchisee performance would be affected by different aspects of the resource based theory, social exchange theory and equity theory. To reiterate, the factors of resource based theory include: brand reputation, training, support and technical know-how. The factors related to the social exchange theory include local market knowledge, contract duration and collaborative communication. The factors relating to the equity theory include franchise fees.

The different contract clauses include training clauses, support clauses, franchise fees clauses, tying arrangement clauses, territorial exclusivity clauses, contract duration clauses, termination clauses, and exit strategy clauses as exhibited in table 2.1. As franchising business is an expanding form of business operation in the Middle East and in Saudi Arabia in particular, the investigation of franchisee performance has

been selected to examine the perceived market share, and perceived profitability instead of the actual market share and profitability. Most private companies keep their actual data on market share and profitability confidential, which make obtaining it difficult (Akremi et al., 2015). As a result, Akremi et al. (2015) suggest that researchers should use other data sources such as questionnaire-based surveys.

Furthermore, the outcome of the combination of these theories rather than each of them independently will lead to the creation of a stronger model. Hence, an integrative approach has been implemented in the study since the constraints defined by the theories of franchise selection and contractual terms affect the franchisee's performance. (Wu, 2015)

In the context of franchising, Nijmijer et al. (2014), suggest that in further studies “researchers should combine economic-based approaches such as agency theory, organisational approaches, which include the strategic perspective and social-psychological perspectives toward study factors that make franchising work”. In this research, to examine if the constraints defined by the theories of franchise selection and contractual terms will affect the franchisee's performance, the researcher has combined social-psychological perspectives which include the social exchange and equity theories, and the organisational approach which includes the resource based theory.

The development of the conceptual framework for this research is based on the different franchise selection theories, referred to above.

This framework has been based primarily on the resource scarcity theory, social

exchange theory, equity theory, combined with other factors from existing literature, such as contract clauses; and using the variables, including the franchisors' brand reputation, training, support, technical know-how, local market knowledge, contract duration, collaborative communication, franchise fees, training clauses, support clauses, franchise fees clauses, tying arrangement clauses, territorial exclusivity clauses, contract duration clauses, termination clauses, territorial exclusivity clauses and exit strategy clauses.

Table 2-1: Factors Included in the Preliminary Conceptual Model

Acceptance Theories	Factors Selected
Resources Based Theory	Brand reputation, training, support and Technical know-how
Social Exchange Theory	Local market knowledge, contract Duration and collaborative communication
Equity Theory	Franchise fees
Contract Clauses	Training, support, franchise fees, tying arrangements, territorial exclusivity, Contract duration, termination, Territorial exclusivity and exit strategy clauses

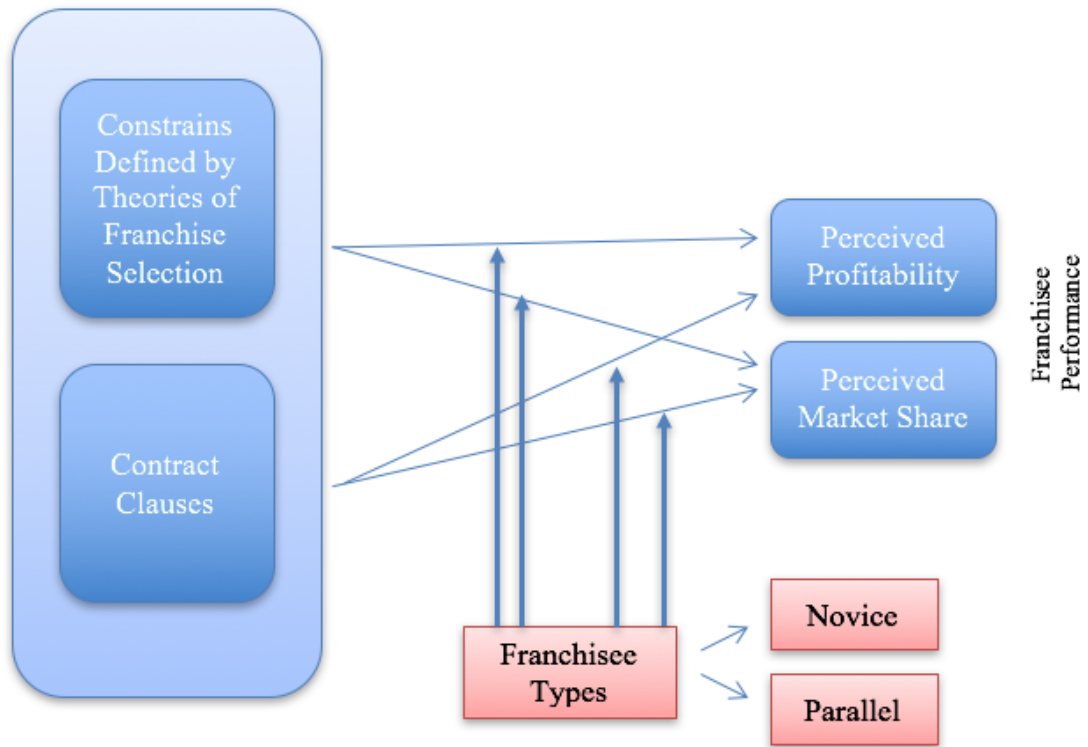


Figure 2-6: Conceptual Model

Figure 2-7 below indicates the literature review and conceptual framework creation stages for phase 3 that will be discussed further.

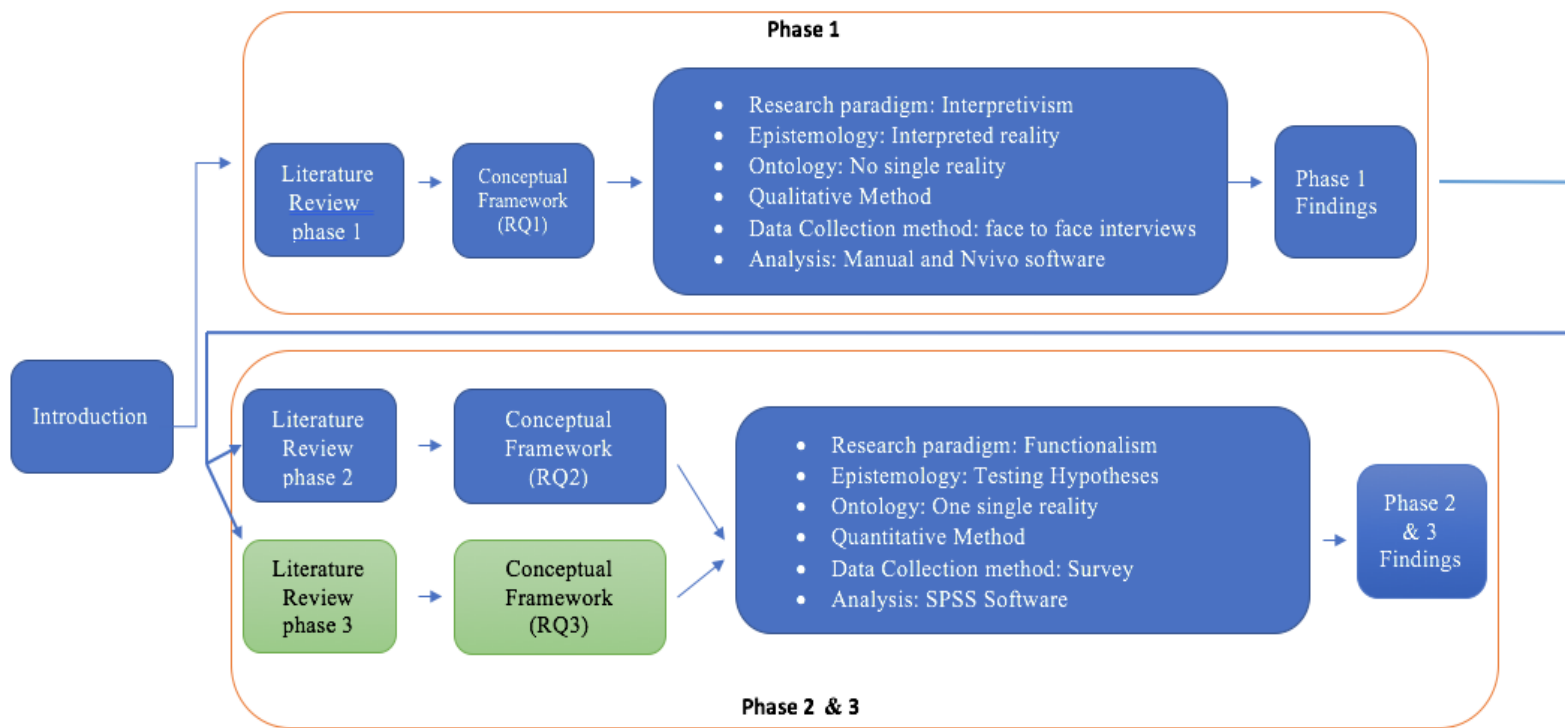


Figure 2-7: Research Procedure Diagram: Phase 3 Literature Review and Conceptual Framework for RQ3

2.8 Constraints Defined by the Theories of Franchise Selection and Franchisee Performance (Phase 3)

Phase 3 comprises the impact of constraints defined by the theories of franchise selection and contract clauses in relation to the franchisee performance in terms of perceived profitability and perceived market share. In addition, it tests whether the impact mentioned above is moderated by different types of franchisees.

2.8.1 Franchisee Performance

From the franchisee's perspective there are certain factors related to the franchisor which affect the franchisee's performance (Sivakumar and Schoormans, 2011) and emphasise services provided by the franchisor as affecting the franchisee's perceived performance. (Watson and Johnson, 2010) “In particular franchisor brand reputation, training, support, are among the characteristics that affect the franchisee's performance” (Ehsan, 2015; Ruiz-Ortega et al., 2013).

Research has indicated the importance of factors related to the franchisor on the franchisee's performance (Chiou et al., 2004; Combs et al., 2004; Monroy and Aizola, 2005; Watson and Johnson, 2010). According to Michael and Combs (2008) when franchisees adopt the policies of the franchisor, their rate of survival increases.

Research by Falbe and Welsh (1998) indicated the five factors of system quality, brand name, local environment, communication, and franchisee activities as influential in a franchisee's performance. “Franchisor support, including training, efficiency of the operating system and brand name are among the characteristics that affect the franchisee's performance” (Ehsan, 2015 and Ruiz-Ortega et al., 2013).

The resource-based theory provides one of the main explanations for the franchisees' performance and specifies that the franchisee's ability to convert resources into business-enhancing capabilities affects their performance (Paniagua and Sapena, 2014).

However, there are two differing views on franchisee performance. Some researchers argue that the franchisee's performance is dependent on their own characteristics and capabilities (Watson and Johnson, 2010). The focus is on resources and capabilities of the franchisee (Dyer and Hatch, 2006). Poor performance by the franchisee is therefore not only due to the franchisor characteristics but also attributable to deficiencies of the franchisee (Minguela-Rata et al., 2012). According to Rajagopal (2007), the abilities and capabilities of the franchisee are the primary factors affecting performance of the franchisee.

Although the franchisor attempts to create standardisation, franchisees operate in different local markets (Michael and Combs, 2008). Therefore, the franchisee's resources and capabilities play a significant role in their performance (Gorovaia and Windsperger, 2013). The franchisee's tangible and intangible resources, such as their management skills, organisational processes and the information, and knowledge under their control are more important contributors to the performance of the franchisee (Armstrong and Shimizu, 2007 & Gorovaia and Windsperger, 2013).

Other researchers adopt a relational view of franchisee performance and argue that franchisee performance is dependent jointly by the franchisor and franchisee. Grewal

et al. (2011) state that in the context of franchising, performance depends on the actions of both the franchisor and franchisee, both of which are subject to a legally binding franchise contract. Identifying the factors that result in superior performance requires an inquiry into the factors that affect success. Hence, it is essential to consider the partnership characteristics of the franchisor–franchisee relationship to identify the specific factors that affect the franchisee’s performance.

Franchisees invest in the franchisor’s resources to obtain both tangible assets as well as intangible assets such as brand reputation that are specifically necessary for the franchise. This view is shared by Wu (2015) who states that the franchisors' own resources and their relationships with franchisees determine franchisees' performance. Shared resources of the franchisor and franchisee determine franchisee performance (Lavie, 2006). The franchisor provides the franchisee with knowledge and financial, technological, physical and managerial support (Das and Teng, 1998). The franchisor's marketing capabilities and franchisees’ local market knowledge jointly affect franchisee performance (Dyer and Singh, 1998).

Therefore, franchisee performance is dependent on both the franchisor and franchisee (Minguela-Rata et al., 2012), and is also dependent on characteristics of the franchisees. (Michael and Combs, 2008) Qualitative factors affecting franchisee performance include both environmental factors, as well as organisational factors (Lumpkin and Dess, 1996). Organisations have marketing objectives that include market share, sales volume and profitability (Fornell et al., 2006; Ramani and Kumar 2008 & Srinivasan and Hanssens, 2009). Financial performance is an important

outcome for organisations (Ramani and Kumar, 2008 & Srinivasan and Hanssens, 2009).

El Akremi et al. (2015) state that factors related to the franchisor affect franchisee performance. These include experience prior to franchising, length of training, the number of years the chain has been in existence, contract duration, franchising fees, royalties and level of internationalisation, resulting in superior performance of franchised chains. Consequently, El Akremi et al. (2015) argue that factors that result in higher performance of franchisors can also be taken into account by franchisees when selecting franchisors.

Franchisee performance defines the extent to which the franchisee secures financial returns from owning the franchise. Metrics of franchisee performance include perceived market share and perceived profitability (Ramani and Kumar, 2008; Sheng et al., 2011). In the context of franchising, the concept of performance is relevant to the franchising system as a whole as well as to each individual franchisee. The metrics through which franchisee performance is measured in this study include perceived market share and perceived profitability. Both perceived market share and perceived profitability are determined by the extent to which the constraints of the resource scarcity theory, the social exchange theory and equity theory have been overcome.

2.8.1.1 Moderation Factor

Although the factors affect the franchisee performance in terms of perceived market share and perceived profitability, the type of franchisees has a moderating effect that

would affect the relationship between all the factors, and franchisee performance in terms of perceived market share and perceived profitability.

2.8.1.1.1 Perceived Market Share

Perceived market share is the proportion of the total market that is perceived to be controlled by a particular franchisor and represents an indicator of consumer perception of their product. Stability of revenues and recurring revenues impact the perceived market share as it affects the continuity and delivery of the franchise. Seasonality in the sales of franchisee outlets and market demand is affected by the demand for products in the outlets.

Marketing effort by the franchisee has an effect on the purchasing decision of different categories of consumers including innovators or first adopters (Morschett et al., 2005). The annual sales of the franchisee and the growth in franchisee's sales affects market share. In respect of market share, it is noted that increasing the number of units may be to the detriment of the franchisees as their market share is reduced by the growth of new franchisees.

Franchisor's Brand Reputation

Research into a franchise's success identifies the franchisor's brand reputation as a critical resource (Michael and Combs, 2008). Entering into a franchise system with a well-known reputable brand provides a significant advantage to franchisees in respect of the performance of franchisees (Merrilees and Frazer, 2013).

The main aspect of any franchise relationship is the franchisee's right to use the franchisor brand name in exchange for a share of profit to the franchisor. Ghantous

and Jaolis (2013) state that a franchisor's brand is one of the components that franchisees buy into and is therefore, a major resource which franchisees require. Franchisors sell their brand and therefore franchisor's brand reputation affects franchisees performance. Investing in a well-known franchisor brand with a good reputation provides the franchisee with a significant advantage (Merrilees and Frazer, 2013). Wu (2015) specifies that the franchisor's brand reputation has a significant impact on the franchisee's perceived market share. A franchisor whose brand is well-known enhances the franchisee's intention to remain in the system. Franchisees therefore select franchisors that have strong brand reputation.

In the competitive food and beverage sector, brand reputation is significantly important for a firm's performance (Perrigot et al., 2012). Brand reputation influences the consumer's first-time purchase (Combs and Ketchen, 1999). Additionally, the food and beverage sector experiences mobility of customers over geographic location (Combs and Ketchen, 1999) and therefore the brand reputation allows consumers to reduce costs of searching unfamiliar retail markets (Felício et al., 2014). Rajagopal (2007) states that the performance of the franchisee in the food and beverage sector depends on the strength of the franchisor's brand, which in turn affects the franchisee perceived market share and profitability (Felício et al., 2014).

The franchisor's brand reputation includes non-quantitative factors such as attractiveness of outlets, quality, price and promotional strategies, customer service and customer convenience. In the retail food sector in particular, franchisee performance is related to the outlet's brand and customer service (Rajagopal, 2007).

As a result, the franchisor's brand reputation is a valuable resource affecting franchisees' perceived market share. The franchisor's brand reputation has been shown to have a significant relationship to enhance the franchisee's perceived market share. This provides substantiation for the resource-based theory to the extent that the franchisor's brand reputation is identified as being one of the key resources that directly affects franchisee perceived market share (Wu, 2015).

The franchisor's brand reputation provides brand recognition for franchisees, particularly unknown franchisees. The benefits of the franchisor's brand reputation are available to all franchisees in the franchise system (Michael and Combs, 2008). The franchisor's brand reputation adds value to the franchisee's perceived market share by creating value for the franchisee through its impact on consumers' positive responses towards the brand. By increasing customers' loyalty, the brand reputation allows the franchisee to enhance perceived market share.

A positive brand reputation and image increases brand awareness and recognition and the value of the franchisor's brand reputation provides a competitive advantage which allows franchisees to differentiate themselves (Sigue and Chintagunta, 2009). The reputation of the franchisor's brand is important for a franchisee's competitiveness (Perrigot et al., 2012).

In the restaurant industry, brand reputation greatly influences the consumer's first purchase because there is a mobility of customers between geographic areas (Combs and Ketchen, 1999); therefore good brand reputation reduces the customer's costs of searching unfamiliar markets (Baucus et al., 1993 and Felício et al., 2014). Rajagopal

(2007) and Felício et al., (2014) specify that the perceived market share of the franchisee in the restaurant industry is dependent on the franchisor's reputation. The brand reputation is therefore a valuable resource that affects long-term success of the franchisee in the restaurant industry (Combs and Ketchen, 1999).

The franchisor's brand reputation is a factor based on the resource scarcity theory and affects the perceived market share of the franchisee and their ability to compete in the market by ensuring brand awareness. Brand reputation and image influence both current as well as future consumer behaviour. Therefore a favourable superior brand reputation increases brand adoption and thereby increases perceived market share.

A successful franchise brand reputation is one which meets customer expectations of the brand experience. However, franchisees are entrepreneurs and the franchisor's brand reputation affects franchisee market share through impact on franchisee-perceived brand reputation. The franchisor's brand reputation has a stronger effect on the perceived market share of novice franchisees with less experience as opposed to parallel franchisees who are more experienced (Nyadzayo et al., 2015). There is the possibility that franchisors with a strong brand reputation have saturated the market and if franchisees open new outlets they may be cannibalising their own sales. Nyadzayo et al. (2015) state that there is an effect of the franchisor's support on franchisee-perceived brand reputation. The franchisor's strong brand reputation affects their business model; as a result of which franchisees already have access to market demand and franchisees do not need to invest further in order to attract customers.

Franchisors have ambitious plans for their franchise without making adequate investments and therefore market share does not always increase as fast as the number of franchised units and restaurants, resulting in the franchisees being discontented. In respect of market share, the stability of the franchisee's revenue will be adversely affected if the franchisor increases the number of franchised units. The perceived market share of each existing franchisee declines due to the entry of new franchisees.

The franchisor's brand reputation therefore has a positive effect on franchisee's performance in respect of perceived market share. Lack of access to the franchisor's strong brand reputation is a constraint of the resource scarcity theory and this access is a priority for novice franchisees who are completely new entrants to the franchising market, and consider the franchisor's brand reputation as an important factor determining their performance. Parallel franchisees view the franchisor's brand reputation as a secondary factor in determining their performance as they already have a name in the market.

H9a: A strong franchisor's brand reputation will lead to increased franchisee's perceived market share.

H9b: The type of franchisee moderates the impact of brand reputation on perceived market share.

Training

El Akremi et al. (2015) argue that dynamic capabilities, according to Ambrosini and Bowman (2009) are processes that impact resources; and according to Gillis and

Combs (2009), for franchisees, general as well as specific knowledge, are a significant resource, and a source of competitive advantage. El Akremi et al. (2015) define knowledge as an original and proven business concept and as an operational, technical and marketing know-how. Therefore, El Akremi et al. (2015), states that the dynamic capabilities of a franchisor to transfer knowledge to the franchisee through training results in improved performance.

Training is a significant aspect of the services a franchisor provides (Davey-Rafer, 1998). There are two major types of knowledge in a franchising system, tacit and explicit. Explicit knowledge includes knowledge regarding processes, whereas tacit knowledge includes practical knowledge, such as the know-how obtained from experience. Tacit knowledge is obtained through interaction and shared understanding and explicit knowledge is obtained through formal and informal education (Davidson and Honig, 2003). Training allows the franchisor to transfer technical know-how about operations, as an intangible resource to the franchisee (Gorovaia and Windsperger, 2013).

Learning and technical know-how allows the franchisee to develop firm-specific human capital (Michael and Combs, 2008) and improves the franchisee's productivity, and through creating customer satisfaction, increases the franchisee's performance (Choo and Bowley, 2007). Through training, the franchisor allows the franchisee to have firm-specific human capital, which affects the franchisee's performance (Michael and Combs, 2008).

Training also permits the franchisor to provide the franchisee with continuous guidance (Marnburg et al., 2004 and Davey-Rafer, 1998). Novice franchisees that lack previous knowledge and experience will not be prevented from becoming a franchisee if the franchisor's training facilitates make market entry easy (Frazer, 2001). A franchisee is trained and receives technical expertise for doing business (Choo and Bowley, 2007) and the franchisor's training enhances the franchisees' performance (Michael and Combs, 2008).

Training provided by the franchisor is important to a franchisee's market share and the greater the amount of training, the higher the franchisee's market share. The training provided by a franchisor has a positive effect on the franchisee's performance in respect of market share. Training is a constraint of the resource scarcity theory and access to the franchisor's training is a priority for novice franchisees who are completely new entrants to the franchising market, and therefore consider the franchisor's training as an important factor in determining their performance. Parallel franchisees also consider the training and support provided by the franchisor as an important determinant affecting their market shares. Despite their experience, it may not be in the same field.

H10a: Greater amount of the training provided by the franchisor will lead to increased perceived market share.

H10b: The type of franchisee moderates the impact of training on perceived market share.

Support

The franchisor provides both initial, as well as ongoing support for the franchisee (Minguela-Rata et al., 2012) and this franchisor support has a significant impact on the franchisee's performance (Michael and Combs, 2008). A franchisor who provides adequate start-up support services is more likely to have a successful franchisee (Frazer, 2001) and franchisee performance is affected by the ongoing support services provided by the franchisor (Brookes, 2014 and Minguela-Rata et al., 2010). A franchisor provides the franchisees with support, guidance and assistance to maintain a position of a desired level of performance.

Support provided by the franchisor is important to a franchisee's market share; the greater the support and training, the higher the franchisee's market share. The support provided by a franchisor has a positive effect on the franchisee's performance in respect of market share. Support is a constraint of the resource scarcity theory and is a priority for novice franchisees who are completely new entrants to the franchising market, and consider the franchisor's support as an important factor in determining their performance. Parallel franchisees also consider support provided by the franchisor as an important determinant affecting their market share.

H11a: A greater level of support provided by the franchisor will lead to increased franchisee's perceived market share.

H11b: The types of franchisee moderates the impact of support on perceived market share.

Technical Know-how

Research indicates that the success of fast-food restaurants, particularly in international settings, depends on their ability to flourish in dynamic environments that are characterised by periodic changes in demand preferences, and to face high levels of technological change (Lu and Beamish, 2001 & Zhou, et al., 2005).

Therefore, a franchisor's technical know-how is a critical success factor as it facilitates the creation of differentiated products.

Franchisees depend on the franchisor for technical know-how as well as know-how in respect of franchise network management which needs to be transferred to the franchisees. Technical know-how includes non-patented practical information that has resulted from the franchisor's experience. Technical know-how is documented in the franchisor's operations manual. Effective transfer of technical know-how from franchisor to franchisee ensures cooperation between members of the franchise network and consequently enhances reputation, and permits cost control (Combs, et al., 2004). The better the technical know-how provided by the franchisor, the higher the franchisee's market share.

Technical know-how is a constraint of the resource scarcity theory and the franchisor's know-how is an important factor in franchisee's market share performance for novice franchisees as they lack prior technical experience. The extent of technical and business know-how provided by the franchisor is also an important factor affecting the parallel franchisees market share performance, because although they already have the experience it was not in the same field.

H12a: Greater extent of technical know-how provided by the franchisor will lead to increased franchisee's perceived market share.

H12b: The types of franchisee moderate the impact of technical know-how on perceived market share.

Collaborative Communication

Collaborative communication involves non-coercive communication; two-directional communication coupled with the characteristic of formality (Mohr and Nevin, 1990). Two-directional, collaborative communication involves both upward and downward communication within the franchise system, and results in franchisee satisfaction (Rodríguez et al., 2005). Satisfaction involves financial, welfare, and social satisfaction (Michie and Sibley, 1985). The franchisor-franchisee relationship is based on economic criteria whereby parties rely on economic results to survive and grow. Collaborative communication encourages understanding of and achievement of systemic objectives, speedier problem resolution and establishes trust between the two parties. Therefore, interdependence through collaborative communication may not have an effect on franchisee performance in a proximate manner (Palmatier et al., 2007).

If there is a high level of economic satisfaction, franchisees will relate to each other positively (Rodríguez et al., 2005). Market share and profitability, which are the factors considered in this research, relate to economic satisfaction. Franchisors provide advice and suggestions to franchisees and franchisees provide market information to the franchisor (Lee et al., 2010). Collaborative communication is non-

coercive communication and involves voluntary information sharing, (Mohr and Nevin, 1996).

Collaborative communication reduces conflict, as well as social and economic costs (Weaven et al., 2014 and Frazer et al., 2012); therefore, conflict management affects franchisee performance (Davies et al., 2011). Disagreement affects behaviour and adversely affects the relationship. Therefore, collaborative communication results in long-term relationships (Şengün and Wasti, 2011).

Collaborative communication is an important factor in determining the franchisee's performance in terms of market share because collaborative communication enhances the franchisee's commitment to remain in the franchise network, enhances the franchisee's satisfaction, and ensures that the franchisee is loyal to the franchisor (Rodríguez et al., 2005). Collaborative communication is an important determinant of franchisee performance, particularly in the early stages of the relationship. The better the communication between franchisor and franchisee, the higher the performance of the franchisee in respect of market share. Lack of collaborative communication between the franchisor and franchisee is a constraint of the social exchange theory.

H13a: The presence of collaborative communication between franchisor and franchisee will lead to an increased franchisee's perceived market share.

H13b: The types of franchisee moderate the impact of collaborative communication on perceived market share.

Franchisor's Local Market Knowledge

Franchisees are more familiar with local market conditions than the franchisor.

Franchisors with local market knowledge can identify market trends and technological changes successfully, and can obtain the ability to acquire resources at competitive prices (Michael, 2003). According to Stanworth et al. (2002), franchisees have sound roots in the local market which are not always understood by the franchisor.

However, it is necessary for franchisors to also have local market knowledge which involves knowledge of customers and their preferences, and competitors in the local market (Brockman and Morgan, 2003). Customer knowledge includes knowledge about the customers' current and potential requirements that facilitate the franchisor to enhance value to their product offering by meeting customer preferences with innovative, and market specific products. A franchisor's knowledge of customers and competitors allows franchisees to respond to customers quickly (Marinova, 2004). Research on the internationalisation process indicates that franchisor's local market knowledge expedites the speed at which perceived opportunities are recognised (Oviatt and McDougall, 2005).

Although franchisors depend on the franchisee's local knowledge of their franchisees to promote local sales, franchisees are expected to adopt standardised formats with little scope for adaptation to local market circumstances. Therefore, franchisees find it difficult to exploit local market opportunities. Consequently, there is a conflict between the franchisor's need for consistency and quality control, and the franchisee's need for autonomy (Dant and Gundlach, 1999). Franchised units operate in geographically diverse markets with different resources, consumer preferences, and

levels of competition. Franchisors need to have local market knowledge and resources to help their franchisees make decisions that increase local revenue, and in order to be able to do so, franchisors should maintain a global perspective. They also need to have an understanding of the local market in which franchisees operate. This will permit the franchisor to effectively engage with franchisees.

The better the franchisor understands the local market, the higher the franchisee's market share.

H14a: Higher levels of franchisors' local market knowledge and understanding will lead to higher franchisees' perceived market share.

H14b: The type of franchisee moderates the impact of franchisor's local market knowledge on perceived market share.

Fees

Fees are part of every franchise relationship. Franchisee's market share is defined by the annual number of unit sales and demand, as well as the price at which units are sold. The product of units sold and price per unit defines sales revenue. The annual sales of the franchisee and the growth in franchisee's sales are important measures of the franchisee's market share. The growth in sales increases the market share of the franchisee and is an important consideration in determining franchisee performance (Banker et al., 1996).

Stability of revenues and recurring revenues are an important factor affecting market share since it affects the continuity, and delivery of the franchise. Seasonality, in the

sales of franchisee outlets and market demand is affected by the demand for products in outlets, price, promotion, sales volume, market demand and in-store attractions offered to customers. Marketing by the franchisee has an effect on the purchasing decision of different categories of consumers, including innovators or first adopters. A product or service perceived by consumers to be innovative, in an attractive outlet, will create a positive effect on the customer's attitude towards the brand.

The attractiveness of franchisee outlets has a positive effect on customers' purchasing behaviour, affecting market share and sales (Morschett et al., 2005). In respect of market share, it is noted that increasing the number of units may be detrimental to franchisees as their market share is reduced by the growth of new franchisees.

Profitability performance of the franchisee also depends on related factors, such as pricing.

Pricing is also a factor affecting market share and the market share of franchisee outlets is affected by the price as it has a direct effect on demand. Price is an element of an organisation's marketing mix. If any element of the marketing mix is not appropriately implemented by the franchisee then a franchisee's market share performance will be adversely affected (Colgate and Danaher, 2000). If the price is too high, demand will be low and consequently, the market share will be low. Since Banker et al. (1996) state that the growth in sales increases the market share of the franchisee, it is argued that the market share of a franchisee is affected by demand and revenue as opposed to costs.

H15a: Higher fees imposed by the franchisor on the franchisee will lower the franchisee's market share.

H15b: The type of franchisee moderates the impact of fees imposed by the franchisor on perceived market share.

2.8.1.3 Perceived Profitability

The annual sales of the franchisee and growth in franchisee's sales are important measures of the franchisee's performance. Growth in sales increases the profitability of the franchisee and is an important consideration in determining franchisee performance. (Banker et al., 1996) In respect of market share, it is noted that increasing the number of units may be to the detriment of the franchisees as their market share is reduced by the growth of new franchisees. However, profitability performance of the franchisee also depends on the related factor of pricing. Pricing is one of the major factors to affect the performance of franchisee outlets, since price has a direct effect on demand.

There is therefore an association between market share and profitability. Franchisees with a high market share face low levels of competition, have lower costs and therefore, higher profits. However, the return on investment, which is one of the measures of profitability, is dependent on both net profit and the amount of investment required. As market share increases, the ratio of investment to sales could decline.

Franchisor's Brand Reputation

The better the franchisor's brand reputation, the higher the franchisee's profit and future cash flows. Brand reputation also impacts on pricing power, which is the ability of a company to be able to charge the prices it deserves for the value it provides to its customers. Companies who have pricing power can charge a premium price. In the

context of franchising, pricing power is determined by the franchisor's brand reputation which communicates the value of the product.

Franchisor's brand reputation has an impact on stability of the franchisee's revenues since recurring revenues are important performance criteria affecting the continuity and delivery of the franchise. Seasonality in the sales of franchisee outlets and market demand is affected by the demand for products in outlets, price, promotion, sales volume, market demand and in-store attractions offered to the customers. Brand reputation has an effect on the purchasing decision of different categories of consumers, including innovators or first adopters. If a product or service is perceived by consumers to be innovative and the outlet attractive because of the brand reputation of the franchisor, there is a positive effect on the customer's attitude towards the brand. Brand reputation also extends to the attractiveness of franchisee outlets, which in turn has a positive effect on the customer's purchasing behaviour, affecting market growth and sales and profitability (Morschett et al., 2005).

A strong franchisor's brand reputation has the potential to allow the franchisee to command a premium price as consumers' are willing to pay higher prices for a brand they know, trust and like, rather than for an unknown brand. The franchisor's brand reputation is a factor based on the resource scarcity theory; it affects the profitability of the franchisee and their ability to compete in the market by ensuring brand awareness.

H16a: A strong franchisor's brand reputation will lead to increased franchisees' perceived profitability.

H16b: The type of franchisee moderates the impact of brand reputation on perceived profitability.

Training

Franchisees join a franchise, rather than operate independently, because of the support services provided by franchisors (Justis and Judd, 2002). Training provided by the franchisor affects franchisee profitability, particularly at the initial stages of the franchise arrangement where mutual interdependence is created (Justis and Judd, 1989). During the start-up stage, franchisors assist franchisees with selection of the territory or site (Justis and Judd 2002 & Mendelsohn, 1999). In addition, to the acquisition of necessary equipment and inventory, franchisors train their franchisees in the recruitment and selection of employees, in the technical and management aspects of the business (Kaufman, 1999) and also organise the business launch (Justis and Judd, 2002).

H17a: The greater the amount of the training provided by the franchisor will lead to increased franchisees' perceived profitability.

H17b: The type of franchisee moderates the impact of training provided by the franchisor on perceived profitability.

Support

In addition to training, franchisors also provide ongoing assistance and support (Fried and Elango, 1997 & Kaufmann and Stanworth, 1995), research and development, and marketing and promotional support (Howard, 1996). Franchisors provide operations manuals to guide franchisees, as well as sending field support staff to visit franchisees

to monitor compliance and to identify franchisee's problems, and requirements (Justis and Judd, 2002).

The better the support and training, the higher the franchisee's profitability. However, franchisor support is inversely related to franchisee experience with the importance of franchisor support decreasing as a franchisee's experience increases. Franchisor support was found to be more significant to profitability when a franchisee is new to a particular franchise system (Scott, et al., 2006). Support and training are constraints of the resource scarcity theory and are important determinants of profitability for both novice as well as parallel franchisees. Despite their prior experience, parallel franchisees view support and training as an important determinant of profitability as they buy into the know-how of the franchisor's proven business model.

H18a: The greater the amount of the support provided by the franchisor will lead to increased franchisees' perceived profitability.

H18b: The type of franchisee moderates the impact of support on perceived franchisee profitability.

Technical Know-how

Franchisors have operated in the industry and acquired experience within the business. Therefore, experience affects entrepreneurial ability. Franchisors acquire technical know-how by investing resources and use it to create differentiated products; this system-specific know-how is then transferred to the franchisee. Franchisees need to be updated on procedures through regular exchange of information (Perry et al., 2000). The franchisee pays the franchisor a continuous royalty in return for on-going access to the franchisor's technical know-how. The

better the technical know-how provided by the franchisor, the higher the franchisee's profitability. If adequate technical and business know-how is not transferred by the franchisor, the franchisee would have to incur additional expenditure, which in turn would have an adverse effect on the franchisee's profitability performance. Technical know-how is a constraint of the resource scarcity theory and provision of technical know-how is relevant to both novice and parallel franchisees.

H19a: The greater the extent of technical know-how provided by the franchisor will lead to increased perceived franchisee's profitability.

H19b: The type of franchisee moderates the impact of technical-know how on perceived profitability.

Collaborative Communication

The level of satisfaction between franchisor and franchisee results in better overall business performance, including profitability. The failure of franchisees is attributable to ineffective and inadequate communications (Frazer, 2001). Collaborative communication between parties affects a franchisee's intention to remain in the relationship. These factors result in satisfaction of the franchisee with the franchise network, which also affects the franchisee's intention to continue to remain within the franchise network (Abdullah et al., 2008). Koza and Dant (2007) state that for the relationship between the franchisor and franchisee to be lasting there has to be effective communications, common beliefs and shared values in respect of the desired attitudes, and behaviour of both parties.

Monroy and Alzola (2005) state that the quality of the relationship develops over time, based on communication, trust and mutual commitment. Connell (1997) states that the success of the relationship between a franchisor and the franchisee requires support structures and communication. Despite the franchise agreement, franchisees have leverage in developing their strategies since the franchise agreement can not envisage all contingencies.

Aspects of communication relate to issues of product quality and transparent disclosure of sales by the franchisee. The better the communication between franchisor and franchisee, the higher the profitability of the franchisee. Collaborative Communication is a constraint of the social exchange theory.

Novice franchisees considered collaborative communication as an important factor affecting their profitability as it enhances their commitment to remain in the franchise network. Collaborative communication ensures the new entrant franchisee's satisfaction and loyalty to the franchisor. Collaborative communication is also an important factor affecting the parallel franchisee's profitability, as it ensures a sound and continuing relationship with the franchisor. It also ensures that the goals and objectives of the franchisor and franchisee are aligned.

H20a: The presence of collaborative communication between franchisor and franchisee will lead to increased perceived franchisee profitability.

H20b: The type of franchisee moderates the impact of collaborative communication on perceived franchisee profitability.

Franchisor's Local Market Knowledge

A franchisor's understanding of the local market permits the franchisor to allow the autonomy of the franchisee to react promptly to changes in the local market.

Franchisees have better knowledge of their local market than the franchisor, but they may lack the flexibility and autonomy to exploit this knowledge, particularly in respect of the necessary marketing effort. The better the franchisor understands the local market, the higher the franchisee's profitability performance.

H21a: The higher the level of a franchisor's local market knowledge and understanding will lead to a higher franchisee's perceived profitability.

H21b: The type of franchisee moderates the impact of a franchisor's local market knowledge and understanding on the franchisee's perceived profitability.

Contract Duration

The transaction costs theory explains contract duration by specifying that the contract duration is longer when firms have firm-specific investments that need to be protected, and is shorter in uncertain environments (Hirschhausen and Neumann, 2008). Dynamic capabilities include processes that support the creation of sustainable relationships that generate value for firms (Ambrosini and Bowman, 2009).

Therefore, selecting a mutually acceptable contract length is a dynamic capability that would support performance (El Akremi, et al., 2015).

According to Vasquez (2007) the initial investments that franchisees make at the inception of the contract need to be recouped and investment hold-up avoided.

Therefore, there is a positive relationship between fixed specific investments and

contract duration. Since the franchise relationship is dyadic, contract duration affects the relationship and the extent to which the franchisee can recoup initial investment. This ability to recoup the initial outlay affects the franchisee's profitability. Therefore, there is a positive relationship between fixed specific investments and contract duration.

Since the franchise relationship is dyadic, contract duration affects this relationship and the extent to which the franchisee can recoup the initial investment. This ability to recoup the initial outlay is a criterion of profitability. From a franchisee's point of view, the extent to which contract duration affects profitability depends on the type of franchisees. The profitability of novice franchisees increases with a long-term contract as it facilitates learning and recouping of initial investment in relation to the start-up costs, and upfront fees required to open the outlet.

However, very often, novice franchisees prefer a short-term contract as they need flexibility to learn and make changes within the organisation (Brickley et al., 2006). Although parallel franchisees have resources such as capital, number of employees and market knowledge; a long-term contract duration will ensure greater profitability as they also need time to recoup their investment in the particular franchise (Darrel, 1998).

H22a: The longer the contract duration, the higher the franchisee's perceived profitability will be.

H22b: The type of franchisee moderates the impact of contract duration on perceived profitability.

Fees

El Akremi, et al. (2015) states that franchising fees and royalties represent financial resources of the franchisor, which are used to develop capabilities that allow them to renew and transmit knowledge. From the franchisor's perspective, the higher the fees and royalties, the higher their ability to expand their knowledge. The fees paid by the franchisee to the franchisor are used by the franchisor to update their knowledge.

When this knowledge is transmitted to the franchisee, it will increase the franchisee's profitability. El Akremi, et al. (2015) conclude that higher fees and royalties result in higher franchisor performance.

However, from the perspective of the franchisee, fees related to contractual terms will affect profitability in terms of royalties paid to the franchisor. Royalties are based on revenue and even if the franchise is not profitable, the royalty fee has to be paid. The franchisees only have a residual claim on the profit.

H23a: Higher fees imposed by the franchisor on the franchisee will lower the franchisee's profitability.

H23b: The type of franchisee moderates the impact of fees on a franchisee's perceived profitability.

2.9 Contract Clauses and Franchisee Performance

The franchise agreement contains clauses that define concepts and interpretation of terms. Franchisors negotiate terms and provisions of the franchise agreement which are unilateral in the franchisor's favour. The basis of franchise contracts lies in the fact that the objectives and incentives for franchisors and franchisees are divergent,

and not aligned. Therefore, the objective of franchise contracts is to control the issue of non-alignment of objectives between franchisees and franchisors (Klein, 1995).

Contract clauses that have an impact on the franchisee's perceived performance include training clauses, support clauses, contract duration clauses, exit strategy clauses, termination clauses, territorial exclusivity clauses, tying arrangements and clauses relating to franchise fees.

However, perceived franchisee performance is complex because the franchisee and franchisor have different criteria on what constitutes success and they have different outcomes for a particular performance metric. Perceived franchisee performance can be measured through qualitative subjective measures as well as quantifiable financial measures such as, market share and profitability (Barthelemy, 2008). Perceived franchisee performance depends on the extent to which the franchisees perceive having obtained financial returns by owning the franchise, and the metrics of perceived franchisee performance include perceived market share and perceived profitability (Ramani and Kumar, 2008 & Sheng et al., 2011).

2.9.1 Moderation Factor

Although contract clauses impact on franchisee performance in terms of perceived market share and perceived profitability, this study will test if the type of franchisee has a moderating effect that would affect the relationship between all the contract clauses and franchisee performance in terms of perceived market share and perceived profitability.

2.9.2 Perceived Market Share

Clause: Training

The training provided by the franchisor extends to production systems, marketing resources, and organisational culture and management techniques. Extended training programs indicate that franchisors have significant routines that they transfer to franchisees. Therefore, extended training increases a franchisee's performance in terms of both perceived market share and perceived profitability, as it increases the franchisee's firm-specific human capital. (Shane, 2001)

Therefore, training is a significant aspect of the resource provided by the franchisor to the franchisee (Davey-Rafer, 1998). Through training, the franchisor can transfer skills relating to operations, to the franchisee (Gorovaia and Windsperger, 2013).

Training facilitates the transfer of system-specific knowledge and the provision of continuous guidance (Marnburg et al., 2004). When a franchisee is extensively trained and receives technical expertise from the franchisor (Choo and Bowley, 2007), the franchisees' performance is enhanced (Michael and Combs, 2008).

In the food and beverage sectors, the macro environment is dynamic (Michael, 2003). Franchisees will need to acquire training, knowledge, and they also need to be trained in order apply it to their particular business (Liao et al., 2003).

Since novice franchisees lack any previous knowledge and experience, franchisor's training facilitates facilitate market entry (Frazer, 2001); consequently, they view extensive training as enhancing their perceived market share. Parallel franchisees also consider the extensiveness of training clauses in the franchise contract as an important

factor affecting their perceived market share and although they already have experience, it may not be in the same field.

H24a: Extensiveness of training clauses affects a franchisee's perceived market share positively.

H24b: The type of franchisee moderates the impact of training clauses on the perceived market share.

Clause: Support

The level of support a franchisor provides to franchisees is important for the franchisee's successful performance in respect of perceived market share. Therefore, franchisors seek clauses whereby there is a positive obligation for the franchisor to provide support, both initially as well as ongoing, and include technical, promotional and advertising support (Lim and Frazer, 2004). The novice franchisee, due to lack of experience, requires support on an on-going basis and seeks clauses that offer extensive support provided by the franchisor as a significant factor in deciding on the selection of a franchisor. The parallel franchisee may have entered a new industry segment without any prior experience in that sector. Therefore, parallel franchisees also seek clauses that provide extensive support in terms of business-specific market resources.

H25a: Extensiveness of support clauses affects the franchisee's perceived market share positively.

H25b: The type of franchisee moderates the impact of support clauses on the perceived market share.

Clause: Contract Duration

Contract duration defines the length of time for which the relationship between the franchisor and franchisee will exist, and it defines the time period before which the original contract is renewed (Tractenberg et al., 2004). The duration of the initial term or length of the contract may not be relevant to perceived market share as there are renewal options. The initial term is considered in the context of the initial investment. The contract duration is also dependent on the intention of the franchisee to remain in the relationship. The franchise agreement should specify the planned duration of the contract and provide options for contract renewal.

Novice franchisees view short-term contract duration clauses as being able to enhance their market share. This is because they have access to capital but lack experience. Therefore, short-term contract duration is preferable as it will allow them to obtain business experience without a long-term commitment with a franchisor (Darrell, 1998). The parallel franchisees view long-term contract duration clauses as enhancing their market share as they have experience and market knowledge. Therefore, they prefer a long-term relationship with a franchisor to recoup initial investment and to secure their market share (Darrell, 1998).

H26a: Shorter contract duration clauses affect the perceived market share of novice franchisees positively.

H26b: The type of franchisee moderates the impact of the contract duration clauses on perceived market share.

Clause: Exit Strategy

Franchisees may want to exit the relationship by transferring the franchise to another individual before the expiration of the contract. This may require franchisor approval. Therefore, exit strategy clauses become relevant when a franchisee wants to sell their franchise. The franchisor may have its own strategy for the resale process which makes it difficult for the franchisee. The franchisee may be left with significant financial obligations (Ozanne and Hunt, 2011). An example of a difficult franchise exit strategy clause would be one that allows the franchisor to take over the franchisee's business without paying the fair market value as a going concern. This means all of the franchisee's goodwill would be lost. This goodwill would be preserved if the franchisee transferred the business.

Exit strategy clauses do not have an impact on perceived market share as they relate to franchisees selling the franchise, either back to the franchisor or to a third party. Exit strategy clauses are only relevant to the franchisee when they intend to leave the franchisee and these clauses have an impact on the selling price of the franchise.

Clause: Termination

The franchise contract termination clause identifies situations in which the franchisor and franchisee can end their legal relationship and discontinue their individual obligations under the agreement. Franchise contracts specify the period for which the contract will exist and the date of commencement. In most franchise contracts, there is a right of renewal. However, if the franchisor and franchisee give written notice, the contract can be renewed. Therefore, franchise agreements can be terminated on the

expiration of the contract term or if either party fails to renew the contract when the original contract expires.

As mentioned above, in most cases, franchise contracts explicitly specify expiration dates. The renewal terms after expiration of the original contract give the franchisee protection by limiting the changes to contract provisions (Brickley et al., 2006). In most cases, franchisors resort to franchise termination clauses to protect their brand. The franchise agreement may be terminated by mutual consent, as discussed above, which do not require a notice period by the franchisor. A strict termination clause is one which provides the franchisor with a lot of discretion to terminate the franchise agreement (Ozanne and Hunt, 2011).

An example of a strict termination clause is when the franchisor inserts a clause into the franchise agreement, whereby the franchisor is able to terminate a franchise agreement before it expires, without the consent of the franchisee even if the franchisee has not breached the agreement. Another example of a strict termination clause is when the franchisee cannot establish a similar competing business in the same area for an extended period of time after termination, due to a restraint on the trade clause.

Apart from terminating a franchise, the franchisor may choose not to renew a franchise, if given reasonable cause, such as persistent breach of the franchise agreement by the franchisee. If the franchise agreement is terminated prematurely by the franchisor it will deprive the franchisee from securing their market share.

Both novice and parallel franchisees view contract termination clauses as being determinants of perceived market as it affects their ability to continue operating the business.

H27a: Strict termination clauses negatively affect the perceived market share of franchisees.

H27b: The type of franchisee moderates the impact of termination clauses on perceived market share.

Clause: Territorial Exclusivity

The franchise contract grants exclusive territorial operating rights to the franchisee.

The franchisor agrees not to sell operating rights to other franchises in the same geographical region as the franchisee, and the franchisee is precluded from promoting its product to customers in another franchisee's territory. This is especially significant when locations are densely populated (Dnes, 2009). Examples of territorial exclusivity clauses include any clauses that require a franchisee to restrict operations and sales to a specified defined territory.

The existing franchisee's revenue and market share will decline when new franchise outlets open. Therefore, to avoid this, Mathewson and Winter (1994) state that franchisors provide the franchisees with a protected territory through territorial clauses. Territorial exclusivity clauses prevent encroachment (Azoulay and Shane, 2001); and, through territorial exclusivity, franchisees are permitted to compete effectively with other established franchisees in the same territory (Caves and Murphy, 1976). Exclusive territories enhance franchisee performance, particularly novice franchisees.

Novice franchisees defer territorial exclusivity clauses in their contracts as they lack experience related to resolving conflict over encroachment (Azoulay and Shane, 2001). Therefore, novice entrepreneurs consider territorial exclusivity clauses as having an adverse on effect on perceived market share as there would be franchisees of other franchisors in the territory offering the same products and services.

Parallel franchisees, because of their experience, view exclusive territories as having a positive effect on perceived market share as it allows them to use the intellectual property of the franchisor to develop the business at a particular location. It also ensures that there is no scope for the franchisor to develop alternative distribution channels in the franchisee's territory through other franchisees. The market share of parallel franchisees will not be adversely affected if there are other franchisors in the territory offering the same products and services because they have many parallel businesses, as well as prior experience, which places them in a position to develop their customer base.

H28a: Stricter territorial exclusivity clauses negatively affect the perceived market share of novice franchisees.

H28b: The type of franchisee moderates the impact of territorial exclusivity clauses on the perceived market share.

Clauses: Tying Arrangements

Tying arrangement clauses are exclusive dealing clauses, which involve franchisors requiring a franchisee to purchase its entire product and equipment from the franchisor or a franchisor selected supplier, and not from a competing supplier. Since a tying arrangement requires the franchisee to purchase products from the franchisor, or a supplier approved by the franchisor, as a condition of receiving the franchise, these arrangements reduce the likelihood of franchisees supplying low-quality products (Michael, 2000). Consequently, tying arrangements do not affect the perceived market share.

Clause: Franchise Fees

Franchise fees have two components, namely, the initial franchise fee and the ongoing royalty payment (Kaufmann and Dant, 2001). The initial franchise fee is paid in advance and the ongoing royalty payments are based on a percentage of the turnover. Since turnover is computed after market share, franchisee fees have no effect on perceived market share.

2.9.3 Perceived Profitability

Clause: Training

Since the royalties payable by the franchisee to the franchisor are dependent on gross sales, as opposed to net profits, it is also in the interest of the franchisor to ensure that the franchisee is successful. Consequently, franchisees perceive that the franchisor will provide appropriate training in order to increase sales. Increased sales and operational cost control result in increase

ed profitability. The extent of training clauses in the franchise contract in respect of market, pricing and delivery of the product and services in the system, increases the perceived profitability of the franchisee. When the franchisor provides initial and ongoing training for the franchisee (Minguela-Rata et al., 2012), the franchisee's perceived profitability is increased.

H29a: Extensiveness of training clauses affects the franchisee's perceived profitability positively.

H29b: The type of franchisee moderates the impact of the training clauses on perceived profitability.

Clause: Support

Chaudey and Fadairo (2008) state that when a franchisor provides well-developed support services it is more likely that the franchised outlet will be profitable. Ongoing support provided by the franchisor has a significant impact on the franchisee's perceived profitability (Brookes, 2014). According to Roh and Yoon (2009), franchisor support at pre-opening, as well as ongoing support, are essential for the franchisee's profitability. At the pre-opening, franchisees acquire operation and management skills. Therefore, the extensiveness of support clauses in the franchise agreement impacts the franchisee's perceived profitability.

H30a: Extensiveness of support clauses positively affects the franchisee's perceived profitability.

H30b: The type of franchisee moderates the impact of the support clauses on perceived profitability.

Clause: Contract Duration

Contract duration is the length of time set for the contract relationship between the franchisor and franchisee; it identifies the time frame before the original contract is renewed (Tractenberg et al., 2004). Contracts have renewal options. Since recoupment of initial investment is not a priority for novice franchisees, they are of the opinion that a short-term contract duration clause will increase perceived profitability as it permits them to obtain business experience without a long-term commitment with a franchisor (Darrell, 1998). The parallel franchisees view long-term contract duration clauses as enhancing their perceived profitability as they have experience and market knowledge, and need a long-term relationship with a franchisor to recoup their initial investment and to secure market share (Darrell, 1998).

H31a: The length of contract duration affects the perceived profitability of novice franchisees negatively.

H31b: The type of franchisee moderates the impact of the contract duration clauses on perceived profitability.

Clause: Exit Strategy

Exit strategy clauses affect perceived profitability of the franchise. If exit strategy clauses are difficult and there is a termination without renewal clause or a specific expiration date for the franchise, the franchisor can take over the lease and purchase certain assets of the business. Furthermore, the franchisee is bound by a non-competition covenant. Any goodwill the franchisee may have acquired in the business will be lost; therefore franchisees would want to be compensated at fair market value

as a going concern (Ozanne and Hunt, 2011). As mentioned above, the exit strategy clause protects the goodwill of the business and ensures smooth transition of the business if necessary.

Another example of a difficult exit strategy clause is when the franchisee wants to remain in the business; they can do so only by paying an unreasonably high termination fee to the franchisor. Additionally, the franchisee may be subject to non-competition restrictive covenants. Exit strategy clauses affect perceived profitability as they permit franchisees to recover the money they have invested in the franchise. The implication is that both types of franchisees need to protect the goodwill of the business and ensure smooth transition of the business.

H32a: The difficulty of franchisee exit strategy clauses affects the perceived profitability of franchisees negatively.

H32b: The type of franchisee moderates the impact of the exit strategy clauses on perceived profitability.

Clause: Termination

If franchise contracts are terminated before the franchisee has had an opportunity to recoup their investments, their perceived profitability will be adversely affected as the franchisee has not had the opportunity and time to earn a reasonable profit and take advantage of repeat customers. (Brickley et al., 1991). Therefore, a strict termination clause is any termination clause that permits termination without good cause. This will have an impact on perceived franchisee profitability.

H33a: Stricter termination clauses affect the perceived profitability of franchisees negatively.

H33b: The type of franchisee moderates the impact of the termination clauses on perceived profitability.

Clause: Territorial Exclusivity

Through territorial exclusivity clauses, franchisees are allowed to compete effectively with other established franchisees in the same territory (Caves and Murphy, 1976).

Since the franchisee's business is independent of the franchisor, territorial exclusivity clauses provide the franchisee with security over their territory and protection of their market. This permits the franchisee to earn expected returns. However, territorial exclusivity may have a requirement for minimum sales and fees imposed on the franchisee. Novice franchisees, due to their lack of experience, consider territorial exclusivity clauses as having an adverse effect on perceived profitability due to the possibility of franchisees of other franchisors in the territory offering the same products and services.

Parallel franchisees, because of their experience, view territorial exclusivity as having a positive effect on perceived profitability as it allows them to develop the business at a particular location and to ensure that there is no scope for the franchisor to develop alternative distribution channels in the franchisee's territory through other franchisees. The profitability of parallel franchisees would not be adversely affected if there were other franchisors in the territory offering the same products and services, due to their prior experience which allows them to develop their own customer base.

H34a: Stricter territorial exclusivity clauses negatively affect the perceived profitability of franchisees.

H34b: The type of franchisee moderates the impact of territorial exclusivity clauses on perceived profitability.

Clauses: Tying Arrangements

Through tying arrangement clauses, franchisees are prevented from purchasing goods or services from a third party. Tying arrangements require a franchisee to purchase products from a franchisor or a supplier approved by the franchisor. The basis for tying agreements is that such arrangements allow the franchisor to control quality and ensure uniformity of the branded product or services. An example of strict tying arrangement clause is one where a dominant franchisor requires franchisees to purchase supplies and raw materials only from either the franchisor or franchisor-approved suppliers at prices that are significantly higher than those on the competitive market. Due to tying arrangement, franchisees are prevented from purchasing at the lowest prices on the best terms. This may reduce their perceived profitability.

On the one hand franchisees can experience increased perceived profitability from tying arrangements if it allows them to take advantage of centralised bulk purchases. However, very often franchisees can purchase from external suppliers at lower prices and on more advantageous terms. If tying arrangements result in franchisees having to pay higher prices and experiencing a reduction in their profit margins, there is an adverse effect on perceived profitability.

In the case of novice franchisees, they do not have the opportunity to purchase externally at the best possible market price and terms, as they lack supplier contacts and also because third parties would be reluctant to transact with novice franchisees as they have not yet acquired credibility in the market (Petty, 2002). Therefore, they have to depend on the tying arrangement of the franchisor and may have to pay a higher price. Tying arrangements result in franchisees having to pay exorbitant prices for supplies. Franchisees are of the opinion that they are overcharged and therefore generate lower profits (Hunt and Nevin, 1975). Therefore, tying arrangements affect the novice franchisee's perceived profitability adversely.

Parallel franchisees have a reputation in the market with suppliers who enable them to purchase at competitive market prices. Therefore, the tying arrangement may result in these franchisees paying prices from franchisor approved suppliers.

H35a: Strict tying arrangement clauses in the franchise contract will affect the perceived profitability of franchisees negatively.

H35b: Type of franchisee moderates the impact of the tying arrangements clauses on perceived profitability.

Clause: Franchise Fees

As mentioned above, there are two types of franchise fees, the initial franchise fee and the ongoing royalty payment (Kaufmann and Dant, 2001). The initial franchise fee is paid in advance and the ongoing royalty payments represent a percentage of turnover as opposed to a percentage of profit. The franchisee may have to make royalty payments even if they are incurring a loss: the franchisee receives the residual profit

(Dnes, 1993 and Brickley, 2002). Bhattacharyya and Lafontaine (1995) state that the initial franchise fee is positively related to the total value created, but the royalty rate is not affected by the total value created by the franchise relationship. The main determinant of royalty fees is the franchisee's continuing efforts and that the royalty rates are higher when the importance of franchisor effort is greater (Bhattacharyya and Lafontaine, 1995).

The profitability of franchisees is perceived as fees and royalty rates increase the amount of revenue available to cover the franchisee's fixed costs and result in a diminishing acceptable return. Therefore, the volume of sales necessary to generate profit would be much higher (Michael and Combs, 2008).

The royalty rates for novice franchisees are higher as they depend more on the franchisor's efforts, such as the training provided on various aspects of business by the franchisors. Royalty rates for parallel franchisees are lower, due to the fact that their experience makes them less dependent on the franchisor's efforts. Therefore, royalty payments are linked to, and have an impact on, perceived profitability of the franchisee.

H36a: Franchise fee clauses in the franchise contracts affect the perceived profitability of franchisees negatively.

H36b: Types of franchisees moderates the impact of the franchise fee clauses on perceived profitability.

2.10 Research Questions

Upon conducting the extensive literature review in the areas of entrepreneurship, franchise selection, franchise contract clauses and franchisee performance from which the conceptual framework has been formulated and the related relationships in the framework was hypothesised, this research attempts to answer the following questions:

1. How are the constraints defined by the theories of franchise selection applicable to entrepreneurs who want to become franchisees?
2. What are the differences in the attitudes of franchisees towards the contractual terms?
3. How do the constraints defined by the theories of franchise selection and contractual terms affect the franchisee performance?

Table 2-2: Literature Review: Resource Theory

Research Study	Focus	Key Finding	Method	Entrepreneur Type
Resource Theory				
Hitt et al. (2000)	Criteria of franchisor - franchisee selection	Significance of a firm's role in the selection of international franchisor - franchisees in both developing as well as developed markets	Quantitative - Survey	Completely new entrant
Wang and Altinay (2008)	Manner in which international franchisors learn.	Franchisor selection is important to the performance of franchised chains and has a direct impact on brand quality and growth rate.	Qualitative - Interviews	Parallel entrepreneurs
Weavin and Frazer (2007)	Appreciation of organizational choice theory.	Reducing costs related of adverse selection through the use of multiple unit franchising.	Qualitative - Interviews	Entrepreneurs who diversify
Wu, (2015)	This study develops and tests how factors affecting franchisees' performance and their plan to continue in the franchise system.	Results indicate the sharing of knowledge, ability to trust, conflict management, and franchisor's brand reputation are relevant to the franchisee remaining in the franchise system as well as their financial performance.	Quantitative - Survey	Franchisees

Table 2-3: Literature Review: Social Exchange Theory

Research Study	Focus	Key Finding	Method	Entrepreneur Type
Social Exchange Theory				
Altinay and Brookes (2012)	The development of franchisors and franchisees relationship in international franchises of service firms.	Importance of firm's assets and cultural awareness in the relationship between franchisors and franchisees.	Qualitative - Interviews	Completely new entrance
Dekker (2008)	Analysis of a firms' franchisor selection and governance factors that affect inter firm relationships	Governance and regulatory concerns are affected by concerns regarding coordination and dependence.	Quantitative	Parallel entrepreneurs
Falbe and Welsh (1998)	Franchisee success and failure	There are significant differences in factors affecting perceptions of success and failure of franchisor executives.	Quantitative Survey	Entrepreneurs who diversifying
Gundlach et al. (1995)	Impact of credibility and extent of commitment in an exchange relationship.	A positive relationship exists between credibility and development of relational social practices.	Quantitative Survey	Temporary franchisees
Johnston (1997)	Relevance of dependency, trust, commitment, cooperation and equity in franchise relationship.	A high level of trust, long-term relationship, high level of exchange of information and extensive mutual cooperation affect franchisor - franchisee relationship	Qualitative Interviews	
Metcalf et al. (1992)	Developing hypotheses identifying the relationships between the constructs of the IMP interaction model	Cooperation is a predictor of the willingness of firm to adapt to each other	Quantitative	
Wilson (1995)	Combine findings of empirical studies with conceptual models.	Certain variables are active at some stages and latent in other stages	Qualitative Interviews	

Table 2-4: Literature Review: Equity Theory

Research Study	Focus	Key Finding	Method	Entrepreneur Type
Equity Theory				
Ganesan (1994)	Mutual dependence between parties and the extent to which they trust each other affect the extent of long term orientation.	Factors that determine the long-term orientation of retail franchisees and franchisors are trust and dependence.	Quantitative Survey	Completely new entrant
Huppertz et al. (1978)	Identifying predictions of the equity theory	Franchisees view inequity in terms of both price and service.	Quantitative	Parallel entrepreneurs
Johnston (1997)	Dependence, trust, commitment, cooperation and equity are descriptors	A high level of trust, long-term relationship, a high level of information exchange and mutual cooperation characterise franchisor - franchisee relationships.	Qualitative Interviews	Entrepreneurs who diversifying

2.11 Chapter Conclusion

This chapter has formulated the conceptual framework based on franchising literature. All factors in the model were obtained from the franchise literature, which provided the basis for the design of the questionnaire. Existing literature that has been perused suggests that franchising research in respect of franchisees is not theoretically robust (Ketchen et al., 2011). It has also been identified that franchising is a form of entrepreneurship because it requires the pursuit of opportunities, minimising risks and implementing new ideas (Bann, 2009).

Existing research reviewed above has primarily focused on the perspective of franchisors and does not adequately address the franchisee's perspective in relationship to factors that affect the franchisee's performance in the international market. Additionally, the literature provides limited theoretical basis for identifying how different types of franchisees exhibit different attitudes.

This chapter has developed the hypotheses in the proposed model which will be tested in Chapter Six to confirm whether these hypotheses are supported or not. The next chapter, which is the research methodology chapter, will explain the different approaches and methods for conducting the research, showing how data was collected and analysed.

CHAPTER THREE – RESEARCH METHODOLOGY

3.0 Introduction

The previous chapter identified existing literature and the development of the conceptual framework, and hypotheses. A combination of existing literature and theoretical frameworks has been used to conceptualise the elements of the research model.

The purpose of this chapter is to outline and provide justification for the methodology applied in addressing the three research questions and testing the conceptual models derived from the literature review in attempt to answer the three research questions.

This chapter will describe the research paradigms, the research philosophies, research approach, research strategies, justifying the use of both qualitative as well as quantitative methodologies, sampling and data collection methods, and the data analysis.

This study took a unique research approach with a combination of interpretivist for phase 1 and functionalist for phases 2 & 3. This research combination improves the understanding of the research from both subjective and objective perspectives.

Additionally, the philosophy of ontology of how we can understand reality (objectively and subjectively) and the philosophy of epistemology of how we transfer knowledge (objectively and subjectively) are discussed to provide the basis for the link between social constructivism and interpretivism, subsequently the use of functionalism in this research is discussed.

For the research approach, abduction (systematic combining) was utilised which required creation of an initial conceptual model. Thereafter, the researcher amended the model through new insights gathered concurrently whilst conducting fieldwork. This type of research approach strengthens the research in terms of amending the initial framework to include the new insights collected from observation and literature review.

Considering the multi-pronged phases of research, the research strategies comprised qualitative (phase 1) and quantitative (phases 2 & 3) to provide a holistic understanding of the research topic, where phase 1 needed subjective data and phases 2 & 3 required objective data. The justification for two different research strategies is that the qualitative data provided insights and platform for other observations, whereas the quantitative data provided statistical evidence to support research questions 2 and 3. This study followed non-probability convenience sampling for both the qualitative and quantitative research. Finally, data analysis methods were a combination of computer assisted analysis through NVIVO software and manual analysis.

The study utilised face-to-face interviews with the help of a questionnaire as the research instrument for qualitative data collection, in order to identify how the constraints defined by the theories of franchise selection are applicable to entrepreneurs who want to become franchisees. The study targets quantitative techniques for verification of hypotheses. To explore the phenomenon of entrepreneurs with respect to franchising, this study adopts various variables, sampling techniques to target the desired population, methods of collecting data

regarding variables and selection of the procedure used to analyse the information. Thus, the information collected by adopting primary data will be verified, and the final outcome of the investigation will be provided. The chapter concludes by identifying the problems associated with reliability, validity, generalisation and triangulations methods.

3.1 Research Paradigm

A research paradigm is “the set of common beliefs and agreements shared between scientists about how problems should be understood and addressed” (Kuhn, 1962). Burrell and Morgan (1979) cited in Gioia and Pitre (1990) and Allen and Ellis (2000), devised a 2 x 2 matrix that organised ontological, epistemological and methodological differences according to objective-subjective, and regulation- radical change categories. From figure 3.1 we understand that the four paradigms are related on the horizontal (sociology of radical change and sociology of regulation) or vertical (subjective and objective) planes, but they have inherent differences that lead to the need for separate paradigms.

Therefore, radical humanist and interpretivist are subjective – the point of the individual, while radical structuralist and functionalist are objective – perspective outside of the individual. Additionally, radical humanist and radical structuralist are focused on radical changes to be made in the social world. However, interpretivist and functionalist are based on the regulation of the social world through “rules”. It must be noted that the paradigms are mutually exclusive. They provide different perspectives of understanding social reality, thus we understand four different realities of society. (Gioia and Pitre:1990 and Allen and Ellis:2000)

This matrix is represented in figure 3-1 and comprises the four research paradigms mentioned above, namely: Radical Humanist; Radical Structuralist; Interpretivist and Functionalist. These four paradigms consider alternative views of reality outside its limits and in fact may not be perceived as part of existence. The four paradigms define four different views of the social world using meta-theoretical assumptions in terms of understanding the nature of science and society. In theory, acceptance of one paradigm is the rejection of the other three. Important to this study is the interpretivist and functionalist paradigms that are essentially concerned with understanding the nature of science in a regulation manner. In this stance, 'regulation' is used as an umbrella for both functionalism and interpretivism paradigmatic approaches that focuses on the regulation and control of social affairs. (Gioia and Pitre, 1990 & Allen and Ellis, 2000)

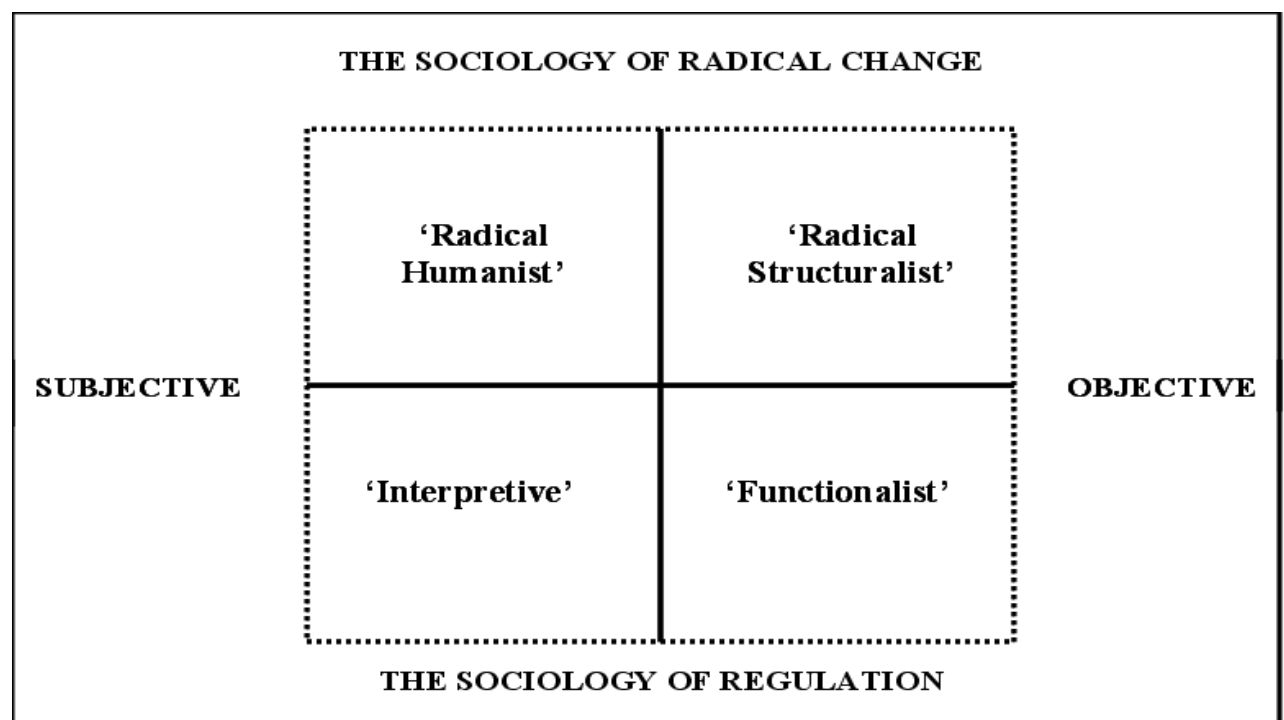


Figure 3-1: Burrell and Morgan's (1979) four paradigms for the analysis of social theory.

The functionalist paradigm is based on an objectivist perspective. It is concerned with presenting explanations of the “status quo, social order, consensus, social integration, solidarity, need satisfaction, and actuality. Further, the above concerns are dealt with in a manner that is realistic; positivistic; determinist and nomothetic. Functionalism seeks to provide rational and pragmatic justifications of understanding society. The aim is primarily knowledge generation that can add value to society. The root of functionalism is sociological positivism that attempts to apply methods and models of natural science to social issues. Being problem-orientated, it seeks to resolve problems from a practical standpoint. (Gioia and Pitre,1990 & Allen and Ellis,2000)

In contrast to functionalism, the interpretivist paradigm is focused on a subjectivist perspective to analyse the social world. The interpretivist approach does not take an explicit approach, rather it is implicit in nature. This stems from the basis of understanding the social world through experience and perspective, and not understanding by being an observer. This paradigm relies on an individual’s inner thought patterns and consciousness. For interpretivists, social science is handled in a nominalist, anti-positivist, voluntarist and ideographic manner. It is premised on the idea that individuals create the social world and that it is based on interconnected assumptions and subjectivity.

Therefore, it is widely accepted that intepretivists’ understanding of the social world is based on human experience and individual perspective. Further, according to Burell and Morgan (1979) “the world of human affairs is cohesive, ordered and integrated” ignoring the “problems of conflict, domination, contradiction and potentiality” Burell

and Morgan (1979). Essentially, interpretivism investigates the existence of organisations in anything else but a conceptual frame of thought. It is based on Kant's work and takes much from German ideology that highlights the spiritual nature of the world. (Gioia and Pitre,1990 & Allen and Ellis,2000)

Radical Humanist

The radical humanist paradigm is closely linked to the interpretive paradigm and is focused on creating radical change through subjectivism. This particular paradigm regards the social world from a nominalist, anti-positivist, voluntarist and ideographic perspective. It is devoted to conquering the confines of existing social activities. The primary belief is that man's consciousness is controlled by the framework in which he interacts. Radical humanists are critical of the status quo and view society as anti-human. They are concerned with providing a platform that enables humans to surpass their spiritual ties to realise their fullest potential. Radical humanists hold modes of dominion, emancipation, deprivation and potentiality as important to radical change. Largely based on the work of Kant and Hegel, it emphasises human consciousness and subjectivism. The paradigm strives to alter the social world through an alteration in modes of cognition and consciousness, thereby releasing people from the frameworks of the social world. (Gioia and Pitre,1990 & Allen and Ellis,2000)

Radical Structuralist

The radical structuralist paradigm is based on creating radical change from an objectivist perspective. Although it shares some characteristics of functionalism, the result of the radical structural paradigm compared to functionalist is different. Radical structuralism is dedicated to radical change, emancipation, and potentiality, in an

analysis which highlights structural conflict, modes of domination, contradiction and deprivation. The method tends to be realist, positivist, determinist and nomothetic. While radical humanists create their viewpoint by emphasising 'consciousness' as the basis for a radical assessment of the social world, the radical structuralists emphasised the structural relationships within a realist social world. (Gioia and Pitre, 1990 & Allen and Ellis, 2000)

3.2 Research Philosophies

Conceptualising research needs a contextualisation of research philosophies that influence social scientists and researchers. Therefore, the philosophies of ontology and epistemology will be discussed as the foundation for research approaches respectively.

3.2.1 Ontology

Ontology refers to the essence of the phenomena under investigation. It questions whether the reality to be investigated is internal or external to the individual. This refers to whether the product of thought derives from the individual's consciousness or whether it is something imposed on the individual from the outside.

Ontology focuses on what is reality. Two aspects of ontology are nominalism and realism. Nominalism refers to the social world being external to the individual where cognition is reduced to names, concepts and labels that are used to structure reality. Realism refers to the social world being external to the individual but is a real world that comprises tangible structures. Therefore, in realism the social world exists independently of an individual's appreciation of it. This translates being born into a

social world that has a reality of its own. It is not created by the individual but exists outside the individual. Ontologically speaking, it existed as a “hard” natural world before any human being came into being.

Ansari et al. (2016) describes ontology based on the existence of man, society and the world from one point, and the relationship among them from another point. Bryman (2004) cited in Ansari et al. (2016) describes two major ontological ideas about the social world, one is a single reality that is investigated objectively. The other considers multi-realities and is investigated subjectively. Consequently, the researcher’s perception of the study sets the objectivist or subjectivist stance for the research.

Further, from a qualitative perspective, this study sought to understand how the constraints defined by the theories of franchise selection are applicable to entrepreneurs who want to become franchisees. This phase of the research study emphasises the subjective stance of respondents per multi-realities (see Figure 3-5). In terms of a quantitative perspective, 123 respondents were surveyed in Saudi Arabia on: the differences in attitudes of franchisees towards contractual terms; how the constraints defined by the theories of franchise selection and contractual terms affect the franchisee performance; and whether different types of franchisees would affect these relationships. This phase of the study emphasised the objective and single reality aspect of ontology.

3.2.2 Epistemology

In relation to ontology, exists epistemology in philosophy. According to Burrell and Morgan (1979) cited in Gioia and Pitre (1990), while ontology is concerned with the

nature of organisational phenomenon, epistemology is concerned with the nature of knowledge of organisational phenomenon. Epistemology, essentially answers the question “How can I know reality?”. It describes how the world can be understood and how this understanding can be communicated to other people. Further, it is concerned with what forms of knowledge can be obtained and how falsehoods can be discerned from this obtained knowledge. It also looks at how knowledge is viewed, in terms of being tangible and transmitted in a tangible form, or is it subjective and spiritual based on personal insight and experience. Epistemology seeks to understand and explain whether knowledge can be acquired, or whether it is something that has to be experienced. In the qualitative research, the epistemological stance is to interpret reality based on interviewing selected respondents. However, in the quantitative research the study seeks to understand the statistics; facts and numbers presented by the data collected through the self-administered surveys.

Further to the previous discussion on positivism (functionalism), we should mention that it derives from epistemology, which are assumptions that seek to explain and predict what happens in the social world. It looks for causal relationships and irregularities between constituent elements. Fundamentally, it is a traditional approach to understanding natural science. Verificationists of positivism agree that growth of knowledge is basically that new hypotheses and insights are added to the existing knowledge pool and false hypotheses are removed. It is a cumulative process.

According to Ansari et al. (2016) the epistemological path of positivism happens when the research attempts to seek knowledge in an objective manner. Therefore, positivism assumes one objective reality, independent of human perception. The

opposite would be if there is interaction between the researcher and participants which leads to a subjective phenomenological study.

3.2.3 Social Constructivism

Social constructivism is an anti-realist, relativist stance. It is the idea of development of jointly constructed understanding of the world that forms the basis of shared assumptions about that reality, therefore epistemological in nature. It is a constant process of learning in which people find understanding of their experiences.

Objectivity of knowledge becomes problematic. Thus, there is the query as to whether socially constructed knowledge is reliable.

According to Greenwood (2002), social constructivism breakdowns in epistemological relativism due to incoherence. Social constructivism repudiates theoretical descriptions in natural or psychological science because of the independent facts about the natural and psychological world. According to Gergen (1985) cited in Greenwood (2002), social constructivism views dialogue about the world as an item of communal exchange.

There is a sub-school of thought in social constructivism that argues for neo-empiricism. It is a minority viewpoint based largely on relativism and subjectivity. The argument for this study stating that interpretivism is based on realist assumptions is below.

Neo-empiricism calls for scientific theories to be subjugated to observational tests. It refers to the philosophy that knowledge is derived from sensory experience. Meaning that in empiricism propositions are required to be defined in terms of observable

phenomena they are referring to. Neo-empiricism refers to epistemological understanding of transferring knowledge through observable data and scientific method. (Greenwood, 2002) In relation to social constructionism, the meaning of reality is constructed through the interactions of individuals, reality is created based on the values those individuals and not necessary through tangible observed data. Thus, reality can be constructed without a scientific basis depending on the individuals' constructions. (Schwandt, 1998)

Realism in terms of an object is the view that this object exists in reality freely of our theoretical scheme. In philosophical terms, these objects are ontologically self-governing of an individual's perceptions, linguistic practices, beliefs, etc. Beings of a certain type have an impartial reality, a reality that is completely ontologically autonomous of our conceptual schemes, linguistic practices etc. Therefore objects of a sense perception exist independently of the mind. (Greenwood, 2002) Consequently, interpretivism highlights the real world of first-person experience (subjective) and seeks to objectify this experience. (Schwandt, 1998)

Relativism

The doctrine of relativism is based on no absolute truths. Further, it supposes that experience is based in relation to some other aspect of reference, example culture or language. From an ontological standpoint, relativism is socially constructed and subjective. Epistemologically, it can be argued that when knowledge is constructed subjectively, then the "true" nature of reality becomes irrelevant because people cannot escape the inherent socially constructed realities. However, critical realism can provide a stratified solution to how we regard reality subjectively and objectively.

Maxwell (2012) argues for a real though not objective world. He argues for the significance of critical realism is the conceptualisation and conduct of qualitative research. He further states that a large amount of qualitative work is implicitly realist in its assumptions and methods, but there have been little explicit statement to realist approaches in qualitative work.

In addition, Maxwell (2012) presents the work of Blumer (1969) who combined ontological realism with epistemological constructivism. Therefore Maxwell argues for critical realism – which is ontological realism + epistemological constructivism. Further, Maxwell, presents other qualitative work by (Miles & Huberman, 1984, 1994) who used qualitative analysis strategies that was implicitly grounded in a realist perspective.

According to Maxwell (2012), (Miles and Huberman, 1984, 1994) wanted to validate the use of qualitative research to determine and authenticate causal explanations. Subsequently, they also deliberated the analytic strategies that qualitative researchers can use to achieve this. The focus on this work promoted a consensus between realism and idealism, with the focus being on realism's inferences for causal analysis. (Maxwell, 2012)

Further, (Maxwell, 2012) argues that some constructivist qualitative researchers have supported the obvious consideration to critical realism. In addition, not only is ontological realism well-matched with epistemological constructivism, but ontology has significant consequences for research that are independent of those of epistemology. Finally, Maxwell states, “that realism can do useful work for

qualitative methodology and practice if it is taken seriously and its implications systematically developed". (Maxwell, 2012)

Relativism subscribes that knowledge, truth, and morality exist in relation to culture, society, or historical context and not as a substitute. Views are relative to differences in perceptions and considerations. There is no universal objective truth, each point of view has its own truth. (Greenwood, 2002) As such, constructivism views knowledge and truth as being created and not discovered by the human mind. Social constructivists regard the pluralistic and plastic nature of reality, where there are many realities and plastic as in how reality can be molded to fit the purpose of the human intention. (Schwandt, 1998)

According to psychological science realism and social constructivism are alternatives to traditional empiricism. As such, social constructivism denies objectivity which is the pillar of science. It allows the realist to recognise the social dimensions of human actions as psychological states without embracing social constructivist denials of objectivity. (Greenwood, 2002) This allows for a "richer conception of psychological science". According to Greenwood (2002) this averts the intellectual emptiness of traditional empiricism while maintaining the importance of objectivity against social constructionist judgement. While there may be some argument for scientific method in social constructivism, it is minimal despite constructionist sharing the notion of objectivism, empirical realism, objective truth and essentialism. (Schwandt, 1998)

Realism, according to Greenwood (2002) is an ontological doctrine that states objects in the physical, social and psychological world exist. Further, he argues that our

concept of the properties of these objects are independent. This thinking is shared between scientific realists and traditional empiricists, but rejected by social constructionists. Due to the fact that to realists and empiricists sharing this view, scientific realism is oftentimes represented as neo-empiricism. This is unfitting according to Greenwood (2002) as he argues that scientific realism maintains the linguistic objectivity of scientific theories that empiricism rejects. In so saying, it directly clashes with instrumentalist explanations of scientific theory.

The idea that hypothetical suggestions can provide precise descriptions of an autonomous reality is discharged as unintelligible. This is due to the notion that there is no way of comparing reality with our descriptions of or concepts of it according to Kuhn, 1970 and Wittgenstein (1969) cited in Greenwood (2002). In relation, the realist agrees that academic portrayals are regularly not 'reflections' of reality. They believe that their semantics are not secured by orientation to apparent or operative meanings that relate such descriptions to observable phenomena. (Greenwood, 2002)

Scientific realism is differentiated from empiricism by the fact that realism, unlike empiricism, is dedicated to the code of linguistic objectivity with respect to the theoretical descriptions. Scientific realists are epistemological objectivists. They believe we have the observational foundations for assessing the exactness of theoretical descriptions and for assuming that one set of theories delivers a more precise description of reality than a rival theory. (Greenwood, 2002)

According to Gray (2009) in constructivism, people's interactions create meaning in the world. He argues that subjects construct meaning in relation to the same

phenomena. Therefore, multiple contradictory, but valid accounts of the world exist. Gray (2009) argues that subjectivism contrasts constructivism in that meaning is imposed on the object by the subject. Interpretivism shares some thinking with constructivism in terms of them both being processes that create meaning. However, according to Schwandt (1998) interpretivism seeks to understand social phenomena objectively. Therefore, tensions arises between the objective interpretations of a subjective experience, which leads to logical empiricism methodology to human inquiry. (Schwandt, 1998)

Finally, it is argued that this study is based on realist assumptions - that the world is independent of our theories and constructions.

Thus, interpretivism is justified for the qualitative aspects of this study (Phase 1) because of the need to appreciate how the constraints defined by the resource scarcity theory, social exchange theory and equity theories of franchise selection are applicable to entrepreneurs who want to become franchisees, by respondents in the Omani and Saudi Arabian context.

3.2.4 Paradigm Commensurability and Incommensurability

Furthermore, ontology and epistemology influence the boundaries and traits of research paradigms. However, Midgley et al. (2015) broach the subject of methodological pluralism. They postulate that the paradigm problem is that no pluralistic methodology can exist. This introduces the terms of commensurability and incommensurability. They refer to a small group of theorists who argue against paradigm incommensurability (the idea that paradigms cannot be reconciled).

Paradigm incommensurability is a philosophy that refers to the fact that the paradigms are so different that they have no common measure. That paradigms and their functions cannot be compared to each other because they are essentially completely different and serve different purposes. This group of researchers promote the idea of a pluralist approach to marketing. Essentially, this approach to pluralism comprises meta-theories that promote and create paradigm interplays. Methodological pluralism is regarded on two levels: 1) the level of methodology and 2) the level of method. Methodological pluralism means a researcher would acknowledge and allow another's methodological ideas and insights to inform their methodology. Level of method refers to the array of methods suited to a particular purpose. (Midgley et al.,2015)

Challenges to methodological pluralism are the cultural and intellectual credibility of methodological pluralism. Different methods have been conceived in disputably incommensurable paradigms- meaning certain schools of thought are linked to certain paradigms. Furthermore, each paradigm makes fundamentally different assumptions about the nature of reality (ontology) and the knowledge of it (epistemology). This brings into question the chaos or muddle of mixing philosophies. In addition, the paradigm problem (all methodologies make different philosophical and theoretical assumptions – through different paradigms) means we have to justify the mixing of ontologies at a philosophical level.

While Jackson and Carter (1991) suggest that philosophical paradigms are incommensurable and methodological pluralism is not feasible some theorists argue that a bridge between the paradigm gap is possible. Their argument supports the idea

of unifying paradigms - at the very least on a communication level – if unification is not desirable or feasible. Furthermore, it is difficult to suggest that there is commensurability between paradigms since there is no position outside the paradigm debate from which to ascertain common measure (commensurability). It is however suggested that a pluralistic perspective can be contextualised from other ways of thinking. (Jackson and Carter, 1991)

One way to achieve pluralistic insight into several paradigms is through meta-triangulation. Saunders et al. (2000) cite Gioia and Pitre (1990) and Lewis and Grimes (1999) in defining meta-triangulation as a method that distinguishes, promotes and provides for various paradigmatic perceptions. The process requires the researcher to express a paradigm's existing theory, which is then used to create further richness in theory building for the phenomenon being studied. According to Lewis and Grimes (1999) cited in Saunders et al. (2000), meta-triangulation includes three primary stages, namely: groundwork; data analysis and theory building. The model is focused on discovering norms in varying paradigms that gives insights into plural paradigms which should result in new theories and themes.

Flood and Romm (1995) cited in Midgely et al. (2017) proposed the ironical phrase (in) commensurability. This stems from them regarding the paradigmatic nature of pluralistic practice and the possibility of contextualising ideas from other paradigms. This then introduces paradigmatic dialect – regarding paradigms in relation to the perspectives of the researcher (Brocklesby cited in Midgely et al., 2017).

Further debate on paradigm incommensurability comes from Jackson and Carter (1991) who feel that paradigm incommensurability is a defence to scientific authoritarianism. Burrell and Morgan (1979) stated that a “synthesis between paradigms cannot be achieved – they must remain discrete and develop independently- that they are incommensurable”.

Incommensurability stems from the commitment to opposing beliefs. Basically, the nature of foundational assumptions which make up the two dimensions. On the one hand is the ontological and epistemological, human nature and methodological assumptions. The other dimension is the objective/ subjective and regulatory/radical change assumptions on the other hand. Each pair of adjacent paradigms shares a common dimension but the differences in understanding in the other dimensions are enough to make them as incommensurable as those pairs which do not share any common dimension. (Burrell and Morgan, 1979)

Ultimately, because each paradigm has its own unique language – and while they may and possibly do share common signifiers – the signifieds are radically different and therefore the paradigms are incommensurable. According to Burrell and Morgan, paradigm incommensurability establishes the integrity of each paradigm. Kuhnian philosophy argues that paradigms become incommensurable by “ruthless extermination” of the normal science paradigm. “Revolutions close with a total victory for one of the two opposing camps” (1970). Additionally, Kuhnian philosophy argues that incommensurability stems from the languages used by each paradigm makes meaningful communication impossible. Further, if revolutionary science becomes normal science incommensurability ceases due to the death of one language

and not because a common signification is achieved. Thus, commensurability is attained through extermination of one language paradigm. Burrell and Morgan (1979) warn against this and promote the defence of paradigm incommensurability.

3.3 Research Approach

This research utilised the abductive or “systematic combining” approach in revisiting the initial theoretical framework based on new insights and observed data throughout the data collection process and simultaneous reading of literature. According to Dubois and Gadde (2002) systematic combining relates to an interplay and progressive improvement of the research framework through adding new insights gathered by observation of unexpected data.

Systematic combining is when theoretical collection is carried out in tandem with data collection – a search for complementary theories. Dubois and Gadde (2002) refer to findings from research on using systematic combining in case study research and argue that insights from theory affected the discussions with people in the case study company – which led to a redirection of the research. This means that the framework was rewritten in accordance with the focus that gradually developed. At some point the research will realise that the framework is evolving and a re-orientation occurs. The basic phenomenon that was being studied has to be reconsidered due to new and unexpected information and theoretical insights. (Dubois and Gadde, 2002)

The predominant characteristic of systematic combining is the continuous movement between the empirical world and the model world. This in turns results in reorientation of framework when confronted by the empirical world. Since systematic

combining is evolutionary, it is also a process that includes the simultaneous evolution of the theoretical framework, empirical fieldwork and case study analysis. In addition, matching theory with reality and direction/redirection are two processes that comprise systematic combining. These two processes influence and are influenced by four factors: what is going on in reality; available theories; the case that gradually evolves; and the analytical framework. (Dubois and Gadde, 2002).

Criticism for systematic combining argues for a stronger reliance on theory than suggested by induction and as distant from deduction. (Peirce, 1931 and Kirkeby, 1994) as cited in Dubois and Gadde (2002). These authors argue that abduction investigates the “everyday language and concepts” which is similar to the inductive technique. However, systematic combining essentially follows an integrated approach. According to Dubois and Gadde (2002) the “back and forth” between one type of research activity and another, and between empirical observations and theory, and empirical phenomena. The analytical initial framework comprises ‘preconceptions’ which are developed over time in accordance to what insights empirical fieldwork, analysis and interpretation provide. This approach is aligned to the fact that theory cannot be understood sans empirical observation and vice versa. (Dubois and Gadde, 2002)

Therefore, the search for empirical data is spurred by the evolving framework which allows for the identification of unanticipated issues and their consequent investigation through interviews and other data collection methods. In turn, this leads to possible redirection of the current framework through expansion and or changing of theoretical modelling. Dubois and Gadde (2002) argue that the main objective of research is to

confront theory with the empirical world. Thus the argument is that systematic combining confronts the empirical world through a continuous process of investigation. This process is further developed when the evolving framework and evolving case confront each other. (Dubois and Gadde, 2002)

According to Dubois and Gadde (2002) it must be mentioned that the analytical framework in abduction differs in comparison to deduction and induction. The framework is essentially two sections, namely: matching theory to reality and direction, and redirection. Dubois and Gadde (2002) describe systematic combining “as a nonlinear, path-dependent process of combining efforts with the ultimate objective of matching theory to reality. Strauss and Corbin (1990) cited in Dubois and Gadde (2002) provide an illustration of the researcher’s efforts “between asking questions, generating hypotheses, and making comparisons”. Thus the empirical fieldwork is continued from a revised theoretical framework of the matching process. The process is started from the founding a general framework and initiating fieldwork. Thereafter, parallel to data collection, the search for theories becomes ongoing because empirical observations and the current framework did not match. So, the matching theory is linked to identify matches between the observations and its relevant theories. (Dubois and Gadde, 2002)

Richardson (1972) cited in Dubois and Gadde (2002) argued that a central conceptual model was found to explain the interdependent characteristics between activities that had been empirically identified. Empirical fieldwork continued after a revision of the theoretical platform. Matching is essentially the to and fro between framework, data sources, and analysis – pillar principles of systematic combining. Glaser (1978) cited

in Dubois and Gadde (2002) argues that data should be the basis from which categories are developed – i.e categories should not be pre-conceived.

When compared to the induction approach, abduction matching requires “more” and has the potential to yield “more”. In contrast to the systematic character of the empirical world and systematic character of theoretical models – the matching process has no obvious patterns. The path is dependent on the new observations and insights that the researcher comes across unintentionally. (Dubois and Gadde, 2002)

In relation to the matching process is the direction and redirection feature which leads to the matching. This is due to the impact of different sources of data and methods of data collection. Yin (1994) cited in Dubois and Gadde (2002) state that many sources allow the researcher to address a broader range of historical, attitudinal, and behavioural issues. Yin (1994) further argues that findings are viewed more accurately if it is based on the corroboration of several sources. Corroborating sources of evidence, while moving between analysis and interpretation is representative of triangulation (Yin, 1994 and Denzin, 1998 cited in Dubois and Gadde (2002). Yin (1994) cited in Dubois and Gadde (2002) advocates that the development of converging streams of inquiry is a main advantage of triangulation. It is described by Huberman and Miles (1994) cited in Dubois and Gadde (2002), as “self-consciously setting out to collect and double check finding” – alertness in collect findings and confirming such findings.

Systematic combining is not necessarily focused on largely focused on the possibility of discovering unknown facets from several sources. Where most data collection

focuses on specific data concerned with the current framework – the systematic combining method seeks to complement the current framework with discovering new data and this leads to redirection of the study.

Furthermore, observations and other events outside the researcher's control contribute data that would otherwise not have been available. These observations create new questions that lead to additional interview topics. The new insights from unexpected data culminate in further development of the framework that leads to searching for complementary theories. Observations therefore lead to new aspects of the subject and thus new perceptions of the phenomenon itself. (Dubois and Gadde, 2002)

Dubois and Gadde (2002) draw a distinction between 'active' and passive data. What the researcher intends to find out is passive data; meaning data that is found through specifically searching for it. Conversely, data gathered through discovery is called 'active' data – data found through discovery rather than a specified search for it. Thus the data that was discovered through observations would probably not have been found or identified through a 'passive' approach. Paradoxically, the passive researcher gathers active data, while the active research gathers passive data. To sum up, abductive research is research focused on gathering active data through discovery. (Dubois and Gadde, 2002)

According to Miles and Huberman (1994) cited in Dubois and Gadde (2002) differentiates between two types of frameworks. The one is labelled as the "tight and pre-structured" while the other is labelled as "loose and emergent". They further argue that excessive prior structuring may cause the researcher to miss important

characteristics or to jeopardise the reading of informant's perceptions. Conversely, the further argue that a framework which is 'too loose', may lead to profuse and indiscriminate collection of data. Therefore, the evolving framework is fundamental to abductive theory. (Dubois and Gadde, 2002)

Overall, Blumer (1954) and Bryman (1995) cited in Dubois and Gadde (2002) argue for a general initial guideline that creates a point of reference from which to work with. Successfully refining concepts from that point through the process constitutes abductive input and output. In response to Miles and Huberman's framework distinctions, Dubois and Gadde (2002) argue for a "tight and evolving" framework. While systematic combining is closer to induction (generating new theory from data) than deduction (tests new theories), there is a hefty stress on interaction between theory and empirical observation. (Dubois and Gadde, 2002)

Abduction is not necessarily a mix between induction and deduction. It is determined by the intention of the researcher. It the researcher's objective to discover new things; other variables and other relationships? According to Dubois and Gadde (2002) it is largely related to creating new concepts and development of theoretical models that proving existing theory. A major differentiation between deductive and inductive, and abductive is within the framework – such as in abductive research where the original framework is "successively modified" due in part to new insights and in part to unexpected empirical findings. Dubois and Gadde (2002) reinforce that abduction allows for "cross-fertilisation where new combinations are developed through a mixture of established theoretical models and concepts that are derived from confrontation with reality. (Dubois and Gadde, 2002)

From the above discussion on abductive research, it is logical that this study followed the abductive approach. Where a general framework was developed and interviews commenced. In tandem, a search for related theories was initiated. The framework was adjusted, as new insights from literature, were made clear to the researcher. The researcher was also cognisant of data appearing from observations while carrying out the research. These factors resulted in the framework evolving and the research being redirected.

3.4 Research Strategy

There are a variety of research strategies, which include experiments, surveys, case studies, action research, grounded theory, ethnography and archival research methodologies. All the above-mentioned techniques are used for exploration, description and comprehensive research (Yin, 2014). Furthermore, an amalgamation of one or more can be utilised, based on the requirements of the researcher, aims of the research, limit of existing knowledge, availability of resources, quantity of time and the philosophical view of the researcher. McGrath (1982) specifies that there is no optimal strategy, and according to Yin (2014), the main purpose of a research technique is to ensure selection is based on the purpose of the research. There are merits and demerits of every technique and each are distinctive ways of collecting and observing empirical data.

3.5 Research Method

According to Gray (2013), the theoretical panorama of the researcher and his approach towards the usage of data, influences selection of the research method.

Crotty (1998) states that the research philosophy determines the research method and research methods include qualitative, quantitative, mixed methods and multi-methods.

Since this study follows a dual phase research approach, it is necessary to elucidate that phase 1 followed an exploratory research study. This is due to the fact that exploratory research is useful when there is little information on the phenomenon. It assists the researcher in deciding whether the phenomenon is worth investigating. Saunders et al. (2007) cited in Gray (2009) suggests the following for exploratory research: “a search of the literature; talking to experts in the field; and conducting focus groups”. Therefore, the qualitative research section of this study used the exploratory approach to confirm how the constraints defined by the theories of franchisee selection are applicable to entrepreneurs who want to become franchisees.

Consequently, section 1 & 2 of phase 2 comprise an explanatory approach since explanatory studies focus on explaining the descriptive information. In opposition to the ‘what’ enquiries of descriptive studies, explanatory research focuses on the ‘why’ and ‘how’ questions. Explanatory studies can be based on correlation that seeks to discover the causal relationships between variables. Based on this the causal relationships investigated are: 1) what are the differences in the attitudes of franchisees towards the contractual terms and 2) how the constraints developed by the theories of franchisee selection and contractual terms affect franchisee performance.

3.5.1 Mixed Methods

The research encompasses both qualitative and quantitative research. According to Plano Clark and Ivankova (2016), mixed methods research overcomes the

shortcomings of individual methods. Qualitative research tends to be highly context specific and sample sizes are unrepresentative, whereas quantitative research is not contextualised and fails to appreciate the meanings that respondents attach to different circumstances. Hence, it is considered to be rational and practical, and according to Johnson et al. (2007) the results and outcomes of mixed methods research are balanced, stable, and provide significant insight.

Additionally, Bryman and Bell (2015) state that the mixed methods research permits triangulation through the use of different methods and data sources in investigating the same phenomenon. Triangulation permits the researcher to identify different aspects of the research phenomenon from divergent perspectives (Creswell, 2013). Several studies have used the qualitative methodology to examine various franchising phenomena, such as the use of franchising as an entrepreneurial strategy (Kirby and Watson, 1999). According to Ritchie et al. (2013), mixed methods research enriches the quality and depth of study as the diverging perspectives complement each other. However, it is acknowledged that according to Ritchie et al. (2013), the mixed methods research strategy raises issues regarding the interpretation and extent to which such findings complement each other.

Bryman and Bell (2007) stated that there are different approaches to mixed methods. The two approaches are: when qualitative data is utilised to build a foundation for quantitative measurement, or when quantitative research is utilised to inform qualitative research respectively. In the first approach, two identified ways include providing hypotheses that can ultimately be used as a quantitative research strategy; in the second instance aiding measurement refers to the ability of qualitative research to

inform the design of survey questions. In the second approach quantitative research assists qualitative research by selecting the respondents (people or companies) for investigation.

3.5.2 Multi-methodology

According to Mingers (1997), multi-methodology is also known as methodological pluralism and multi-paradigm intervention and research. Further, methodology refers to the “structured set of guidelines for activities to undertake to improve the effectiveness of intervention”. Philosophical assumptions that focus on the nature of the organisational world form the basis of methodology, implicitly or explicitly. These assumptions create a certain perspective which is sometimes coined as a “paradigm”.

Mingers (1997) presents three paradigms:

- Hard (positivist): refers to objective stance adopted in respect of the organisational world.
- Soft (interpretivist): refers to the subjective (meaning and interpretation) stance adopted in respect of human organisations.
- Critical (hard + soft): refers to emphasis of oppressing and discriminatory nature of social systems.

Due to the difference in the underlying assumptions of each paradigm, they are viewed as being incommensurable. This contrasts the principle of multi-methodology which seeks to combine two or more methodologies within a particular intervention. This research takes on the critical pluralism route that comprises interpretivist and positivist research. The interpretivist paradigm provides the necessary in-depth

subjective information from the personal experience of franchisee owners. On the other hand, the positivist paradigm provides the objective and tangible data with which we infer findings.

According to Mingers and Brocklesby (1996) cited in Mingers (1997), the range of possibilities are factor dependent. Factors include: whether methodologies are mixed in the same intervention or across different interventions; whether they derive from various paradigms; or whether portions of methodologies can in fact be joined.

Mingers (1997) argues that the opportunities are sometimes conceptually and practically simple. On the other hand, problems can occur when combining sections of methodologies (partitioning) from an array of paradigms in one intervention.

(Midgley, 1989a and 1990 cited in Mingers, 1997)

Multi-methodology is a form of pluralism and methodological pluralism comes with problems of its own. Historically, the success of natural science promoted its methods as the most dependable way of engendering knowledge. The natural science methods are based (generally) on positivism – “the belief in universal laws, empirical verification through induction, and observer – and value freedom”, as stated by Mingers (1997). However, terminal errors in the foundations of induction were discovered by Heisenberg’s “uncertainty principle” and supported by Hanson (1958), Kuhn (1970), and Popper (1972). Natural science was hardly affected by burgeoning theory against induction, but it did lead to the rise of various schools of interpretivism.

Further, researchers were forced to choose between paradigms and this highlighted the separateness of paradigms. The theory of paradigm isolation and

incommensurability was further emphasised by Burrell and Morgan (1979) cited in Mingers (1997). However, the inability of paradigm isolation to thoroughly explain the complexities of the real world lead to acceptance of pluralism in methodology and philosophy.

Arguably, Jackson and Flood (1985) cited in Mingers (1997) presented an articulate defence for the need of critical methodology. In short, they argued that Habermas' approach fills the gap in social systems that are riddled with inequalities of power and resources among the participants, as well as by conflict and contradiction. Jackson and Flood (1985) therefore argue for critical methodology over hard or soft methodology as it is more appropriate to certain social systems. In addition, critical systems thinking is viewed as a broader approach to management science. Critical systems is based on the following "commitments": critical awareness, social awareness, methodological complementarity, theoretical complementarity, and human emancipation".

Methodological pluralism can be categorised into:

Loose pluralism: where a discipline promotes the use of an array of paradigms and methods. However, the manner or when the paradigms should be used are not specified.

Complementarity: According to (Jackson (1990b) cited in Mingers (1997) paradigms are perceived as internally consistent, and propose differing assumptions dependent on their context of use. Certain paradigms are more (or less) suitable to specific research situations.

Strong pluralism: advocates for a blend of methodologies from different methodologies to effectively resolved most research situations.

The advocacy for strong pluralism (multi-methodology) is founded on three primary arguments. Firstly, the complexity of real-world problems need a multi-dimensional approach. Each paradigm focuses on different aspects of a situation. Therefore, the multi-method is encouraged as it could better explain the “full richness of the real-world”. (Mingers, 1997)

Secondly, Mingers (1997) argues that interventions are not single and discrete.

Rather, they are a process of several phases. Therefore, some methodologies are more useful to certain phases where others are not. He argues that combining approaches is appealing because it could produce a result of higher conviction.

Thirdly, the consideration of philosophical and theoretical features is appropriate since many researchers are currently combining methodologies in practice.

According to Mingers (1997) multi-methodology feasibility is based on:

Philosophical – paradigm incommensurability

Cultural – the fact that organisational and academic societies militate against multi-paradigm work.

Psychological – the obstacles a researcher may face in transferring between paradigms.

Mingers (1997) states that multi-methodology is in an exploratory stage and no consensus will soon be reached. Consequently, this study utilised the multi-methodology approach as there were three different interventions that needed different paradigms of investigation. The three different interventions comprised two phases, and three sections, where phase two consisted of two sections. Phase 1, only consisted of section 1 where the study looked at how the constraints defined by the theories of franchise selection are applicable to entrepreneurs who want to become franchisee. This section of research consisted of 5 respondents from the Sultanate of Oman and 6 from the Kingdom of Saudi Arabia.

In phase 2, there were two sections, both sections were quantitative. In section 1 of phase 2, the study looked at what the differences are in the attitudes if franchisees towards the contractual terms. In section 2 of phase 2, the study looked at how the constraints defined by the theories of franchise selection and contractual terms affect the franchisee performance and whether different types of franchisees would affect these relationships. This phase comprised 123 participants, of which 85 were parallel franchisees and 38 were novice franchisees.

3.6 Data Collection Method

The data collection procedures include collection of primary data or secondary data (Ghauri et al.1995). Primary data is data that is collected first, directly by the researcher, for the specific purpose of the research at hand. The methods for primary data collection include interviews, questionnaires and experiments (Bryman and Bell, 2015). In contrast, secondary data includes information that is already assembled by

other researchers or institutions for achieving their personal interest, for example literature and articles (Bryman and Bell, 2015).

For the purposes of this research, only primary data collection has been utilised. As described above, primary qualitative data in phase 1 has been collected through the use of face-to-face interviews conducted in two phases, and by sending questions through emails for the second phase; as the issue of entrepreneurship and franchisee performance required interpretation of subjective data and study of a diverse range of subjective experiences and opinion. The quantitative primary data in Phase 2 and Phase 3 was obtained through a 7 point Likert Scale survey.

3.7 Sampling Methods

3.7.1 Target Population

Bryman and Bell (2015) define the target population as the total set of units for which the data will be used to make inferences, and the target population all units for which the research findings will be generalised. It is essential that the researcher defines the target population precisely as this will determine whether the sample selected can be used in the research. The geographic location and any specific characteristics of the target population must be identified in addition to the types of units being included.

Since the aim of this research is to identify factors that are important to different franchisees in selecting franchisors and to identify different attitudes of franchisees towards the contractual terms, the target population of the study is all franchisees in Muscat in the Sultanate of Oman and Riyadh in Saudi Arabia. These two Middle Eastern cities have been selected because Riyadh is a larger city and has more

established franchisees. Muscat is comparatively smaller, with fewer franchisees. The contrast has permitted the researcher to gain perspective in terms of representativeness; the franchisees are from Riyadh, which is the capital city where there is the maximum number of franchisees. Additionally, Riyadh is also the researcher's place of residence, which consequently provides easier access.

3.7.2 Sample Selection

A sample is a small subset of the total population under consideration and represents a group of respondents selected from the larger population for measurement. The sample should be representative of the population in order for the research findings to be generalised from the sample to the entire population (Zikmund et al., 2013 and Saunders et al., 2016) and it is an important part of the research methodology. In most of the studies, investigating all elements of the population is not possible; therefore, a small representative part of the population is studied. In this particular thesis, it was essential to choose the sample that would provide sufficient primary data for applying analysis of the subject under investigation. Therefore, the required data from selected franchisees was obtained from Saudi Arabia and Oman in order for the generalisation of results to be established.

A non-probability based method of sampling; convenience sampling, was selected where the sample was selected from that part of the population that was easily available and accessible to the researcher and the method was convenient. Saunders et al. (2016) define a non-probability sampling method as one involving the selection of a portion of the finite population being studied. In non-probability sampling, subject methods are applied to choose elements from the population; it does not attempt a

random sample selection from the population. Non-probability sampling is best used when the population is not properly defined. Mostly, drawing inference on the basis of population is not the subject under consideration.

Moreover, non-probability sampling is best categorised as a faster, less costly method (Saunders et al., 2016). The questions addressed by the researcher could be adequately responded to by using a convenience sample. In convenience sampling, the primary selection principle takes ease of collecting a sample into account. The method is best suitable when elements of the population are geographically scattered. Secondly, elements' location cost is high and attaining interviews from a selected sample of the population is tough (Creswell, 2013).

3.8 Reliability and Validity

The significance of a study's findings is supported by rigour of the methodology and researcher's procedures. In promoting the reliability and validity of the study, the rigour of the qualitative and quantitative phases will be discussed below.

According to Guba (1981) it is impossible for the researcher to maintain neutrality when the objects of investigation are people. Further, trustworthiness of findings is addressed through:

1. Truth value: The ability to establish truth in the findings of a particular inquiry.
2. Applicability: The degree to which findings of a particular inquiry can be applied to other contexts or with other subjects.
3. Consistency: Determining whether the findings of a particular investigation will be consistent if the investigation is replicated.

4. Neutrality: The degree of lack of bias from the researcher in interpreting or presenting findings.

According to Seale and Silverman (1997) in qualitative data, validity and rigour can be ensured through:

- Supporting generalisations: The treatment of anecdotes or rare statements that support the researcher rather than more common statements.
- Representativeness of cases: The use of qualitative and quantitative to support generalisations.
- Testing of hypothesis in data analysis: The consideration given to deviant data that contradicts the researcher's initial hypothetical statement.
- Software analysis: The use of computer programmes to validate qualitative analysis ensuring systematic analysis of representations.

According to Morse et al. (2002) it is argued that qualitative researchers apply verification strategies and self-correctness conduct to ensure reliability and validity of the inquiry. Guba and Lincoln (1981; 1982 and 1985) promote trustworthiness through: credibility, transferability, dependability and confirmability. Qualitative rigour is demonstrated through some of the following methods: audit trails, member checks when coding, categorizing or confirming results with participants, peer debriefing, etc. Guba and Lincoln (1981) state that paradigms must have paradigm-specific criteria for addressing rigour.

In terms of quantitative data, rigour is address through validity and reliability.

Validity being the extent to which concept is accurately measured in a study.

Reliability is the consistent nature of the data and findings. According to Heale and Twycross (2015) content validity, construct validity and criterion validity are the three categories measuring validity in quantitative studies.

Content criterion: Refers to whether the instrument adequately covers the necessary content with respect to the variables.

Construct validity: Refers to ability to infer from the test scores of the analysis.

Homogeneity, convergence and theory evidence are used to test construct.

Criterion validity: Refers to any other instrument that measures the same variable.

Correlative testing can be used to determine differences in measurement of alternative instruments.

Criterion is measured in three ways: convergent, divergent and predictive.

According to Heale and Twycross (2015) reliability is tested through:

- Homogeneity which is the consistent nature of the study. It is measured through various methods such as: item-to-total correlation, split-half reliability, Kuder Richardson coefficient and Cronbach's α .
- Equivalence is judged via inter-rater reliability. This test comprises a method for qualitatively defining the level of arrangement between two or more witnesses/observers.
- Stability is verified by means of test-retest and parallel or alternate-form reliability testing. Test-retest reliability is evaluated when a tool is given to the same respondents more than once under comparable conditions.

Reliability and validity is measured through the study instruments and this determines the level of the study's rigour.

3.9 Data Analysis

According to Corbin and Strauss (2015) data analysis is a process used to create, maintain and validate the information that is collected by adopting different data collection tools. This study follows the systematic exploratory procedure for analysis of all variables. Analysis of data commences with the collection of data. Miles and Huberman (2013) state that this data analysis has an advantage in that the researcher will be able to determine whether the data reflects the actual situation or not, and will be able to utilise verity of tools of improved data collection.

3.10 Phase 1

The first half of this chapter discussed the theory of research, the second half discusses Phases 1, 2 & 3 respectively. Figure 3-2 below indicates the research paradigm, research method, data collection method and data analysis used in Phase 1 and will be discussed further.

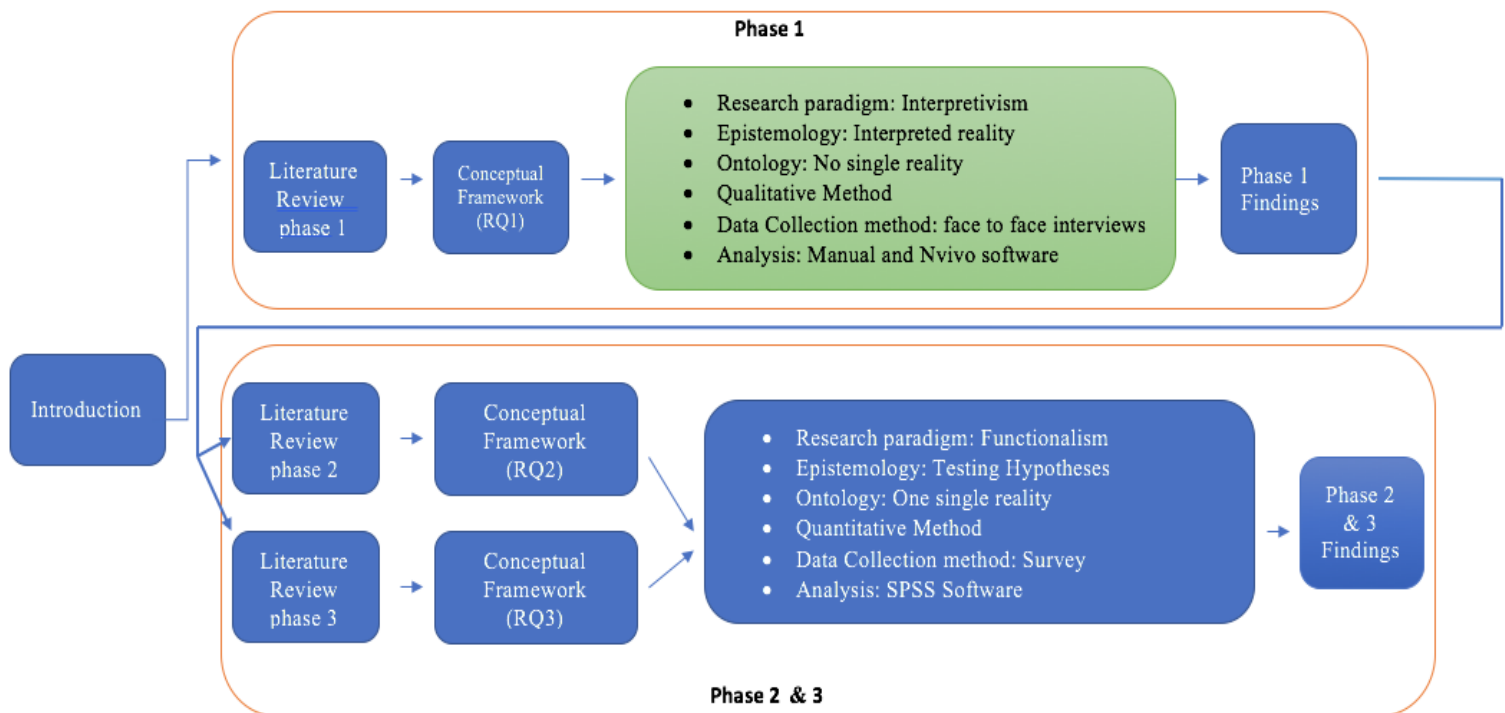


Figure 3-2: Research Procedure Diagram: Phase 1 Methodology

3.10.1 Research Paradigm

Phase 1 of this study used qualitative research and utilised the paradigm of interpretivism. Saunders et al. (2016) state that the interpretivist paradigm addresses complex social situations and requires the researcher to understand and study social interactions, in addition to observable behaviour. The interpretivist paradigm allows the researcher to understand the research subject's perspective, with the researcher interpreting the information provided. This interpretation is based on the researcher's understanding of the situation and therefore the researcher becomes a part of the research process. The interpretivist approach has been utilised as a replacement of the positivist approach for many years. Bryman and Bell (2015) specify the benefit of adopting an approach for the discrimination of people and objects from natural science. Consequently, it is proven essential for the researcher to explore the concept

of social phenomenon in detail (Bryman and Bell, 2015).

The major difference between the interpretivist approach and the positivist approach is clarification of concepts to facilitate better understanding of phenomenon.

Therefore, according to Lee and Lings (2008), the interpretivist approach is associated with the purpose of knowledge enrichment and explanation of character with its contents. Gray (2013) specifies that in the interpretivist approach, the explanation of actual conditions and realism behind these conditions is more essential than discussion of generalizability.

The objective of interpretivist studies is to comprehend the connotation and purpose of society. The researcher portrays the situation, grasps the perceptive of construction and exposes the connotations of the target's actions (Schwandt, 2015). Moreover, Saunders et al. (2016) explained that it is essential for the interpretivist approach to indicate the implications and authenticity for any phenomenon that encourages the participant's to judge and grasp the contributor's deeds in a positive direction. In this way, the actual essence of the investigation is achieved.

A researcher can better grasp the information of variables and make inferences if the researcher collects the information by themselves. Thus, by adopting this approach, the researcher can obtain a better comprehension of reality, thereby achieving a convincing outcome (Schutt, 2014). Therefore, Richardson (2000) identified that the actual meaning of any idea is unique, but divergence in conception only occurs due to the human mind.

According to Banister et al. (2011), the interpretivist approach promotes the acceptance of a flexible, undefined model, used as a replacement or supplement to the positivist approach. The interpretivist approach recognises the importance of understanding social phenomena (Peshkin, 1988). As a result of this, a person is able to understand the realism of an idea (Robson, 2002). Peshkin (1988) elucidated that the researcher and source of information from where the data is collected are interrelated. Banister et al. (2011) explicated that an interpretivist researcher conducts research with some basic knowledge and considers that this knowledge is inadequate as there must be a great deal of information still available.

Therefore, Schwandt (2015) accounted for generalisability and identification of inter-linkage of variables as representative of interpretivist research. The interpretivist approach is essential in order to encourage, understand, predict, and practice the phenomenon within a specified time period and specified topic (Nightingale et al., 1999). The interpretivist paradigm has been adopted in the qualitative aspects of this research (Phase 1) to address the issue of how the constraints defined by the theories of franchisee selection are applicable to entrepreneurs who want to become franchisees, and to identify the factors that are important to different franchisees in selecting franchisors.

3.10.2 Research Strategy

The qualitative research has been conducted through face-to-face interviews for Phase 1. The first stage of interviews was conducted during August 2013 and the second

stage was conducted during February 2014. The total interview time for face-to-face interviews was three hours, twenty-four minutes and sixty-five seconds.

The findings of the qualitative research confirmed how the constraints defined by the theories of franchise selection are applicable to entrepreneurs who want to become franchisees. It defines factors that are important to different franchisees in selecting franchisors. The qualitative research involved individual opinions on how constraints defined by the theories of franchise selection are applicable to entrepreneurs who want to become franchisees and how this affects franchisee performance.

3.10.3 Research Method (Qualitative Data)

Saunders et al. (2016) define qualitative data as data that is non-numerical and involves interpreting subjective data. Collection of qualitative data is useful when it is necessary for the researcher to study a diverse range of subjective experiences and opinions, but there is no need for the researcher to conclude that what was discovered was universally applicable. Qualitative data can be observed but is not capable of being measured. Denzin and Lincoln (2005) state that qualitative data collection involves a study of facts in actual conditions and its associates, combining the influence of all those facts. Miles and Huberman (2013) associate the concept of qualitative research with narrative.

According to Bryman and Bell (2015), relevant research for management administration and business is generally qualitative research. Marshall and Rossman (2010) state that qualitative methods provide the researcher with a broader more detailed examination of the relevant issues as compared to quantitative methods.

3.10.4 Data Collection Method (Interviews)

In addressing the issue of how the constraints defined by the theories of franchise selection are applicable to entrepreneurs who want to become franchisees and for the purpose of identifying the factors that are important to different franchisees in selecting franchisors, the researcher conducted interviews with both novice and parallel franchisees in Oman and Saudi Arabia. According to Creswell (2013), an interview is a conversation in which the researcher asks prepared questions that are answered by the respondent, in an attempt to obtain information on the particular area to be researched.

Creswell (2013) states that interviews are suitable for qualitative research as research participants can explain and elaborate on their experiences and discuss issues that are relevant to them. Additionally, interviews permit the researcher to structure the discussion as well as probe the respondents for further clarification. According to Saunders et al. (2016), an interview can be face-to-face, via e-mail or telephonic, and can be structured, semi-structured or unstructured. As mentioned above, the researcher has conducted interviews both face to face in the first phase, and via e-mail in the second phase.

Creswell (2013) defines face-to-face interviews as interviews where the researcher, face to face with the respondents, asks questions based on the questions specified in the questionnaire. It minimises non-response and maximises the quality of the data collected. Face-to-face interviews are also useful when obtaining information on confidential and sensitive topics. The main advantage of the face-to-face interview is that since the interviewer is present, the respondents find it easy to clarify questions; it

also permits the researcher to gauge non-verbal communication from the respondent's body language and tone.

Bryman and Bell (2015) state that in a face-to-face interview, the researcher is able to observe the attitude and behaviour of respondents. Face-to-face interviews were suitable for qualitative research as the respondents had the opportunity to explain key relationships and discuss issues that are important to them, and through interviews it was also possible for the researcher to direct the discussion. The face-to-face interviews also allowed the researcher to collect nonverbal data and clarify the meaning of questions when the respondents did not understand the initial question. The non-verbal cues and body language, and tone of the respondents provided the researcher with additional responses. Additionally, when one of the respondents did not comprehend the term "integrity" in English, the researcher acting as interviewer had the opportunity to explain the word in Arabic.

The second phase of the interviews, conducted via e-mail, served the purpose of obtaining supplementary follow up information from the respondents after the researcher had been able to reflect on the answers of the face-to-face interviews. Bryman and Bell (2015) identify three types of interviews, namely, structured, semi-structured and unstructured. Structured interviews are based on predetermined questions prepared by the researcher, which the researcher then asks the respondents. The same open-ended questions are asked to all participants. In semi-structured interviews, the researcher asks the participants a combination of pre-prepared questions as well as some questions being developed during the interview, allowing the researcher and the participant to clarify and probe for additional perspectives. The

unstructured interview, according to Saunders et al. (2016), involves the researcher using a non-directed approach and is more akin to normal conversations, with the questions being based on a participant's responses.

For the qualitative aspects of this research, the researcher used the semi-structured interview technique. The use of pre-prepared questions permitted the researcher to identify and describe the different phenomena and experiences of the franchisee participants. Although most of the questions were designed and phrased prior to the interview, some questions were created during the interview, allowing both the researcher and the respondent the flexibility to probe for details and discuss the issues that were being raised. The semi-structured interviews also provided the researcher with the opportunity to identify the meaning, attitudes, opinions and personal experiences of franchisees. The researcher found this to be appropriate as the issue of how the constraints defined by the theories of franchise selection are applicable to franchisees; and the factors important to different franchisees in selecting franchisors, raised matters that were specifically relevant to them.

The semi-structured nature of the interviews permitted the researcher to modify the questions based on how the interview was progressing and the context in which the different franchisees were operating. The semi-structured nature of the interviews also allowed the respondents flexibility to vary their answers and qualify and further explain their answers. In addition, through the use of semi-structured interviews the researcher had the opportunity to create exploratory discussions and probe the respondents to understand the meaning, attitudes, opinions and personal experiences of the franchisees.

The semi-structured nature of the interview also permitted the researcher to ask a range of questions and obtain the required information. The researcher designed the interview questions in a way that provided opportunities for comments that were helpful in providing insights that would have otherwise have been lost. The interview included questions about franchisee respondents, regarding their opinion on criteria for the selection of franchisors. The researcher is of the opinion that adoption of the interpretive research philosophy required the researchers to evaluate and analyse social interactions, rather than observe behaviour alone. Adopting the interpretative approach, the researcher attempted to understand the respondent franchisee's perspective and interpreted the information provided based on the researcher's understanding of the situation.

As the nature of the research questions required descriptive answers, the researcher used open-ended questions, which permitted respondents to elaborate upon significant aspects in detail, therefore providing a better understanding of their opinion. The researcher explained the purpose of the research and also the purpose of the interview and ensured that the list of interview questions was not too long.

According to Bradach (1997), a significant amount of research on franchising has used structured or semi-structured interviews, particularly in the case of research among franchisees. Semi-structured interviews conducted on a one-to-one basis, allowed the researcher to avoid the problem of groupthink that arises in focus groups and thereby enhances the quality of the responses. The semi-structured interviews

permitted the researcher to use pre-determined questions without adhering to a specific sequence of questions or to specific time limits.

However, although it is acknowledged that it was not possible to obtain a large sample size for the qualitative content of the study, a larger sample size was not essential since the qualitative research applied the interpretivist philosophy, which allowed the researcher to understand the interviewee's perspective and interpret the information provided, based on the researcher's understanding of the scenarios.

3.10.5 Sample Selection

The sample size was 11, comprising 5 face-to-face interviews in Oman and 6 in Saudi Arabia. The respondents from Oman were Franchise A, Franchise H, Franchise I, Franchise E, and Franchise F. The respondents from Saudi Arabia were Franchise D, Franchise C, Franchise J, Franchise K, Franchise G and Franchise B. The researcher is of the opinion that the 11 franchisees included in the sample had the requisite experience and knowledge to address the research questions. The researcher was able to categorise the 11 franchisees as four being novice and seven being parallel based on reading their business portfolio prior to interviewing each respondent. Novice franchisees were those for whom this was the only franchise business, whereas parallel franchises were identified as those who had more than one franchise based on their business profile. See Table 3-1 below.

Table 3-1: List of Respondents

Name	Company	Franchise Brand	Country
Mr. Chris*	Company A*	Franchise G	Saudi Arabia
Mr. Syed*	Company B*	Franchise C	Saudi Arabia
Mr. Ram*	Company C*	Franchise I	Sultanate of Oman
Mr. Ismai*	Company E*	Franchise K	Saudi Arabia
Mr. Ahm*	Company F*	Franchise J	Saudi Arabia
Mr. Fais*	Company G*	Franchise B	Saudi Arabia
Mr. Yog*	Company H*	Franchise H	Sultanate of Oman
Ms. Mash*	Company I*	Franchise E	Sultanate of Oman
Mr. Adil*	Company J*	Franchise A	Sultanate of Oman
Mrs. Mon*	Company K*	Franchise D	Saudi Arabia
Ms. Shai*	Company L*	Franchise F	Sultanate of Oman

*Pseudonyms have been used to protect respondents and their firms' confidentiality.

3.10.6 Qualitative Data Analysis

In order to extricate findings of qualitative data, it must first be coded. That is the information from the interviews should be converted into a “simpler” format to better understand patterns and observes frequencies among respondents. The objective of data analysis according to Corbin and Strauss (2015), is twofold. The first objective is to identify commonalities and create codes or themes. The second objective is to reduce the data through producing summaries and coding, so that ultimately the researcher is in a position to arrive at conclusions and test the validity of the data. A code is a symbol applied to text, for example, N for novice franchisees and P for parallel franchisees.

According to Corbin and Strauss (2015), inductive coding is based on grounded analysis where the codes have been derived directly by reading the data. Wolcott (1994) states that pre-determined codes are not fixed; they need enhancement and need to be updated consistently according to the circumstances that the investigation encountered. Easterby- Smith et al. (2012) explained that final information was

investigated by verifying step-by-step procedures. Usage of software consists of the following advantages: writing, editing, coding, content analysis and mapping (Weitzman, 2000).

Furthermore, Weitzman (2000) criticised the concept that software is responsible for providing desired outcomes for the researcher by analysing and evaluation of any information. Moreover, it is identified that software is useful only in processing the given information, although, human input is necessary to analyse and interpret all the information processed by the software.

The researcher took the following steps in coding data:

- The coding style implemented by the researcher is analytical inductive (Bryman and Bell, 2015); meaning the codes have been derived from the data.
- The researcher recorded all the interviews and then transcribed all the recordings.
- The manual codes included codes regarding the type of franchisee, namely, parallel or novice were applied. Codes were also applied to franchisees relevant to each constraint (factor) by priority (P) or secondary (S) preference.
- Next, the researcher created a matrix to input the data on X and Y axes. Where the X axis represent each type of franchisee and the Y axis represented each constraint defined by theories of franchisee selection.
- Next, verification of themes, patterns and categories was completed to gather final outcomes.
- Finally, it must be understood that coding included a mix of manual and data analysis software, where Nvivo was used to assist the researcher in creating codes for each franchisee.

3.10.7 Reliability and Validity - Rigour

Ensuring rigour in qualitative research requires accurate understanding and transparency of the respondents' experiences and perspectives. In this regard, authenticity through open-ended questions are appropriate in determining the full experiences of respondents. (Rose and Webb, 1998) Therefore, the researcher is also required to have contextual and intuitive understanding of respondents' responses.

For this purpose, recording responses is helpful in accurately collecting qualitative information in an objective method. The procedure ensures that the researcher has all information for use later on, listening repeatedly to recordings ensures that the researcher conveys as much of the necessary information as possible in the research findings. In addition, a reliable researcher should ensure that the recordings are transcribed with transparency, accuracy, and in necessary detail to avoid misunderstandings and significant omissions in responses. (Rose and Webb, 1998)

Further, qualitative data can be analysed to test hypotheses and identify deviant cases, and ensure generalisations are supported by sufficient evidence. The use of computer software is helpful in this case to generate data that has been coded from the qualitative study. This also ensures the methodical representativeness of data.

(Bryman and Bell, 2015) To ensure the authenticity and reliability of this research, the following steps were undertaken:

1. The qualitative questionnaire was presented for approval to the university.
2. Upon approval, the research commenced with face to face interviews, thus receiving information in-person from the respondent.

3. The interviews were conducted transcribed by the researcher accurately and wholly as possible.
4. After the recorded interviews were transcribed, the transcriptions were sent back to the respective respondents to confirm the validity and authenticity of the transcription to be as reflective of the respondents' experiences as possible.
5. The recordings and transcriptions were kept safely in a locked desk to protect the confidentiality of the study.
6. The data was analysed with NVIVO software and by myself manually.
7. The researcher made every effort to follow strict academic protocol and professionalism in conducting the qualitative research, from transparent communication and selection of the interviewees to critical analysis of the data collected.

From the above, the rigour of the qualitative aspect of the study is confirmed and the validity of the results is ensured.

3.11.0 Phase 2 & 3

Since phases 2 & 3 and were quantitative, they followed the same procedure which is outlines in figure 3-3 below. It indicates the research paradigm, research method, data collection method and data analysis used in phases 2 & 3, and will be discussed further.

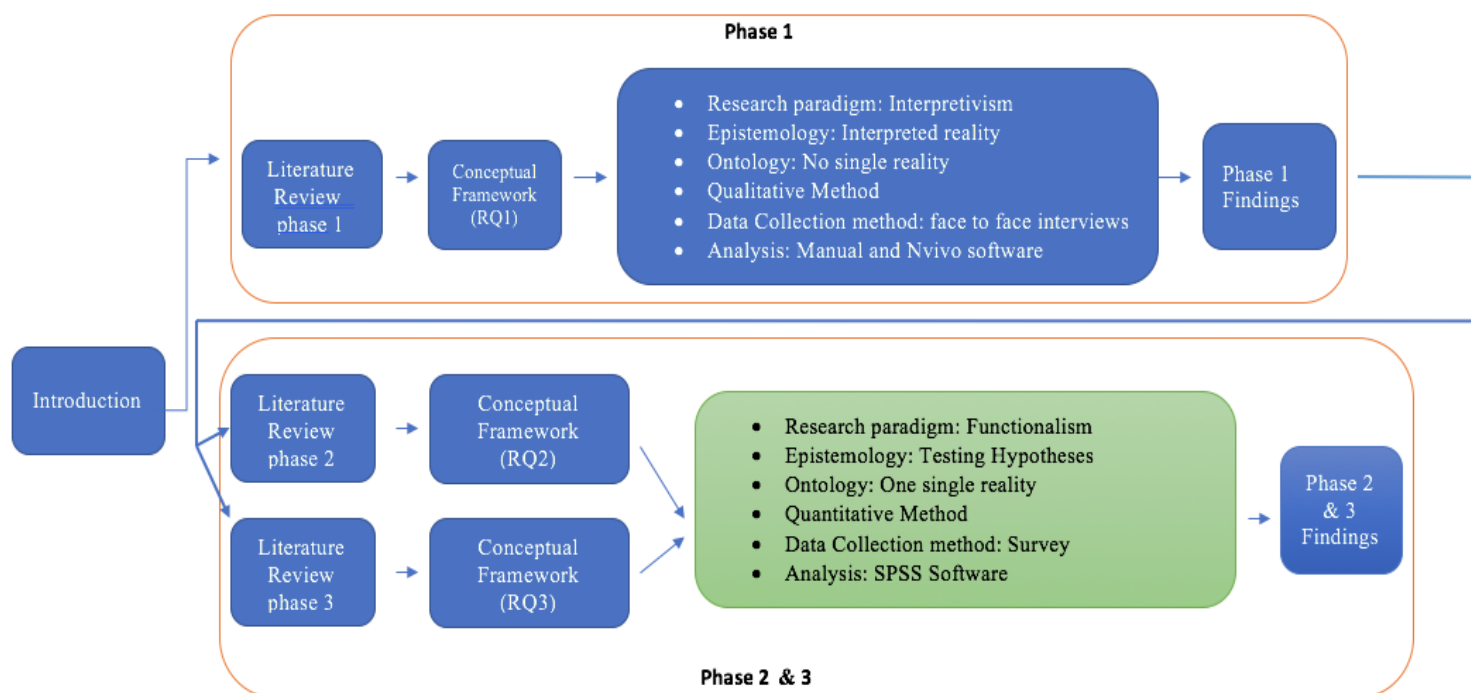


Figure 3-3: Research Procedure Diagram: Phase 2 & 3 Methodology

3.11.1 Research Paradigm

Phases 2 & 3 comprised the positivism (functionalism) paradigm and utilised quantitative data. This paradigm is based on the assumption that reality can be observed and described objectively since reality is stable. In adopting the positivist approach, the researcher remains detached from the data being collected, and is concerned about collecting and deriving explanations from the information.

According to Saunders et al. (2016), adoption of the positivism is appropriate when it is the researcher's intention to attempt to identify quantifiable observations and test hypotheses through statistical methods and experiments.

The positivism paradigm is based on the fact that a single observable reality exists independently of individual perceptions. Reality is separated from its normal context

and the assumption is that reality is capable of being taken out of its natural context. By adopting this paradigm, research becomes a generalisation, with the researcher an objective analyst who remains detached from the data being collected; concentrating on description, explanation and collection of factual information.

Under the positivist paradigm, the researcher remains objective and detached in order to objectively interpret the data. The researcher is independent of the research (Easterby-Smith, et al., 2012). Since one of the assumptions underlying the positivist paradigm is that the research object possesses qualities that are capable of existing independently of the researcher. The researcher has adopted the positivist approach in conducting the quantitative research, which involves quantifiable observations obtained by the use of statistics and experiments to test their hypotheses.

Therefore, positivism has been used as part of the quantitative research method (Phase 2 and Phase 3) to investigate the differences in the attitudes of novice and parallel franchisees towards contractual terms, and to investigate how the constraints defined by the theories of franchise selection and contractual terms affect the franchisee performance with respect to perceived market share and perceived profitability.

Bryman and Bell (2015) state that the purpose behind the use of quantitative data is to verify the linkage of diverse variables. Furthermore, the verification of these variables can be supported by adopting a variety of studies. However, Creswell (2013) states that the disadvantage of the positivist paradigm is that there is undue emphasis on

quantitative data, which is not always relevant to individuals. Furthermore, the paradigm does not account for understanding behaviour.

Subsequently, a discussion on positivism barring a discussion on logical positivism would be incomplete. According to Mastin (2008), Logical Positivism derives from the philosophies of Epistemology and Logic, and is also known as Logical Empiricism. At its core, logical positivism seeks to reduce human knowledge to scientific and logical representation. Therefore, it seeks to deduce meaning through empirical verification. Furthermore, logical positivists reject the concept of Metaphysics due to it being unverifiable. The paradigm uses scientific protocol to gain inferences of observable facts. It emphasises the doctrine that a proposition can only be meaningful if it can be proven true or false.

Additionally, the primary traits of logical positivism are:

- It opposes all metaphysics, not as being wrong, but as having no meaning
- It rejects propositions which are unverifiable, but supports statements that are analytical and true by default of their meaning
- It enforces the idea that all information or knowledge should be converted into codes (scientific form)

Logical positivists have vastly influenced 20th Century Epistemology. However, many critics have argued against logical positivism. One primary critique concerns the verifiability criterion. According to Mastin (2008), the criterion for verifiability is problematic because it in itself is unverifiable in terms of negative existential and positive universal claims.

In addition, Mastin (2008) cites renowned theorist Karl Popper's disagreement with logical positivists. Popper argued against logical positivists who proposed that metaphysical statements must be meaningless. In his argument, Popper highlighted that a metaphysical statement can be proven false or true or time, meaning its "unfalsifiable status" can change. Taking into account the values of logical positivism, this study's quantitative method follows the positivistic paradigm. The reasoning for this approach is based on the premise that this study does not reject unverifiable meanings. Thus, the study's hypotheses are structured to gain insight into metaphysical understandings of the social world.

3.11.2 Research Strategy

The survey was adopted for the research strategy. The objective was to identify differences in the attitudes of franchisees towards the contractual terms and how the constraints defined by the theories of franchise selection in the qualitative research, and the contractual terms affect the franchisee performance.

However, a limitation of the survey is that the researcher was only able to obtain superficial opinions, as respondents were not able to report their beliefs and attitudes accurately. The survey included close-ended questions in the questionnaire to permit respondents to select the most appropriate answer from a scale of given options (Bryman and Bell, 2015). However, this limitation has been overcome by some of the respondents of this survey making comments on the questionnaire's margins to express further opinions and thoughts.

3.11.3 Research Method (Quantitative Data)

Bryman and Bell, (2015) state that quantitative data collection methods are suitable for empirical studies requiring mathematical techniques and statistical tools. Data is inspected empirically after its compilation and transformation in order to determine if interconnections exist; then conclusions are arrived at from the analysed results.

Quantitative data collection is appropriate for numerical data collection.

3.11.4 Data Collection Method (Surveys)

The quantitative research evaluated the different attitudes of the novice and parallel franchisees towards the contractual clauses relating to training, support, contract duration, exit strategy, termination, territorial exclusivity clauses, tying arrangements and franchise fees. Additionally, the quantitative aspect has also identified how the constraints and factors defined by the theories of franchise selection and contractual terms affect the franchisee performance, as determined by the perceived market share and perceived profitability. Hence, the survey was used to evaluate how the types of entrepreneur's attitude towards the contractual terms and how the constraints defined by the theories of franchise selection, affected the performance of the franchisees.

Creswell (2013) states that surveys are a quantitative research method in which the researcher designs predetermined questions for the entire sample of individuals.

Surveys are applicable when the researcher's objective is to describe and explain features of a large group. Saunders et al. (2016) define a survey as a series containing an identical set of questions that require using a standardised response form to record responses. The survey method provided credibility for the research findings, and consequently reduced the possibility of obtaining invalid results. Credibility is related

to the reliability and the validity criteria of the research design. Surveys provide credibility as they eliminate observer/interviewer bias or errors, and therefore constitute a reliable research design method that ensures that results are consistent irrespective of when and by whom the survey is conducted. (Bryman and Bell, 2015)

For this purpose a survey was used, as most studies recommend paper-based surveys as a tool for quantitative data collection. Information captured by use of a paper-based survey is gathered by adopting the following means: personal interviews, telephone interviews or postal mail. According to Creswell (2013), this type of information is collected from participants of the study. Surveys are the main method of quantitative research and can be conducted in person, by mail, telephone, or online. Surveys permit the researcher to quantify an issue and identify results that can be projected onto a larger population. Additionally, surveys are a reliable method since they are standardised, and the all participants are asked the same, identically phrased questions (Saunders et al, 2016).

However, Creswell (2013) identifies a limitation of the survey method, since questions are standardised, only general questions understandable by a wide range of participants can be included. Consequently, the results of a survey may not always be valid. The researcher has conducted a survey to obtain collective responses from 123 respondents. A significant amount of quantitative research used Likert scales, particularly when measuring attitudes, perceptions and behavioural constructs. (Ogden and Lo, 2011) A Likert scale is a scale from which respondents choose one option that most closely aligns with their view and is used to measure respondents' attitudes by asking the extent to which they agree or disagree with a particular question or

statement. The Likert scale measures attitudes that can be interpreted as measurements on a scale (Likert, 1932 and Saunders et. al., 2016). The Likert scale allows respondents to indicate their position on issues along a quantitative continuum. Multiple items can be combined into a total score for each respondent (Saunders et. al, 2016).

The researcher has used the Likert scale and found it to be appropriate, as the researcher has measured attitudinal and behavioural characteristics of franchisees. The researcher has used a 7 Point Likert scale to address the question with 1 meaning to strongly *disagree* and 7 meaning to strongly *agree*. However, it is acknowledged that different respondents interpret the same question differently, and there is also a response shift as to how judgements are made as individuals answer questions and answers shift, based on responses of the reference group (Rapkin and Schwartz, 2004).

Although the responses on the scale have a relative position, it is not always possible for participants to perceive the difference between the different levels of the scale to be equal (Jamieson, 2004).

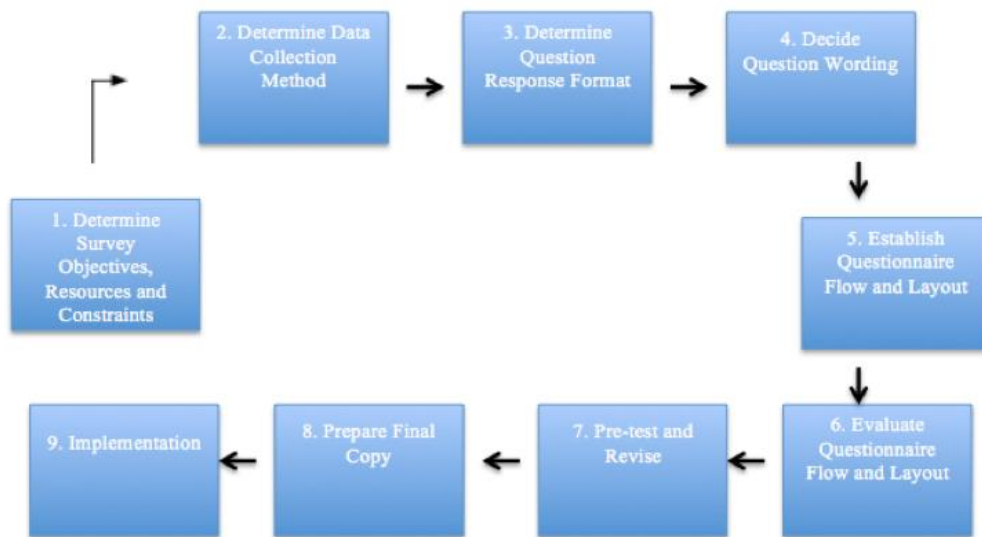


Figure 3-4: Questionnaire Developing Process

Source: Adapted from Yen (2001) and McDanil and Gates (1995).

3.11.5 Sample Selection

For the sample selection 123 respondents were targeted in-person and online. For the quantitative research the sample size of 123 participants was also selected as a convenience sample. Out of the 123 participants, 85 were parallel franchisees and 38 were novice franchisees. This distinction was identified through question 4 of the questionnaire which asked: “How many franchises do you have”. Respondents who indicated one franchise were labelled novice, while a number higher than one indicated parallel.

From the sample, 117 of the respondents were from Saudi Arabia and 6 were non-Saudis. 86 participants were from the food and beverage sector, 18 from the fashion sector 12 from the cosmetic sector, 3 from the fitness sector and 4 from other sectors.

The researcher selected small, medium and large franchisees to ensure that all perspectives and points of view, regarding the questionnaire, were covered. Hence the sample was divided into three size categories, namely: small, medium and large franchisees.

It was difficult to access all the franchisees since some of them refused to respond on the grounds of being busy or unwilling to participate in the survey.

However, although a sample size of 123 respondents is considered a small sample size, this has also been the case in other research studies on franchising. The sample size was 189 retail and service chains in El Akremi et al. (2015); 16 chains in a study by Botti et al. (2009), on franchising performance; and in 15 chains in Perrigot et al., (2009). Even though the size of the quantitative sample was limited to 123 respondents there is a balance between different sectors including the food and beverage sector, fashion sector, cosmetic sector, fitness sector and other sectors, as well as a balance between small, medium and large franchisees.

3.11.6 Reliability and Validity

For quantitative research, rigour has been taken into account. According to Bryman and Bell (2015), reliability and validity are two independent perceptions; internal and external. Reliability relates to consistency of the data and validity relates to the accuracy of the data.

Cronbach's alpha, which is commonly used and easy to calculate (Tabachnick and Fidell, 2013), has been used to determine the reliability of the data. According to

Tabachnick and Fidell (2013), Cronbach's alpha measures the internal consistency and scale reliability and represents the coefficient of reliability and consistency.

Validity is classified as internal validity and external validity. Internal validity evaluates whether the research instruments and research methodology measured what they were designed to measure. (Bryman and Bell, 2015).

External validity determines whether the results can be generalised and is a dilemma of qualitative exploration where interviews are used by researchers (Bryman and Bell, 2015). This thesis encompass all the recorded interviews and the data has been reversed to the interviewees after deciphering the interviews in order to receive their consent, validity increment and decrement of usage of author's interpreted data.

Reliability is a necessary condition for validity (Drost, 2011).

Validity indicates the extent to which a test measures what it is designed to measure. Another classification of validity is face validity or content validity. Face validity confirms that the measure used is assessing the intended construct, whereas construct validity ensures that the measure is measuring the construct itself, and no other variable (Drost, 2011). Face validity is a subjective assessment of whether the measurement procedure used is a valid measure of a given construct. When a survey is used as the measurement instrument, it should provide an accurate representation of the variables and construct that the survey is measuring. Otherwise it is not valid.

The researcher conducted face validity tests by interviewing two experts in IT and SPSS programs to verify that the design of the questionnaire was suitable for SPSS usage and to ensure that there were no omissions. For example, it was revealed that

the statement, ‘the duration of my current franchise contract is...’ should be put in multiple-choice format.

Back/Forward translation has been implemented to obtain different language versions of the English instrument that are conceptually equivalent to the language used in target countries and this was achieved through forward-translations and back-translations. A translator, who is familiar with terminology included in the research instrument and knowledgeable of the English-speaking culture, conducts the forward translation, but the translator’s mother tongue should be the primary language of the target country (Harkness et. al, 2004).

Back-translation involves the research instrument being translated back to English by an independent translator, whose mother tongue is English and who has no knowledge of the questionnaire. Back-translation is normally restricted to select key terms and concepts or those that are sensitive to translation problems across languages. These items will be distributed when the English version of the instrument is distributed. Additionally, back translation involves items that are added on as the target country identifies problematic words or phrases (Harkness et. al, 2004).

The questionnaire was written first in English and then translated to Arabic to ensure consistency in the language used, then translated again to English to guarantee that it was translated correctly (Harkness et. al, 2004). The first round of the survey was translated to Arabic by a certified translation organisation and then it was translated to English. Taking all of the above steps into account, the researcher believes that the study maintained it rigour in terms of accuracy, truthfulness, criterion validity, transferability and confidentiality.

3.11.7 Constructs Measurements

The final measures of research constructs are illustrated in Table 3-2 for the resource theory; and Table 3-3 for social exchange theory; Table 3-4 for the equity theory; Table 3-5 for performance; and Table 3-6 for contract clauses. With regards to the multiple scales, all of the constructs are intended to be operationalised using multi-item scales taken from previous empirical researches, especially in the field of franchising research.

The research uses ten main constructs: four constructs that represent the resource based theory; three constructs representing the social exchange theory and one construct demonstrating the equity theory, performance and contract clauses.

Brand Reputation is the first construct that represents the resource-based theory. It consists of six items, the first item was adapted and adjusted from Wu (2015), Barthélemy (2008) and Griessmair et al. (2014), who test brand reputation as a construct that affects franchisees performance. The second item was adapted from Combs and Ketchen (1999); the third item was adapted from Vishag et al, (2016); Davis and Mentzer (2008) and Suh and Houston (2010). Finally, the last three items were based on Sung Ho Han et al. (2015) and Veloutsou and Moutinho (2009), who test brand reputation as a construct that affects brand trust. This construct measures the franchisee opinion about the franchisor brand and how it would affect their performance in terms of market share and profitability. The reliability of these items is .931.

The second construct is **training**, which consists of six items. The first item was adapted from Nyadzayo et al. (2015) and Roh and Yoon (2009). The second and third items were adapted from Vishag et al. (2016) and Dhanaraj et al. (2004). The last three items were from Jyh-Shen et al. (2004). The construct measures the effect of transfer of knowledge and business practices from franchisor to franchisee on the franchisee performance in terms of market share and profitability. The reliability of these items is .911.

Support is the third construct representing the resource theory. Franchisor support consists of six items. The first three items were adapted from Nyadzayo et al. (2015) and Roh and Yoon (2009) who test support as a construct that affects franchisee brand commitment. The second two items were from Vishag et al. (2016) and Dhanaraj et al., (2004) who test the knowledge specificity of the franchisor as a construct that affects trade equity of the franchisor. Where the last item was adopted from Jyh-Shen, et al. (2004) who tests assistance satisfaction: operational guidelines as a construct that affect the franchisees' intention to remain in the franchise system. This construct measures the effect of both the initial, as well as on going, technical support on franchisee performance in terms of market share and profitability. The reliability of these items is .859.

Finally, **technical know-how** is the fourth construct that represents resource theory. This construct comprises three items, which were adapted from Gillis et al. (2014) and Knight and Cavusgil (2004) to measure the extent to which the transfer of technical know-how from franchisor to franchisee would affect the franchisee's performance in terms of perceived market share and perceived profitability. The

reliability of these items is .886.

Table 3- 2: Measures for Resource Theory Constructs

Construct	Source
Brand Reputation	
My franchisor's brand has a good reputation.	Chih-Wen Wu, 2015; Barthélemy, 2008; Griessmair et al., 2014
My franchisor's brand is well-respected.	Combs and Ketchen, 1999
This brand is well known for its good relationship with franchisees.	Vishag; et al., 2016 Davis and Mentzer, 2008; Suh and Houston, 2010
My Franchisor's brand is trustworthy My Franchisor's brand is reputable My Franchisor's brand makes honest claims.	Sung Ho Han et al., 2015 Veloutsou and Moutinho, 2009
Training	
The training provided by my franchisor was very useful.	Nyadzayo et al., 2015 Roh and Yoon, 2009
My franchisor normally invests to educate and train supervisors to help our operation. My franchisor willingly provides us with sufficient opportunities to learn operation skills.	Vishag et al., 2016 Dhanaraj et al., 2004
The franchisor provides the operation manuals. The franchisor instructs us how to use the operation manuals. The franchisor offers the updated training courses.	Jyh-Shen et al., 2004
Support	
The on-going service provided by my franchisor is very good. The promotional and advertising assistance is very good My franchisor/representative visits my store regularly	Nyadzayo et al., 2015 Roh and Yoon, 2009
More than the requirement, the franchisor invests their time to visit or meet us for coaching. More than the requirement, the franchisor regularly provides business analysis to us.	Vishag et al, 2016 Dhanaraj et al., 2004
The franchisor supports the store in facility maintenance.	Jyh-Shen et al., 2004
Technical Know-how	
My franchisor have a specified set of written procedures that is critical for us to follow Our employees follow standardized procedures provided by the franchisor Our employees follow daily procedures and checklists.	Gillis et al., 2014 Knight and Cavusgil, 2004

Collaborative Communication is the first measure that symbolises social exchange theory. Collaborative communication comprises six items. The first two items were taken from K-Y. Lee et al. (2010) and Mohr et al. (1996), who test non-coercive

collaborative communication and two-directional collaborative communication as constructs that relate to economic satisfaction. The second three items were from Chiou, et al. (2004). The last item was adopted from Yen-Chun C et al. (2013) and Joshi, (2009). This construct measures the extent to which collaborative communication between the franchisee and the franchisor would affect the franchisee's performance in terms of market share and profitability. The reliability of these items are .704.

The second construct that represents social exchange theory is **local market knowledge**, which consists of four items. Local market knowledge measures the effect of franchisor knowledge regarding the franchisee local market on their performance, in terms of perceived market share and perceived profitability. The first item was adapted from Gillis et al. (2014) and Bourdeau and Voorhees (2007). The last three items were adapted from Dhanaraj et al. (2004), Simonin (1999) and (Lane et al., 2001). The reliability of these items is .938.

Contract duration is the third measure that represents the social exchange theory. This construct comprises one item. This developed item measures the effect of the length of time the relationship between the franchisee and franchisor on the franchisee performance, in terms of market share and profitability.

Table 3-3: Measures for Social Exchange Theory Constructs

Construct	Source
Collaborative Communication	
Franchisor merely discusses the overall strategy of an operation without making specific statements about what he or she would like me to do (reverse scale). ^(r) Franchisor will tell me when I have performed well.	K-Y. Lee et al., 2010 Mohr et al. 1996
My franchisor emphasises interactive communication. The information provided by the franchisor is very helpful in solving our store's problems. If we propose any questions and suggestions, the franchisor will handle the questions and suggestions immediately.	Chiou, et al., 2004
My franchisor works hard to ensure that there is a lot of two-way communication between them and us.	Yen-Chun. C et al., 2013 Joshi, 2009
Local Market Knowledge	
A potential franchisor has previous experience of local market. Experience is an important selection criterion.	Gillis et al., 2014 Bourdeau and Voorhees, 2007
My franchisor has previous local market expertise. My franchisor has good knowledge of my culture. My franchisor has local competition knowledge.	Dhanaraj et al., 2004 Simonin, 1999b; Lane et al., 2001
Contract duration	
The duration of my current franchise contract is <input type="checkbox"/> 2 Years <input type="checkbox"/> 5 Years <input type="checkbox"/> 10 Years <input type="checkbox"/> More than 10 Years	

^{*(r)} **Item is negatively phrased and reverse coded.**

Fees are the only construct that symbolise the equity theory, consisting of two items.

It measures the effect of the initial franchise fee paid by the franchisee to the franchisor on the franchisee performance, in terms of perceived market share and perceived profitability. The first item was adjusted from Chiou et al. (2004) who tests trust as a construct that would affect overall satisfaction. The second item was adapted from Nyadzayo et al. (2015) and Roh and Yoon (2009). The reliability of these items is .882.

Table 3-4: Measures for Equity Theory Constructs

Construct	Source
Fees	
The franchise fee of the franchisor is reasonable.	Chiou et al., 2004
The amount of royalty charged by the franchisor fees was not high.	Nyadzayo et al., 2015, Roh and Yoon, 2009

The construct of **Franchisee Performance** was measured with two items. The two items were adapted from Mignonac, et al. (2015); Fenwick and Strombom (1998) and Litz and Stewart (2000). The first item is designed to measure the franchisee performance in terms of market share and the second item is designed to measure the franchisee's performance in relation to profitability. The reliability of these items is .781

Table 3-5: Measures for Franchisee Performance Construct

Construct	Source
Franchisee Performance	
As compared to other similar franchisees in this franchise organisation, our performance is very high in terms of market share.	Mignonac, et al., 2015 Fenwick and Strombom, 1998
As compared to other similar franchisees in this franchise organisation, our performance is very high in terms of profitability.	Litz and Stewart, 2000

The construct of **Contract Clauses** consists of eight items. The eight items were newly developed to measure the effect of different types of franchisees on the contract clauses. The reliability of these items is .813.

Table 3-6: Measures for Contract Clauses construct

Construct	Source
Contract Clauses	
My franchisor insert tough contract clauses related to training*	
My franchisor insert tough contract clauses related to support*	
My franchisor are very strict with tying arrangements clauses*	
My franchisor increase the franchise fees in the contract*	
My Franchisor impose shorter contract duration clauses*	
My Franchisor insert stricter franchisee exit strategy clauses*	
My Franchisor impose stricter territorial exclusivity clauses*	
My Franchisor impose stricter termination clauses*	

* **New item developed**

3.11.8 Pilot Study

A pilot study involves pre-testing of research instruments, including questionnaires and surveys, conducted after the researcher has defined the research questions, research techniques and research methods (Saunders et al., 2016). The objective of the pilot study was to identify and eliminate deficiencies in the first draft of the survey questionnaire, and additionally to obtain an evaluation of the survey questionnaire so that it can be revised and refined for use in the final version of the survey (Lancaster, 2002).

The researcher has piloted the quantitative research survey instrument. The initial set of questions was developed for testing in similar settings in which the main study was undertaken. For the purposes of the pilot study, a face-to-face survey was undertaken with 20 franchisees. Most of the comments were positive and recommended changes were implemented. For instance, “Every year I pay ... to the franchisor as a franchise fee.” All of the 20 franchisees agreed that they pay their franchised fees at every contract renewal, not annually.

Reliability of the pilot study was assessed through the use of Cronbach’s alpha which is popular in assessing the reliability of a multi-item measurement scale. As demonstrated below, the coefficient alpha ranged from .683 to .953 for the nine constructs. According to Nunnally and Bernstein (1994), a coefficient of 0.50 or 0.60 is satisfactory in the preliminary stages of research.

Table 3-7: Pilot Study Reliability

Construct	Cronbach's alpha (α)
Contract Clauses	.683
Brand Reputation	.821
Franchisor Support	.800
Training	.811
Technical know-how	.950
Collaborative communication	.825
Local market knowledge	.953
Fees	.827

3.11.9 Quantitative Data Analysis

According to Maxwell (2013), the framework of any investigation requires planning for conduction of a study. Silverman (2013) hypothesised that instead of underestimating the influence of a research problem, it is preferable to compose a theoretical framework that follows the analytic conception of the investigation. In this way, the study will be able to draw a better and more effective conception about social phenomenon. This study has constructed a framework based on previous studies and it is demonstrated in the study that collection of data must be done before analysis of data.

The study conducted quantitative data analysis by utilising a survey as a tool for data collection. An excel spreadsheet was created to arrange data and afterwards to convert it to SPSS software for analysis. During transfer of data in SPSS for analysis, the researcher did not transfer or utilise personal information of the respondent, such as, name or address. In order to be in a position to contact the respondent in case any

verification was required, a reference code was used which was protected by the researcher. In addition, all information is entered in the form of groups, whereby it is not possible to discriminate a single person's response.

3.11.10 Data Management in SPSS

Initially, all information was included in SPSS software according to the assigned format. The following are the constituents of SPSS software: name of variable, type of data, decimal places, labels to elaborate the type of variables, values, missing value against variables that are missing and measures to elaborate that data is either: scale, nominal or ordinal.

At next stage of the study, the analysis file was finalised with help of SPSS software. At this stage the study assigned a number to every response of question and also utilised the short form of the variable to avoid time wastage. Following this, all variables in the book code were explained in detail so that the main concept regarding the variable could be easily identified understood. Additionally, the study assigned numerical values to the value label column and at the end of the study identified the category of variable as either scale, ordinal or nominal.

After finalising all information regarding investigation in SPSS, the study applied various tools for variables association. One way was to enter all data in Microsoft Office Excel and after, rechecking that it imported that data in SPSS. Finally, it was confirmed that all data is accurate and was collected by adopting valid data collection techniques. All information is placed in the correct manner and the correct category of the variable was identified.

3.12 Factor Analysis

The objective of factor analysis is to summarise and condense data so that relationships and patterns can be interpreted. Consequently, factor analysis ensures data reduction and a reduced number of variables. In ensuring data reduction, the structure of the data set should be retained (Bartholomew et al., 2011). Factor analysis creates a new smaller set of variables that can be used for subsequent multivariate analysis. Factor analysis is essential when there are sufficiently high correlations (Tabachnick and Fidell, 2013). Through factor analysis, inter-correlated variables are combined to form general, underlying variables. This results in creation of common factors that would explain the correlation in the observed variables (Hair et al., 2010). There are two methods of factor analysis, namely, exploratory factor analysis (EFA) and confirmatory factor analysis (CFA).

In EFA, factors are unknown and the method is used to discover the factor structure of a measure and to examine its internal reliability. The researcher does not know the number of factors or which items indicate which factor. EFA is therefore appropriate when researchers have no hypotheses about the nature of the factor or structure of the measure. In EFA, the eventual number of factors depends on the researcher's interpretation of the factors. Data is explored in an attempt to provide information about the number of factors required to represent the data. All measured variables are related to the respective latent variable, which is not directly observable, and hence inferred (Tabachnick and Fidell, 2013). EFA is appropriate when there are few hypotheses about a scale's internal structure.

CFA tests the extent to which the measured variables represent the number of constructs and hence, determines the construct validity of the survey items and provides an indication of the extent to which the construct explains the variables under the construct. The researcher specifies the number of factors necessary and the measured variable related to the latent variable (Tabachnick and Fidell, 2013). Therefore CFA is appropriate when the researcher has hypotheses about a scale, the number of factors or dimensions and the association between factors.

Principal Component Analysis (PCA) is another variable reduction technique using standard deviation, covariance, eigenvectors and eigenvalues. PCA identifies patterns in data and highlights data similarities and differences in order to make data easy to explore (Pallant, 2007). Once the researcher has identified patterns in the data, the number of dimensions in it can be reduced without loss of information (Tabachnick and Fidell, 2013).

The 31 items for the constructs were subject to PCA using SPSS 20 to identify whether they statistically represent 8 different dimensions of value as theoretically proposed (Churchill, 1979). The sample for EFA must be at least 100 and the ratio should be no lower than 5 per variable (Gorsuch, 1983; and Kline, 1979). This criterion is satisfied, as the sample size in the quantitative research is 123.

3.13 Common Method Bias (CMB)

Method biases are a main source of measurement error and affect the validity of the conclusions about the relationships between measures. Common methods bias arises because many constructs are measured using common methods such as Likert scales

within a survey. This bias is therefore due to the measurement instrument and not the construct being measured. As the research participants are asked to report their own perceptions on more than one construct in the same survey, it is likely to be bias due to response styles (Podsakoff et al., 2003; 2012).

There are a variety of statistical methods used to control common method bias, including partial correlation procedures, controlling the effects of directly measured and unmeasured latent method factors and Harman's single factor test (Podsakoff et al., 2003; 2012).

In order to apply the directly measured latent method factor technique, the researcher should be in a position to predict the potential source and measure of method bias. If the researcher has a direct measure of this source of method bias it can be controlled by adding a method factor that has both direct measures and the measures of the substantive constructs of interest as reflective indicators (Podsakoff et al., 2003; 2012). This technique has been applied in research studies by Williams et al. (1996).

This technique is applicable when the researcher has anticipated the sources and has valid measures of the sources of method bias. An unmeasured latent method factor technique involves adding a first-order method factor whose only measure includes indicators of the theoretical constructs that have a common method (Richardson et al. 2009). Although Podsakoff et al. (2003) state that the unmeasured latent method factor reflects different types of common method variances, as well as variances arising from relationships between the constructs other than the hypothesized constructs. However, the method can also be advantageous as it provides a control for all systematic sources of bias as well.

In order to assess and control for common methods bias, the researcher has conducted a Harman's single factor test to identify the presence of common method bias. This technique has used exploratory factor analysis where all variables are loaded onto a single factor and constrained to ensure no rotation (Podsakoff et al., 2003). This new factor is not in the model; but is introduced only for the purposes of this analysis and then removed. If the newly introduced common latent factor explains more than 50% of the variance, then there is an indication of common method bias (Podsakoff et al., 2012).

3.14 Data Screening prior to Analysis

The major requirement of research is to ensure the validity of the information.

In research, information inaccuracy can emanate from either the respondent or the researcher. Inaccuracy from the respondent may be due to false answers of any questions; or, inaccuracy from researcher's side may be due to misguided information being entered. Therefore to reduce inaccuracy, an internet-based survey was conducted using 'Monkey Survey.' Additionally, techniques were implemented for the identification and reduction of errors, including control of missing data, verification of outliers and tests for normality, which are most important.

3.15 Checking Data for Errors

At the initial stage, the study investigated the variables that are totally different and not within the range of the variable scale, and therefore tried to eliminate them. For effective and easy identification of those values, the use of descriptive statistics is used. Descriptive statistics hold variables' central tendency, dispersion, sum, minimum, maximum and range values. The information that is not in range can be

easily identified. By encapsulating all information, the study investigated and identified all problems in the study. It was not possible to identify all problems of investigation by arranging data in ascending or descending order.

3.16 Missing Data

The second major problem faced by the researcher during analysis of data, was handling missing information of variables. Tabachnick and Fidell (2013) state that this is crucial while conducting research because all results are affected. In some studies the main factor that is missing is the number of employees. In this case, various statistical tools were applied as a replacement of those missing values. In this research study, there was no missing data as the researcher double-checked all the answers after conducting the survey to ensure no data was missing.

3.17 Checking for Outliers

Pallant (2007) defines outliers as values away from the mean level. Either these values are above the mean level or below the mean level. Tabachnick and Fidell (2013) explained that these values are above/below the mean level, or the points deviated from the mean. Hair et al. (2006) also favour the point that outliers are the point out of the normal level. These are the points that are formed with by the combination of two or more variables and the points are divergent from the normal level.

Considerable complexity was faced due to outliers as this can adversely affect the outcome of the study. The main rationale of the investigation is to verify all outliers and try to treat them in such way that they are not able to affect the outcomes of the

study. In the case of the questionnaire-based survey, the researcher used an option of “neutral” so that respondents could mark the answer of unknown query, thereby reducing the number of outliers of the study. The study utilised a histogram and descriptive statistics as tools to identify all possible outliers and the normality of the histogram verified the normality of all variables, part of the investigation.

After verification of all the variables, it was concluded that the study does not have any problem of outliers and the study is error free from the problem of outliers.

Furthermore, the study also declared that all scores of data were within the specified range of normality. The mean values of the variables were analysed.

3.18 Normality Check

The research identified that data holds the assumption of normality among all variables. Tabachnick and Fidell (2013) specify that it is not essential to conduct normality tests on data sets of study; it is however, beneficial if the test of normality is applied on the data set. Different studies also state that the normality of data can be measured by applying various statistical methodologies (Tabachnick and Fidell, 2013 and Hair et al., 2010).

According to Hair et al. (2010), the normality of any data set can be measured by applying the Kurtosis and Skewness tests or Kolmogorov and Shapiro methods.

Generally, in analysing normality of data in SPSS software, Kurtosis and Skewness tests are used. For verification of the regularity of a data set, Skewness tests are used.

For the identification of height of variables, the Kurtosis test is used. The Skewness test is interpreted in such a way that, if data is skewed positively it means data is grouped to the left region of the graph. On the other hand, if data is skewed negatively

it means data is grouped to the right region of the graph. In the case of Kurtosis, all data is grouped in the middle of the region. For Kurtosis, if the value of a data set is lower than zero, then the curve is flattened from the ends; if the Kurtosis value is greater than zero, then the curve is steeper from the ends.

Tabachnick and Fidell (2013) suggested from their studies that Skewness and Kurtosis tests are easily affected by the enhancement of sample size. To avoid this kind of problem, a histogram is used for data interpretation. In a few cases, graphs suggested that data is normally distributed, but software calculated the value of Skewness as negative just because of the score of tests. Tabachnick and Fidell (2013) elaborated that due to an increase in size of the sample study, it is able to remove Skewness.

The values of Kurtosis can be negative, positive and highly peaked; a data set is represented by positive Kurtosis in which all values are grouped in the middle. Moreover, flatness of a data set is represented by negative Kurtosis, which means that data is present on extreme positions of the curve. These outcomes of negative and positive Kurtosis showed influence on variance of data set, which is the main reason for the value of Kurtosis being grouped in the middle of the curve/ data set.

3.19 Multicollinearity

According to Pallant (2005), multicollinearity represents the relationship between independent variables and identifies the predictors that are correlated with other predictors in the research. The identification of multicollinearity is essential since its presence can increase the variance of the coefficient estimates and make the estimates

sensitive to even minor changes. Existence of multicollinearity can make it difficult to select predictors, and to determine the effect of each predictor. The researcher has therefore attempted to verify the multicollinearity between the predictor variables and in so doing, has looked at the correlations matrix; in addition both tolerance and the variance inflation factor (VIF) has been considered. Pallant (2005), defines tolerance as the extent to which the variability of the independent is not explained by the other independent variables. The variance inflation factor (VIF) is another indicator of multicollinearity and is reciprocal of the tolerance

3.20 Data Analysis Techniques

3.20.1 Mann-Whitney U test

The data analysis was conducted using the Mann–Whitney U test in SPSS. According to Jung and Lipe (1971). The test is used to compare differences between two independent groups when the dependent variable is not normally distributed but is either ordinal or continuous (Field, 2009). The Mann-Whitney U test was used to determine the types of franchisee factors, such as parallel franchisees and novice franchisees, attitude towards the contract clauses. The attitude of the franchisee was measured on an ordinal scale and the dependent variable was the attitude towards the contract clauses and the independent variable was the type of franchisee, namely, novice or parallel.

The Mann-Whitney U test allowed the researcher to arrive at a conclusion regarding the data, based on the assumptions made regarding the distribution of the data. The Mann-Whitney U test was found to be appropriate because the dependent variable was capable of being measured at the ordinal level on the 7-point scale and the

independent variable had two distinct categories, namely, novice and parallel franchisees.

3.20.2 Multiple Regression Analysis

The data analysis was conducted using multiple regression analysis using SPSS software and then moderation. Hair et al. (2010) states that multiple regression analysis is the preferred method of testing the relationship between the dependent variable and independent variables.

Multiple regression analysis allows the researcher to investigate the relationship between independent or predictor variables and a dependent variable and to determine whether the predictor variables explain the variation in the dependent variable Hair et al. (2010). The researcher has used multiple regression analysis to test whether the constraints defined by the theories of franchise selection affect the franchisees performance in terms of perceived market share and perceived profitability. Multiple regression analysis was also used to determine the overall fit or variance of the model and the relative contribution of each of the predictors to the total variance.

The adjusted R-squared compares the explanatory power of regression models with a different number of predictors and adjusts for the number of terms in the model (Cohen et al., 2013). The adjusted R square result indicated the extent or percentage to which the model explained the variance in the factors affecting the perceived market share and perceived profitability of the franchisee.

3.20.3 Moderation

According to Hayes (2013), there is a significant importance of moderation in social science theories. A moderator variable can be whether a qualitative or quantitative

variable affects the strength of the relationship between the independent predictor variable and the dependent variable. The relationship between two variables is based on the moderator variable. The researcher has used moderation analysis to determine whether the type of franchisees would affect the relationship between the individual contract clauses and the franchisee performance in terms of perceived market share.

3.21.0 Chapter Summary

This chapter has identified the implication of the latest process that is used in this thesis. The study has explored the social phenomenon and has logically provided justification for the use of all variables (Silverman, 2013). The study has outlined the significance and category of information (epistemology) that is utilised in the research. Furthermore, the study depicts the linkage with actual scenario (ontology) for enhanced judgement, observation and explanation of the same investigation. In this chapter, the focus has been on identifying the different research philosophies, strategies and methods, including the positivist and interpretivist philosophies and whether qualitative, quantitative or mixed methods research should be implemented. The next chapter will show findings, discussions and analysis of the qualitative and quantity research.

CHAPTER FOUR – QUALITATIVE, FINDING, ANALYSIS AND DISCUSSION

4.0 Introduction

As discussed in the research methodology chapter, the data collection for this thesis involves three phases, namely: Phase 1 – qualitative, Phase 2 – quantitative and Phase 3- quantitative. This chapter presents the findings and analysis of Phase 1 which consisted of stage 1 & 2 with regard to data collection. This phase addresses the first research objective of this thesis, which is to investigate how the constraints defined by the theories of franchise selection are applicable to the two types of franchisees, namely, novice and parallel, in selecting franchisors. The discussion presents several characteristics related to Omani and Saudi franchisees and their individual experiences and perceptions of the factors they consider in selecting franchisors.

The qualitative research was conducted through the responses to the 11 interviews. The qualitative research has identified how the constraints defined by the theories of franchise selection are applicable to entrepreneurs who want to become franchisees and the factors that are important to different franchisees in selecting franchisors. The questionnaire involved identification of the factors perceived as being important to franchisees in selecting the franchisor and included franchisor's brand reputation and whether the franchisor was well known, the training provided by the franchisor, the support provided by the franchisor, collaborative communication, the impact of territory exclusivity and franchisee fees and contract duration.

4.1 Sample Profile

Table 4-1: Types of Franchisees

Name of Franchise	Franchisee Nationality	Franchisor Nationality	Type
Franchise A	Oman	UK	N
Franchise B	Saudi	Saudi	N
Franchise C	Saudi Arabia	UK	N
Franchise D	Oman	Saudi Arabia	N
Franchise E	Oman	USA	P
Franchise F	Oman	Singapore	P
Franchise G	Saudi Arabia	USA	P
Franchise H	Oman	USA	P
Franchise I	Oman	UAE	P
Franchise J	Saudi Arabia	USA	P
Franchise K	Saudi Arabia	South Africa	P

N= Novice

P= Parallel

Out of 11 franchisees interviewed, 4 were novice and 7 were parallel. The basis of categorising franchisees as novice and parallel is that novice franchisees are those for whom this is the first franchise venture and parallel franchisees are those who have more than one franchisee business. Therefore, 36% of the respondents were novice and 64% were parallel franchisees. 2 of the novice franchisees were from Oman and 2 from Saudi Arabia. 4 of the parallel franchisees were based in Oman and 3 in Saudi Arabia. The interviews were conducted in two phases, with the first phase conducted during August 2013 and the second phase conducted during February 2014. The first phase was conducted face to face, whereas the second phase was conducted through emails. A total of 3 hours, 24 minutes and 65 seconds of face-to-face interviews were conducted.

This section illustrates the applicability of each theory of franchisee selection to two types of franchisees, namely, novice and parallel franchisees. Each type of franchisee has different objectives; therefore, they project their priorities according to their needs. From the analysis, the constraints of the resource-based theory are applicable to novice franchisees; however, the constraints of the social exchange theory and the equity theory are applicable to both novice franchisees as well as parallel franchisees. In this sample, there are four novice franchisees that do not have any other franchise business: Franchise A, Franchise B, Franchise C and Franchise D. The seven parallel franchisees that have other businesses include: Franchise E, Franchise F, Franchise G, Franchise H, Franchise I, Franchise J and Franchise K. Figure 4-1 indicates Phase 1 findings to be discussed below.

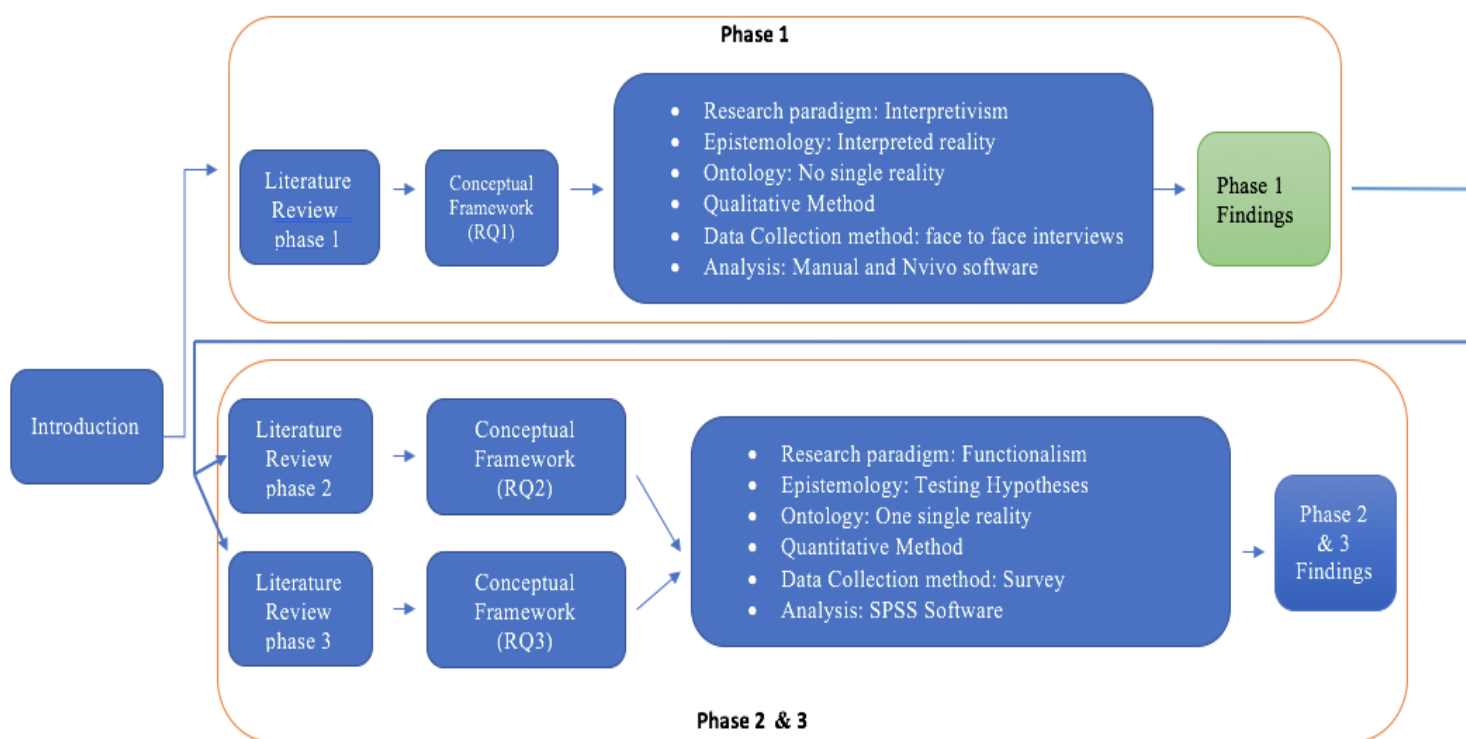


Figure 4-1: Research Procedure Diagram: Phase 1 Findings

4.2 Finding and Analysis

4.2.1 Resource Based Theory

The constraints represented by resource based theory were the strength of the franchisor's brand, franchisor's know-how and the support and training providing by the franchisor. The findings indicate that the constraints of the resource-based theory are applicable to novice franchisees only.

Strength of Franchisor's Brand reputation

This research indicates that the constraints exemplified by the resource based theory are relevant to all the novice entrepreneurs who are completely new entrants to the franchising market and they consider the strength of the franchisor brand as an important factor in the selection criteria of the franchisor. The question put to the franchisee is below:

“To what extent does the strength of franchisor's brand and the reputation of franchisor affect your franchisor selection decision? Would you consider the length of time the franchisor brand been established?”

Two novice franchisees responded to the question with the following:

Franchise D:

“The strength of the brand and reputation are important selection criteria.”

Franchise A, stated that:

“The strength of the brand as well as the fact that it is a traditional “British” brand was the deciding factors.”

According to Kapferer (2012), brand reputation is largely defined as the target market's perspective on the quality of products and services. Due to novice

franchisees lacking experience in the industry, they would be inclined to make brand reputation a priority as good brand reputation in the market results in a higher probability for success.

Further, Ghantous and Jaolis (2013) state that the franchisor's brand is one of the main resources that the franchisee buys into, on the assumption that the franchisor's brand will add value to the franchisee.

On the other hand, most parallel franchisees were of the opinion that the strength of the franchisor's brand was of secondary consideration in determining the decision to select franchising as a form of entrepreneurship.

Responses from parallel franchisees to the question of how important the franchisor's brand reputation was in selecting their franchisor are noted below:

Franchise I noted:

“The key aspect strength of franchisor's brand with a good track record and an international reputation, are all important factors that will affect the selection of the franchisor decision. I would consider the length of time the franchisor brand has been established. A strong franchisor brand will make it easy to establish a market.”

Similarly, Franchise G which is also a parallel franchisee, was of the opinion that:

“The most important factor is the results of the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis as this will indicate future success of the brand in our

market. The length of time the franchisor brand been established is not important An old brand may not be relevant today and can be unsuccessful due to poor branding.”

Franchise F specified:

“The strength of the brand is not so important a selection criterion. TWG started only in 2008. The quality of the product outweighs the strength of the brand. Potential for future success is more important.”

Similarly, Franchise K acknowledged:

“It was not essential that the brand should be a well-known brand but our decision would be affected based on how reputable the franchisor’s brand was and on whether or not it provided an opportunity for growth in the region.”

Franchise E, commented the following:

“ The strength of a franchisor’s brand and the reputation of the franchisor would not directly affect their decision if they had the opportunity to build the business.”

However, parallel franchisee Franchise J specified:

“The reputation of the franchisor brand affected our decision to select franchising as it made it easier for us to operate in the local market.”

The above findings indicate that in general, parallel franchisees considered the strength of the brand as a secondary factor in deciding to further pursue franchising, as they already had a name in the market and therefore they required a good product that could sell and generate profit. These findings are supported by Ghantous and

Jaolis (2013), according to whom; the franchisor's brand reputation is one of the main resources that the franchisee buys into on the assumption that the franchisor's brand reputation will add value to the franchisee. Additionally, Ghantous and Jaolis (2013) state that parallel franchisees use the franchisor's brand for functional, symbolic, economic and relational benefits, and thereby obtain positive responses from consumers, employees and financial partners towards the franchise. However, different types of franchisees prioritise brand reputation differently.

These findings therefore support Proposition 1, that novice franchisees consider franchisor's brand reputation as a priority factor before going into a franchise relationship in contrast to parallel franchisees who consider the franchisor's brand reputation to be important, but not a priority.

Training provided by the franchisor

Morrison (1996) defines training as operational training, and Grunhagen et al. (2008), also includes field visits, staff training, conferences, market analysis, and franchise councils as part of training. In the context of franchising, training involves both initial training and on-going continuous training along with a reference manual. Training involves the transfer of knowledge and business practices from franchisor to franchisee. The initial training allows franchisors to ensure that the franchisee maintains uniform standards. The training provided by the franchisor involves venture-specific training programs, which are conducted either at the franchisor's headquarters or at the franchisee's premises (Morrison, 1996).

Novice franchises feedback on selecting the franchisor based on provided training included the following:

Franchise A stated that:

“Training from Franchise A is extensive with everyone from the owner to the waiter receiving training from Franchise A staff from London.”

Franchise D stated that:

“The franchisors should be prepared to invest in providing us with comprehensive training programs, both initial as well as on-going.”

The training provided by the franchisor was an important factor affecting the decision of the novice entrepreneurs to become franchisees due to their lack of experience.

Morrison (1996) and Grunhagen et al. (2008) state that training involves operational training, field visits, staff training, conferences, market analysis and franchisee councils. Therefore, the novice franchisee consistently undergoes continuous training from the franchisor on various aspects throughout the business' lifespan.

As such, parallel franchisees also considered the training provided by the franchisor as an important factor in selecting a franchisor because, even though they had other business experience, they still needed the franchisor's training to successfully operate their business. This is largely due to their 'other business experience' being in unrelated sectors to the food and beverage industry.

The following represents some of the responses from parallel franchisees on selecting franchisors based on the training offered by the franchisor:

Franchise I, specified:

“The training offered, was a secondary factor as opposed to the franchisor's brand name and reputation.”

Franchise H also stated that:

“The primary factors would be: the franchise fee and the training the franchisor provides.”

Franchise E noted that:

“The training would also be deciding criteria. I would expect training manuals that dealt with operations, systems and processes.”

Our findings support Proposition 2 that both novice franchisees and parallel franchisee consider the training provided by the franchisor as an important factor before going into the franchise relationship. As mentioned above, the resource theory is generally relevant to novice franchisees only; therefore, training is considered to be an exceptional constraint as it is applicable to both novice and parallel franchisees.

Support Provided by the Franchisor

According to Lim and Frazer (2004) support is provided at the start and during the business life through technical support, promotional support and advertising support. Thus, support from the franchisor is tangible and concrete. In so saying, support provided by the franchisor was an important factor affecting the decision of the novice entrepreneurs to become franchisees due to their lack of experience.

The following were responses from novice entrepreneurs in selecting franchisors based on the support they offered:

Franchise A specified:

“Support from the owner of the franchise to the waiter receiving training from Franchise A staff from London had a favourable impact on our choice.”

Another novice franchisee, Franchise B, has also noted that:

“The marketing and promotional support provided by the franchisor and the training are important factors in our decision to become franchisees.”

Parallel franchisees also considered support as an important factor in selecting a franchisor because, even though they had the experience, they still need the support to operate their business.

Parallel franchisee Franchise K specified:

“As we buy into the know-how of a proven business model, training is an important consideration.”

Parallel franchisee Franchise H identified:

“The marketing support provided by the franchisor,” as being a decisive factor.

Parallel franchisee Franchise F commented that:

“Although support and training provided by the franchisor are important, the product quality, as well as product variety, is important.”

The overall findings are in accordance with the view of Altinay, et al. (2013), who state that franchisors need to provide the necessary support and guidance to their

franchisees. A significant factor of receiving support from the franchisor is maintaining the spirit of the brand, whereby, if the franchisor decided to stop all types of support to the franchisee, and the franchisee had to create their own marketing material (for instance) this could adversely affect the brand of the franchisee.

Since the resource theory is generally relevant to novice franchisees only, support is another exceptional constraint, being applicable to both novice as well as parallel franchisees. Our findings support the proposition that in selecting a franchisor, both novice franchisees and parallel franchisees consider the support provided by the franchisor as an important factor.

Franchisor's Technical Know How

Technical know-how is specific know-how that the franchisor integrates into the franchisee's operations (Combs et al., 2004) and the franchisor's ability to transfer this specific technical know-how to the franchisee is an important factor in selection of a franchisor by the franchisee (Knott, 2003). The franchisor's technical know-how was found to be an important factor in determining the decision of novice franchisees as they lacked prior technical experience.

The question "What factors would you say are most relevant when selecting a franchisor?" received the following reply from a novice franchisee:

Franchise C stated that:

"Franchisor training is essential to get the know-how accurately so it's worth the cost."

The franchisor's technical know-how was important as a secondary factor in determining the parallel franchisee's decision because they already had experience in the same field.

However, Franchise K specified:

“The franchisor's know-how was an important determinant in selecting franchising as we have no prior experience in food and restaurant franchising.”

This concurs with the view of (Combs et al., 2004) that technical know-how is specific know-how integrated into the franchise; and with that of Knott (2003), who states that the franchisor's ability to transmit specific technical know-how is an important factor in the selection of a franchisor.

The proposition has been supported, based on the findings that, while selecting a franchisor, novice franchisees consider the technical know-how provided by the franchisor as a priority in contrast to parallel franchisees who regard it as secondary.

The results and findings make it evident that the objective of the novice entrepreneurs is to gain experience in entering the market as a learning process and also to be associated with a strong brand name franchisor. The novice entrepreneur benefits from the franchisor's experience. The support and training were important factors when selecting a franchisor for the novice entrepreneur, since they lack prior training. The intention of the novice entrepreneur is to access and use all the resources of the franchisor that they personally lack. Technical know-how is an important factor because novice entrepreneurs lack prior technical experience and a strong franchisor brand would help them to compete in the market.

On the other hand, the resource theory applies as a secondary consideration for parallel entrepreneurs, as they consider the strength of the brand as a secondary factor when selecting a franchisor. As they already have a name in the market, their priority is to select a good product that can sell and generate profit. The franchisor's know-how was also a secondary factor when selecting a franchisor because they already have experience in the same field.

However, if they experience problems in their existing business they would consider the know-how of the franchisor as an important factor. In relation to technical know-how, the system is an important factor, as they need it to operate their franchise business. Support and training are important factors when selecting a franchisor for parallel franchisees, as, even if they have the experience, they will need the training and support to operate the individual specific business. Therefore, the research indicates that since the resource theory is applicable to novice franchisees only, training and support are exceptional constraints, being applicable to both novice as well as parallel franchisees.

4.2.2 Social Exchange Theory

Based on the social exchange theory, factors include: local market knowledge, collaborative communication and contract duration. The findings reflect the fact that the constraints of social exchange theory are applicable to both novice, as well as parallel, franchisees.

Franchisor's Local Market Knowledge

According to Kalnins and Mayer (2004), restaurant franchisees value the transfer of local knowledge from franchisor to franchisees. It is essential for franchisors to have local knowledge of the franchisee's market and be sensitive to the franchisee's local culture when providing products and services. (Sashi and Karuppur, 2002).

Novice franchisees considered the franchisor's local market knowledge in respect of cultural norms and adherence to religious norms as important factors affecting their decision because they believed that following the rules of Islam and their cultural norms were requisites to success and franchisors needed to be flexible and allow franchisees to adapt to local culture. For example, the restriction of pork products in Saudi Arabia according to Islamic law and the observance of cultural practices during the Islamic holy month of Ramadan. Therefore, the franchisor should be aware of the franchisee's local market knowledge to ensure that the franchisor is understanding and flexible with the franchisee's business needs for the franchisee to achieve success.

Novice franchisee Franchise B stated:

“Franchisors need to be flexible and allow the franchisee to adapt to the local culture.”

Parallel franchisee Franchise E specified:

“We would be prepared to sacrifice the strength of the franchisor's brand and also sacrifice flexibility to some extent in favour of a franchisor that was acceptable to the Islamic culture and religious beliefs.”

In addition, Franchise G, another parallel franchisee, commented that:

“The franchisor should be able to adapt their products to suit the local market and culture.”

Parallel franchisee Franchise I specified that:

“We would select a franchisor who allowed us to adapt the menu within reason. In respect of adaptation of menu and ingredients, it would be acceptable if they do not violate the cultural and religious norms of the Islamic nation. Traditions have to be respected, such as the tradition of serving halal meat.”

Franchise H mentioned:

“We would not select a global brand if it did not permit them to use halal meat in Islamic territories such as Oman. Franchise H uses standardised approved suppliers in Oman. However, in respect of adaptation of menu the franchisee is flexible.”

Franchise E, a parallel franchisee noted that they,

“We would visit other franchisees of Franchise E in Dubai and Bahrain, for example, and see if the product has a standardised taste or if the taste is different in each franchise. There should be consistent quality. The consumers should perceive no difference between one of the franchisor's own outlets and the franchised outlets.”

However, it was acknowledged that standardisation and consistency are not always possible due to variations in resource availability.

The findings concur with Altinay and Brookes (2012) who state that cultural factors and the extent of shared values play a significant role in selecting franchise partners.

The proposition is supported by the findings, that in selecting a franchisor, both novice franchises and parallel franchisees consider the franchisor's local market knowledge as an important factor.

Contract Duration

Tractenberg et al. (2004), define contract duration as the length of time that the franchise relationship will remain in existence and determine the time period prior to which the original contract is renewed. Franchise contracts can be terminated either on the expiration of the contract term or if the franchisee fails to renew the contract when the original contract expires (Brickley et al., 2006).

Novice franchisee Franchise A specified that:

“The contract duration should be at least 10 years as I have to pay start-up costs and upfront fees to open the outlet.”

Novice franchisee Franchise D also stated that:

“The contract duration should be at least 10 years.”

The results contradict what Brickley et al. (2006) state, which is that novice franchisees prefer short-time contract duration because they are unsure about contractual provisions. The reason why novice franchisees prefer long-term contracts is to learn and to recover their investments.

Parallel franchisees also prefer long-term contract duration, as it would allow them to recoup their initial investment.

Parallel franchisee Franchise E stressed the importance of long contract duration by specifying that:

“If I do not open in a specified number of years the franchisor will pull out.”

Another parallel franchisee Franchise I stated that:

“A short duration provides a learning process but we are not interested in franchises with a short duration.”

Parallel franchisee Franchise F stated that:

“The contract duration should be at least 10 years as the start-up costs entail more than paying the franchisor an up-front fee.”

According to parallel franchisee Franchise H:

“Contract duration of a minimum of five years is essential and then renewable every two years.”

The above result confirms what Darrell (1998) states that parallel franchisees would prefer long-term contracts to recover their initial investments.

The findings support Proposition 6 that both novice franchisees and parallel franchisees consider contract duration as an important factor in selecting a franchisor.

Collaborative Communication

Novice franchisees considered collaborative communication as an important factor when deciding on franchising, as collaborative communication enhances their commitment to remain in the franchise network. Collaborative communication ensures the new entrant franchisee's satisfaction as well as loyalty to the franchisor.

Novice entrepreneur Franchise C noted that:

“Collaborative communication ensured a good understanding of the way forward with the concept and helped answer queries each party may have.”

Parallel franchisees also considered collaborative communication as an important factor as it ensured a sound and continuing relationship with the franchisor.

Parallel franchisee Franchise H stated that:

“The collaborative communication is an essential selection criteria as it results in the goals and objectives of the franchisor and franchisee being aligned. For example, if the franchisor's goal is to sell the highest quality product, but the franchisee's goal is to sell the highest quantity, it could result in poor product quality.”

Collaborative communication is particularly important in franchising as the franchisees often feel they have less bargaining power.

Parallel franchisee Franchise K specified that:

“It is very important to have collaborative communications at all stages of the franchise relationship,”

Another parallel franchisee Franchise E stressed the importance of collaborative communication by stating that:

“Collaborative communication is essential in selecting the franchisor, as they represent the brand in a foreign country and the communication has to be interactive, with periodic visits to the foreign territory.”

Our findings concur with those of research by Koza and Dant (2007), who state that for the relationship between the franchisor and franchisee to be successful, there has to be common beliefs and shared values, in respect of desired attitudes and behaviour of both parties. The findings also concur with Watson and Johnson (2010), who specify that effective collaborative communication is essential to ensure shared values, trust and commitment in the franchise relationship.

Due to the fact that these novice and parallel franchisees are geographically dispersed, with a distinct difference in language, culture and religion from their franchisor, the franchisee must ensure it receives strong collaborative communication from the franchisor. Thus, through strong collaborative communication, the franchisee can ensure they receive adequate support and assistance from the franchisor. For example, one parallel franchisee mentioned the financial and performance crisis they are experiencing due to lack of strong collaborative communication from their franchisor who is a well-known international brand.

Proposition 7 has received support as indicated by our findings: both novice franchisees and parallel franchisees consider collaborative communication as an important factor while selecting a franchisor.

4.2.3 Equity Theory

The factors represented by the equity theory include franchise fees. The findings indicate that the constraints of the equity theory are applicable to parallel franchisees only. Although, the interviews included questions regarding the level of competition and territorial exclusivity, the researcher has considered these as a contract clause as opposed to a factor affecting franchisor selection.

Fees

Novice franchisees specified the importance of high royalty fees linked to profitability; initial investment would influence their decision to select franchising as a form of entrepreneurship and to consider it as a secondary factor compared to the other factors.

Novice franchisee Franchise A stated that:

“Royalty payments linked to profitability were acceptable if the franchise had potential for profitability.”

Franchise A already has a franchise in Qatar and it is expected that this would have created awareness of the brand in the Gulf region, and therefore states that:

“The initial start-up costs would affect our performance.”

Novice franchisee Franchise B specified that:

“We would expect the return on investment to be between 20% and 25%.”

Franchise C commented that they were not concerned with the initial investment cost as long as the return on investment was acceptable and the turn-around time of recouping the initial investment was within the planned time frame.

Parallel franchisees specified that high royalty fees linked to profitability and high initial investment would be a deciding factor as their objective was also to earn a high return on investment.

Franchise E stated that:

“Royalty fees linked to profitability are normal in franchising and we would pay more importance to the demand for the product. Franchise E franchisees have to “pay a royalty fee amounting to 6% of the net sales of the restaurant for continuing services and have to contribute up to 2% of net sales to the marketing budget, which will build the brand, and all franchisees spend 2% of net sales on local marketing.”

However, Franchise E was of the opinion that they:

“Should be able to recoup the initial investment and that royalty payments paid will allow the franchisor to make technological advances as well as create and market new products.”

Parallel franchisee Franchise G stated:

“The payment of high royalty payments is acceptable provided the expected return on investment is not less than 20%. A return on investment of 25% was considered to be acceptable.”

Parallel franchisee Franchise H said:

“We would require a return on investment of 15 %.”

Parallel franchisee Franchise I stated that:

“Even though the royalty fees were high they accepted the brand because their market study indicated that there would be interest in the Franchise I brand in Muscat. It is also in the franchisor’s interest to ensure that the royalty fee is reasonable.”

Our findings do not support Baucus et al. (1993), who state that the franchisor is in a position to set performance standards and manage brand image as well as economic efficiencies, and also have the power to terminate the franchise, force franchisees to purchase inputs, and a franchisor may also abuse the royalties. Our respondents have not commented on the franchisor’s ability to manage economic efficiencies. They have only stated that the ability to earn a profit and return on investment is a selection criterion.

The findings indicate that parallel franchisees consider fees to be an important determining factor in selecting the franchisor. In addition, during the interview stage the researcher observed that the parallel franchisees presented a more technical discussion on fees compared to the novice franchisees. The tone and manner of the parallel franchisees were serious and focused on the specific issues related to fees. This distinction supports the proposition that parallel franchisees consider fees as an important factor while selecting a franchisor.

4.3 Conclusion

This chapter investigated the extent to which the constraints defined by resource based theory, social exchange theory and equity theory affect the manner in which the novice and parallel franchisees select their franchisors.

The interview results show that the constraints exemplified by the resource theory apply as a priority for novice entrepreneurs who are completely new entrants to the franchising market and they consider the franchisor brand reputation, the extent of training, support and technical know-how provided by the franchisor as decisive factors in a franchisee's selection of franchisor. Our findings support the propositions on which the constraints defined by the resource were based; social exchange and equity theories of franchise selection are applicable to entrepreneurs who want to become franchisees and factors are important to different franchisees in selecting franchisors.

The constraints of the resource theory apply as a priority to novice franchisees and as secondary consideration for parallel franchisees. The novice franchisee has financial resources and through franchising they are in a position to overcome their constraints by using the franchisor's brand reputation, training, support and technical know-how. However, training and support are exceptional constraints being applicable to both novice and parallel franchisees. The results indicate that the constraints of the social exchange theory, which include local market knowledge, contract duration and collaborative communication, are applicable to both novice and parallel franchisees. The constraint of the equity theory include franchise fees which is applicable to parallel franchisees only.

The discreet findings of the qualitative study include:

Novice entrepreneurs chose franchising rather than opening their own businesses largely due to a lack of knowledge about business and the market. They seemed to have a heavy reliance on the resources that would be provided by the franchisor. It was generally described as a learning process by most novice franchisees.

Specifically, most novice franchisees stated that they lacked knowledge and relationships necessary for supply chain management and the success of the franchise. In this respect, the novice franchisees became dependent on the franchisor's recommendations for such service providers. One novice franchisee even stated that he wanted to open his own business and because he didn't know how to operate a business, learning through a franchise business was a suitable alternative.

With respect to parallel franchisees, many alluded to choosing a franchising option in order to diversify their business interests and "not putting all their eggs in one basket". From the interviews, parallel franchisee was highly detailed in their descriptions and discussions regarding their franchise. The details on how they would become profitable were of high importance. Therefore, support and training, fees, contract duration etc. were of higher relevance to them compared to aspects such as brand reputation.

This is due to them already having a reputable business image and reputation in their market. In addition, while the researcher considered territorial exclusivity to be a deciding factor in choosing a franchisor, it was however brought to the researcher's attention that territorial exclusivity is not a deciding factor. Territorial exclusivity is

actually relevant to contract clauses for parallel franchisees and that perspective wasn't mentioned during interviews with novice franchisees.

In the researcher's mind, the above observations resulted in creating the second research question of this study, which is: "What the differences are in the attitudes of different types of franchisees towards the contractual terms". Subsequently, if the attitudes can be applied to different types of franchisees, in terms of differences in reactions from the different types of franchisees based on their objectives, the third research question: "*How the constraints defined by the theories of franchise selection and contractual terms affect the franchisee performance?*" was developed.

The next chapter will focus on quantitative research findings regarding the differences in the attitudes of novice and parallel franchisees towards the contractual terms and clauses and how the factors identified as part of the qualitative research and contractual terms affect the franchisee performance, as determined by the criteria of perceived market share and perceived profitability and whether different types of franchisees would affect these relationships.

Table 4-2: Summary of responses to individual question

	Novice Franchise				Parallel Franchise						
	A	B	C	D	E	F	G	H	I	J	K
Resource Based theory											
To what extent do the strength of franchisor's brand and the reputation of franchisor affect your franchisor selection decision? Would you consider the length of time the franchisor brand been established?	P	P	P	P	S	S	S	S	S	P	S
What factors would you say are most relevant when selecting a franchisor? Would you be affected by the franchise fee and the training provided by franchisor?	P	P	P	P	P	P	P	P	S	P	P
Would you select a franchisor that is already well known in your territory or would you select an unknown franchisor and build the business?	P	P	P	P	S	S	S	S	S	S	P
Describe the extent to which you would select a franchisor whose products and services you are interested in rather than select a franchisor that is a global brand?	P	P	P	P	S	S	S	S	S	P	S
Social exchange theory											
How important is collaborative communication in selecting the franchisor? Describe the extent do you feel it would affect your commitment to the franchise arrangement?	P	P	P	P	P	P	P	P	P	P	P
Would you sacrifice franchisor flexibility in favour of the strength of the franchisor's brand?	P	P	P	P	P	P	P	P	P	P	P
How important is the integrity of the franchisor in the selection process compared to the strength of the franchisor's brand?	P	P	P	P	P	P	P	P	P	P	P
To what extent would national and corporate cultural differences between you and the franchisor affect your selection?	P	P	P	P	P	P	P	P	P	P	P
Equity theory											
Would you decline a franchisor based on the level of competition?	S	P	S	S	S	P	S	S	S	S	S
Selecting a well-known franchisor is expensive. Would that affect your choice, as many franchisors require royalty payments linked to profitability?	S	S	S	S	P	P	P	P	P	P	P
What is the acceptable percentage of retaining of investment you would consider?	S	S	S	S	P	P	P	P	P	P	P

CHAPTER FIVE – QUANTITATIVE FINDING AND ANALYSIS

5.0 Introduction

This chapter describes and analyses the results of quantitative research in Phase 2 and Phase 3. The quantitative research evaluates the differences in the attitudes of the novice and parallel franchisees towards the contractual terms and clauses relating to training, support, contract duration, exit strategy, termination, territorial exclusivity clauses, tying arrangements and franchise fees. The chapter also describes and analyses how the constraints and factors, defined by the theories of franchise selection and contractual terms, affect the franchisee performance as determined by both perceived market share and profitability. Figure 5-1 below highlights Phases 2 & 3 findings which will be discussed below.

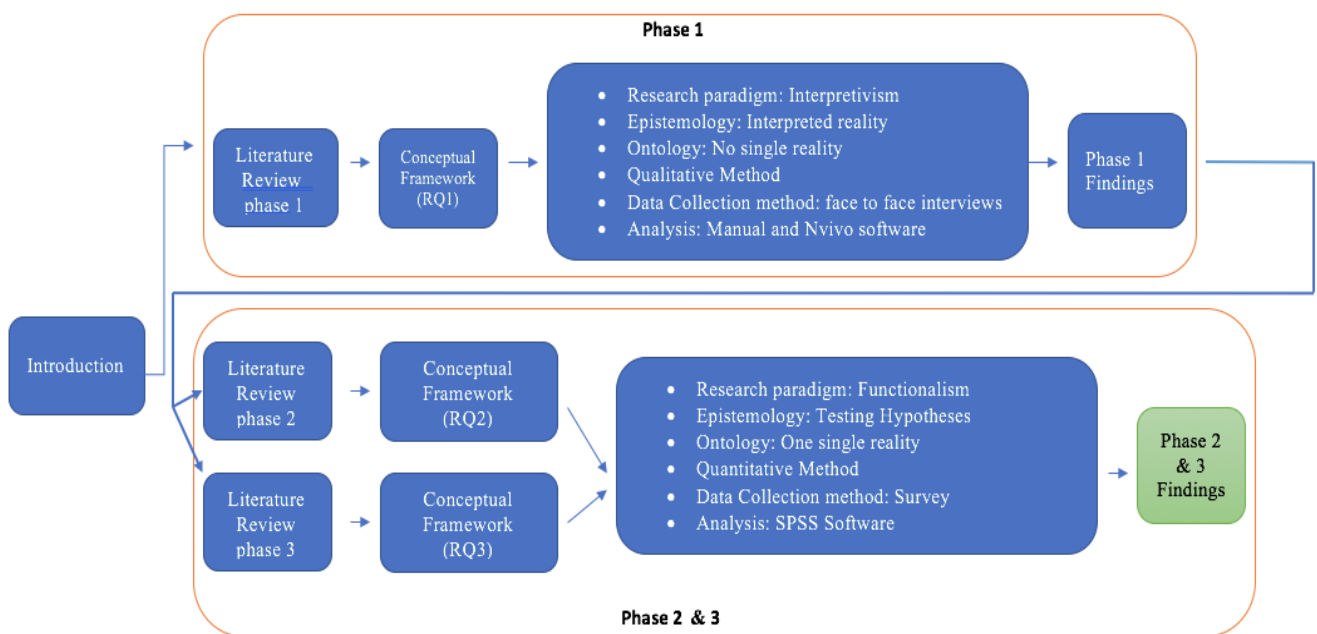


Figure 5-1: Research Procedure Diagram: Phase 2 & 3 Findings

5.1 Sample Profile

Table 5-1 illustrates that from the sample size of 123 participants, 69% (85) of the applicants are parallel franchisees and 31% (38) are novice franchisees. 95% (117) of participants were from Saudi Arabia and 5% (6) were non-Saudis. Participants working in the food and beverage sector were 70% (86), followed by fashion sector 15% (18), cosmetic sector 10% (12), fitness sector 2% (3) and others were 3% (4).

Table 5-1: Sample Profile for the Main Field Research

Characteristics	Frequency	Percent %
Type		
Parallel franchisee	85	69 %
Novice franchisee	38	31 %
Sector of activity		
F&B	86	70 %
Fashion	18	15 %
Cosmetic	12	10 %
Fitness	3	2 %
Others	4	3 %
Nationality		
Saudi	117	95 %
Non-Saudi	6	5 %
N= 123	123	100%

In terms of the number of franchise's owned by the participants, Table 5-2 shows that, 33% (41) own one franchise, 27% (33) own two franchises, 22% (27) own three franchises, 5% (6) own four franchises, and 13% (16) own more than four franchises. With regards to the franchise fees, 45% (55) paid US \$ 50,000 – 100,000, 34% (42) paid US\$ 101,000 – 150,000, 13% (16) paid US\$ 151,000 – 200,000 and 8% (10) paid more than US\$ 200,000 for every contract renewal to their franchisors.

Table 5-2: Sample Profile for the Main Field Research

Characteristics	Frequency	Percent %
No. of franchise		
1	41	33 %
2	33	27 %
3	27	22 %
4	6	5 %
Others	16	13 %
Franchise fees		
\$50,000 -100,000*	55	45 %
\$101,000 -150,000	42	34 %
\$151,000 - 200,000	16	13 %
\$More than 200,000	10	8 %
N= 123	123	100%

* GB £1= 1.27 US (approximate)

Furthermore, in terms of the franchisor nationality, Table 5-3 exemplifies 39% (48) of participants stated that their franchisors are American, followed by 7% (9) being French, 18% (22) are Saudis, 5% (6) are British, and 31% (38) are from other nationalities. Acs and Audretsch (1987) state that firm size affects the number of innovations. They categorise firm size based on the number of employees. Firms with less than 500 employees are defined as being small firms, whereas firms with more than 500 employees are defined as large firms. Therefore, more than half of the size 54% (67) of the sample states that the size of their franchisor was large. Followed by 35% (43) are medium and 10% (12) are small. Only one missing answer was found.

Table 5-3: Sample Profile for the Main Field Research

Characteristics	Frequency	Percent %
Franchisor Nationality		
American	48	39 %
French	9	7 %
Saudi	22	18 %
UK	6	5 %
Others	38	31 %
Franchisor size		
Large	67	54 %
Medium	43	35 %
Small	12	10 %
Missing	1	1 %
N= 123	123	100%

Figure 5-2 below, illustrates the length of the franchise contract, 42% (51) is for 5 years, followed by 28% (34) of the participant's contract duration is for two years. Whereas, 21% (26) is for ten years, finally, 10% (12) is more than ten years.

Moreover, it shows the length of the franchise contract based on each type of franchisee. Almost half 49 % (42) of the parallel franchisees sample states that their contract duration is for 5 years followed by 27% (23) is for ten years, then 13% (11) is for 2 years, finally, 11% (9) is for more than 10 years. On the other hand, more than half 61% (23) of the novice franchisees sample states that the length of their contract is for 2 years followed by 24% (9) for 5 years, 8% (3) for ten years, at last, 8% (3) is for more than ten years. In this case, the researcher found that most of the contract duration for parallel franchisees is longer than novice franchisees contract duration.

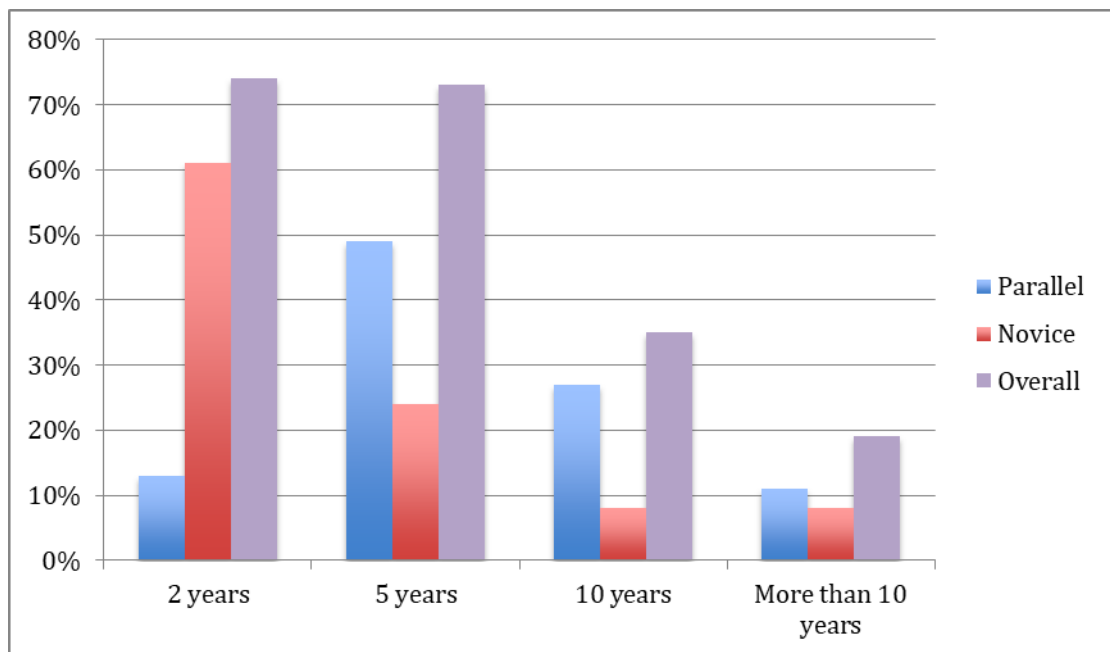


Figure 5-2: The Duration of Current Franchise Contract

5.2 Checking for Outliers

Based on Pallant (2007), the definition of outliers is valued away from the mean level.

The main reason behind conducting such investigation is to confirm all outliers and try to handle them in such way that they will not affect the results of this research.

Therefore, this study does not have any problem of outliers.

5.3 Types of Franchisees and Contract Clauses

In Phase 2, the researcher addresses the second research question, which is about the different types of franchisee attitudes towards the contract clauses. A non-parametric test by SPSS will be conducted to illustrate the differences between parallel franchisees and novice franchisees' attitudes towards the contract clauses.

Depending on the analysis requirements Field (2009) recommends using the Mann-Whitney U test as it is the best data-analysis technique for such analysis. This particular test will show the differences between types of franchisees' attitude towards the contract clauses.

5.3.1 Mann-Whitney U Test (Phase 2)

One of the most suitable non-parametric tests is the Mann-Whitney U analysis, (Jung and Lipe, 1971). The Mann-Whitney test is considered as the substitute to the parametric t-test to compare the scores of different types of groups, Jung and Lipe (1971). According to Field (2009), some researchers prefer to look at differences between groups of people instead of observing relationships between variables.

Types of Franchisee Attitude

The Mann-Whitney U test was conducted to compare the attitude of parallel franchisees and novice franchisees in relation to contract clauses. The first column, Table (5-4), illustrates the different contract clauses, followed by the second column, which shows the Z scores. Finally, the third column demonstrates the significance difference between the two types of franchisees.

Table 5-4: Independent- Samples Mann-Whitney U test

	Novice		Parallel		Z	Asymp. Sig. (2-tailed)
	Mean	Std. Deviation	Mean	Std. Deviation		
My franchisors insert tough contract clauses related to training	5.29	1.250	4.33	1.679	-3.180	0.001**
My franchisors insert tough contract clauses related to support.	5.58	1.081	4.28	1.736	-3.964	0.000
My franchisors are very strict with tying arrangements clauses	5.21	1.277	4.53	1.555	-2.18	0.029*
My franchisors increase the franchise fees in the contract	4.29	1.707	3.08	1.373	-3.769	0.000
My Franchisors impose shorter contract duration clauses	4.63	1.731	3.08	1.678	-4.267	0.000
My Franchisors insert stricter franchisee exit strategy clauses	4.84	.886	4.67	1.349	-0.475	0.635
My Franchisors impose stricter territorial exclusivity clauses	4.37	1.601	4.92	1.498	-1.979	0.048*
My Franchisors impose stricter termination clauses	4.55	1.032	4.98	1.282	-2.188	0.029*

*Refers to significance at the 0.05 level

** Refers to significance at the 0.01 level

Training Clauses

In terms of the durability of the contract clauses related to training, there are significant differences ($Z = -3.180$, $\text{Sig} = 0.001$) between parallel and novice franchisees as $p < 0.01$. The novice franchisee's mean score is $M = 5.29$; on the other hand, the parallel franchisee's mean score is $M = 4.33$. Therefore, novice franchisees and parallel franchisees attitudes towards training clauses are almost different. The result does not support the hypothesis.

Support Clauses

With regard to the toughness of the contract clauses related to support, there is a significant difference ($Z = -3.964$, $\text{Sig} = 0.000$) between parallel and novice franchisees as $p < 0.05$. Novice franchisees mean score is $M = 5.58$; on the other hand, Parallel franchisee's mean score is $M = 4.28$. Thus, it can be concluded from these results that novice franchisees and parallel franchisees' attitudes towards support clauses are different. The result does not support the hypothesis.

Tying Arrangements Clauses

In reference to the strictness of tying arrangement clauses, there is a significant difference ($Z = -2.18$, $\text{Sig} = 0.029$) between parallel and novice franchisees as $p < 0.05$. Novice franchisees' mean score is $M = 5.21$; on the other hand, parallel franchisees' mean score is $M = 4.53$. Thus, it can be concluded from these results that novice franchisees and parallel franchisee's attitude towards tying arrangement clauses are different. The results support the hypothesis.

Fees Clauses

Regarding the fees contract clauses, there is a significant difference ($Z = -3.769$, $\text{Sig} = 0.00$) between parallel and novice franchisees as $p < 0.05$. Novice franchisees' mean score is $M = 4.29$, on the other hand, parallel franchisees' mean score is $M = 3.08$. Thus, it can be concluded from these results that novice franchisees and parallel franchisees' attitude towards fees clauses are different. The result supports the hypothesis.

Contract Duration Clauses

In the case of contract duration clauses, there is a significant difference ($Z = -4.267$,

Sig= 0.000) between parallel and novice franchisees as $p < 0.05$. Novice franchisees' mean score is $M = 4.63$, on the other hand, parallel franchisee's mean score is $M = 3.08$. Therefore, it can be concluded from these results that novice franchisees and parallel franchisees attitudes towards contract duration clauses are almost different. The result supports the hypothesis.

Exit Strategy Clauses

Regarding the strictness of exit strategy, there is no significant difference ($Z = -0.475$, Sig= 0.635) between parallel and novice franchisees as $p > 0.05$. Novice franchisees' mean score is $M = 4.84$, whereas the parallel franchisees' mean score is $M = 4.67$. Hence, it can be concluded that novice franchisees and parallel franchisees' attitudes towards exit strategy clauses are similar. The result does not support the hypothesis.

Territorial Exclusivity Clauses

Regarding the strictness of the exclusivity clauses, there is a significant difference ($Z = -1.979$, Sig= 0.048) between parallel and novice franchisees as $p < 0.05$. Novice franchisees' mean score is $M = 4.37$, on the other hand, parallel franchisees' mean score is $M = 4.92$. Therefore, it can be concluded that novice franchisees and parallel franchisees' attitude towards the territorial exclusivity clauses are different. The result supports the hypothesis.

Termination Clauses

In terms of the termination clauses there are significant differences ($Z = -2.188$, $Sig = 0.029$) between parallel and novice franchisees as $p < 0.05$. Novice franchisees' mean score is $M = 4.55$, on the other hand, parallel franchisees' mean score is $M = 4.98$.

Hence, it can be concluded that novice franchisees and parallel franchisees' attitudes towards termination clauses are similar. The result supports the hypothesis.

Hypothesis Test Result

To test the model hypotheses, the Mann-Whitney U test was used to determine the types of franchisees factors, such as parallel franchisees and novice franchisees attitude towards the contract clauses. Table (5-6) shows results based on the Mann-Whitney U test, to compare the scores of different types of franchisees attitude towards training clauses ($Z = -3.18$, $Sig = 0.001$). Novice franchisees' mean score is $M = 5.29$; on the other hand, parallel franchisees' mean scores are $M = 4.33$. Thus, the H1 hypothesis that different types of franchisees perceive the extensiveness of the training clauses in the franchise contract is not supported.

According to the results using the Mann-Whitney U test, when compared, the scores of different types of franchisees attitudes towards support clauses ($Z = -3.964$, $Sig = 0.000$), Novice franchisees' mean score is $M = 5.58$, whereas, parallel franchisees' mean score is $M = 4.28$. Therefore, H2 shows that different types of franchisees perceive the extensiveness of support clauses in the franchise contract to be similarly unsupported.

Based on Mann-Whitney U test to compare the scores of different types of franchisees attitudes towards contract duration clauses, ($Z = -4.267$, $\text{Sig} = 0.000$), Novice franchisees' mean score is $M = 4.63$ and the parallel franchisees' mean score is $M = 3.08$. Hence, in H3, the hypothesis that different types of franchisees perceive the length of contract duration clauses in the franchise contract differently is supported.

According to Mann-Whitney U test, when comparing the scores of different types of franchisees attitude towards franchisee exit strategy clauses ($Z = -0.475$, $\text{Sig} = 0.635$). Novice franchisees' mean score is $M = 4.84$ and the parallel franchisees' mean score is $M = 4.67$. Thus, H4, which is that different types of franchisees perceive the difficulty of franchisee exit strategy clauses in the franchise contract, is not supported.

Based on Mann-Whitney U test to compare the scores of different types of franchisees' attitude towards the territorial exclusivity clauses, ($Z = -1.979$, $\text{Sig} = 0.048$), Novice franchisees' mean score is $M = 4.37$; on the other hand, the parallel franchisees' mean score is $M = 4.92$. Subsequently, H5, which is different types of franchisees perceive the territorial exclusivity clauses in the franchise contracts differently, is supported.

According to the Mann-Whitney u test, to compare the scores of different types of franchisees' attitude towards termination clauses ($Z = -2.188$, $\text{Sig} = 0.029$), Novice franchisees' mean score is $M = 4.55$, whereas, the parallel franchisees' mean score is $M = 4.98$. Therefore, H6 that different types of franchisees perceive termination clauses in the franchise contracts similarly are supported.

According to Mann-Whitney U test, to compare the scores of different types of franchisees' attitude towards tying arrangements clauses ($Z = -2.180$, $\text{Sig} = 0.029$), Novice franchisees' mean scores are $M = 5.21$, Parallel franchisees' mean scores are $M = 4.53$. Hence, H7, the hypothesis that those different types of franchisees perceive tying arrangements clauses in franchise contract differently, are supported.

Based on Mann-Whitney U test to compare the scores of different types of franchisees' attitudes towards franchisee fee clauses, ($Z = -3.769$, $\text{Sig} = 0.000$). Novice franchisee's mean score is $M = 4.29$; on the other hand, the parallel franchisee's mean score is $M = 3.08$. Thus, H8, the hypothesis that different types of franchisees perceive franchisee fee clauses in the franchise contracts differently, are supported.

Table 5-5: Hypothesis Summary

NO	Hypothesis
H1	Different types of franchisees perceive the extensiveness of the training clauses in the franchise contract similarly.
H2	Different types of franchisees perceive the extensiveness of the support clauses in the franchise contract similarly.
H3	Different types of franchisees perceive the length of contract duration clauses in the franchise contract differently.
H4	Different types of franchisees perceive the difficulty of franchisee exit strategy clauses in the franchise contract similarly.
H5	Different types of franchisees perceive the territorial exclusivity clauses in the franchise contracts differently.
H6	Different types of franchisees perceive termination clauses in the franchise contracts similarly.
H7	Different types of franchisees perceive tying arrangements clauses in franchise contract differently.
H8	Different types of franchisees perceive franchisee fee clauses in the franchise contracts differently.

Table 5-6: Hypothesis Test Summary

Hypothesis	Z-value	p(sig)	Decision
H1: Types of franchisees → Training Clauses	-3.18	0.001	Not Supported
H2: Types of franchisees → Support Clauses	-3.964	0.000	No Supported
H3: Types of franchisees → Contract Duration Clauses	-4.267	0.000	Supported
H4: Types of franchisees → Exit Strategy Clauses	-0.475	0.635	Not Supported
H5: Types of franchisees → Territorial Exclusivity Clauses	-1.979	0.048	Supported
H6: Types of franchisees → Termination Clauses	-2.188	0.029	Supported
H7: Types of franchisees → Tying Arrangements Clauses	-2.180	0.029	Supported
H8: Types of franchisees → Fees Clauses	-3.769	0.000	Supported

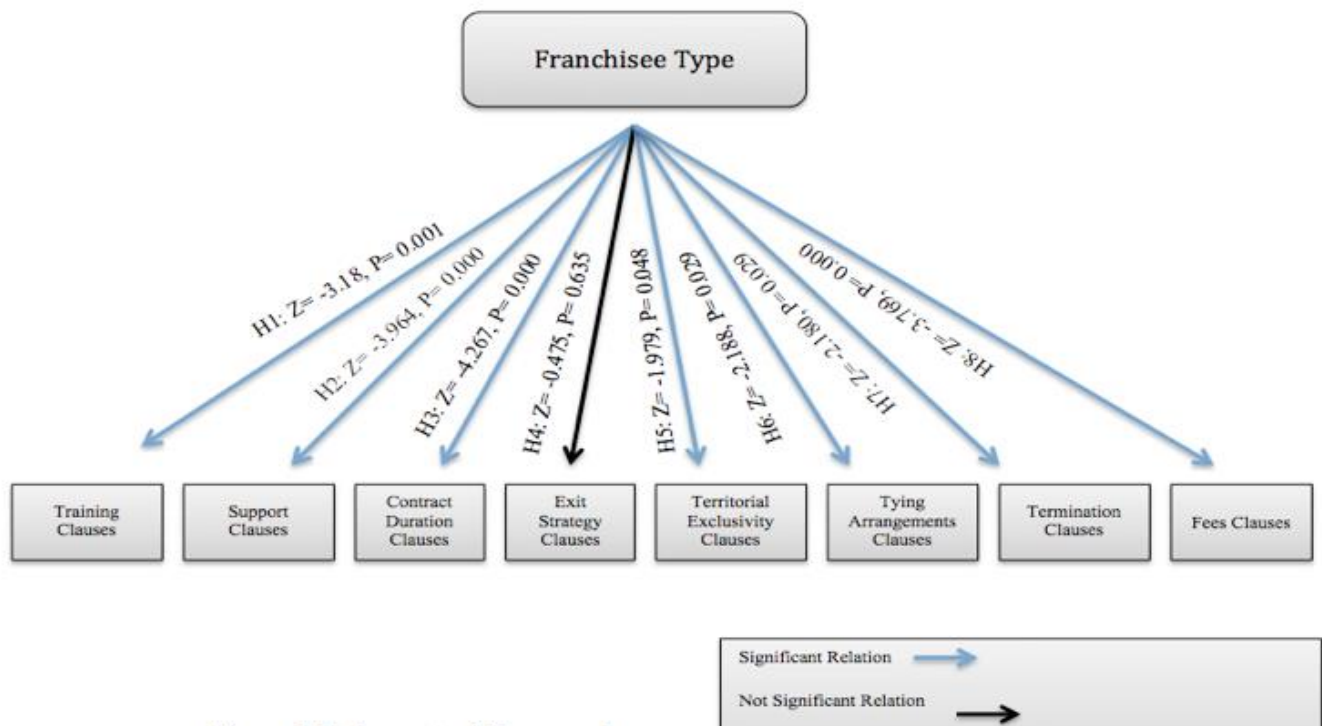


Figure 5-3: Conceptual Framework

5.4 Model Testing (Phase 3)

5.4.1 Data Minimisation

In the early stages of quantitative research, data minimisation is an essential technique used to minimise the number of items for each construct and to raise its internal consistency by ensuring that only strongly applicable items are included. Therefore, data minimisation restricts the collection of data to those items directly relevant and necessary for the research purpose. According to Bryne (2012), implementing data minimisation improves the significance of the final measures.

Churchill (1979) recommended that measures should be purified at an early stage before factor analysis. If item and reliability analysis is conducted before factor analysis, it will be possible to retain and delete scale items, hence developing a reliable scale. According to Churchill (1979), investigating the Cronbach's alpha

coefficient for each construct is the first stage in item reduction, followed by item-to-total correlation and exploratory factor analysis (EFA). Item-to-total correlations indicate the extent to which one item is correlated with the others. Items with low item-to-total correlations should be deleted.

5.4.2 Test of Reliability

According to Pallant (2005), reliability indicates the degree to which the items of the scale are linked, in addition to identifying their ability to measure the same constructs. Reliability of the scale represents the extent to which a scale produces consistent results when measurements are repeated. Hair et al. (2010) define reliability as a measure of the extent of consistency between multiple measurements of a variable. It is the extent to which measures are free from random error. Among researchers Cronbach's alpha is 'considered as the most commonly used indicators of internal consistence.'

Cronbach's alpha test of reliability measures the internal consistency of items in a scale and the extent to which the responses collected for given items correlate with each other. The higher the reliability score is, the more reliable the measured construct (Pallant, 2005). Pallant (2005) stated that the ideal Cronbach's alpha is (α) >0.70 . In this study the researcher tested the items using Cronbach's alpha measurements. The Cronbach's alpha coefficients are illustrated in Table (5-7), varying from 0.704 to 0.938, which are above 0.7.

Table 5-7: Reliability Analysis

Construct Name	Cronbach's alpha (α)
Contract Clauses	0.813
Brand Reputation	0.931
Franchisor Support	0.859
Training	0.901
T. Knowhow	0.886
Communication	0.704
L. M. Knowledge	0.938
Fees	0.882

5.4.3 Factor Analysis

The main objectives of factor analysis are to ensure data reduction and to replace many variables with a reduced number of variables. The other objective of factor analysis is to test and scale construction, which develops tests and scales that are 'pure' measures of a particular construct. It is noted that in ensuring data reduction, the structure of the data set should be retained. Factor analysis creates a new, smaller set of variables that can be used for subsequent multivariate analysis. Factor analysis is essential when there are sufficiently high correlations (Tabachnick and Fidell, 2007). The objective of factor analysis is to find a way to reduce the information contained in a number of original variables into a smaller set of variables, known as factors, and at the same time ensuring loss of information is minimised. Therefore, through factor analysis, inter-correlated variables are brought together as more general, underlying variables. Factor analysis facilitates reducing the number of

constructs or common factors required to explain the correlation in the observed variables (Hair et al., 2010).

With regard to factor analysis approaches, there are two main methods that can be applied. The first approach is exploratory factor analysis (EFA) and the second approach is confirmatory factor analysis (CFA).

EFA is a data-driven method, in which the factors are unknown. EFA is used to discover the factor structure of a measure and to examine its internal reliability. This method is appropriate when researchers have no hypotheses about the nature of the factor structure of the measure. In EFA, the final number of factors depends on the researcher's interpretation of the factors; data is explored and used to provide information about the number of factors required to represent the data. All measured variables are related to the respective latent variable, which is inferred and is not directly observable (Tabachnick and Fidell, 2007).

CFA can be defined as a method to test the extent to which the measured variables represent the number of constructs. CFA determines the construct validity of the survey items and provides an indication of the extent to which the construct explains the variables under the construct. In CFA, the researcher is in a position to specify the number of factors required in the data and also to specify the measured variable that is related to the latent variable. (Tabachnick and Fidell, 2007).

In addition, Kelloway (1998) recommends using EFA before CFA, since EFA highlights items that load highly or poorly on more than one factor, or poorly on a proposed factor. Factor loading is identified by the correlation between a variable and

a factor extracted from the data (Kelloway, 1998). Alternatively, CFA can measure both the quality of a factor solution and the specific parameters. For the purpose of this research (EFA), analysis will be conducted to highlight items that load highly on more than one factor or poorly on a proposed factor only (Kelloway, 1998).

Principal Component Analysis (PCA) is another variable reduction technique and a statistical method that incorporates standard deviation, covariance, eigenvectors and eigenvalues. Moreover, it is a way of classifying patterns in data and highlighting the similarities and differences of the data (Pallant 2007). According to Pallant (2007), “it is frequently used to capture most of the variability in the pattern of correlations and to detect the structure in the relationships between variables by classifying them”.

In contrast to EFA, where only shared variance is analysed, in PCA the original variables are transformed into a smaller set of linear combinations, with all of the variance in the variables being used. PCA is used when variables are highly correlated and it permits reduction of the number of observed variables to a smaller number of principal components which represent the majority of variance of the observed variables (Tabachnick and Fidell, 2007).

Hence, the 31 items for the constructs were subject to PCA using SPSS 20 to classify whether they statistically represent 8 different dimensions of value as theoretically proposed (Churchill, 1979). To test the suitability of the data for exploratory analysis, the sample size for EFA must be at least 100 and the ratio should be no lower than 5 per variable (Gorsuch, 1983 and Kline, 1979). This criteria is satisfied, given the sample size e.g. $N=123$ and number of items e.g., $m=25$. On the other hand, Comery

and Lee (1992) state that the sample size of 100 is considered to be poor, 200 is fair, 300 is good, 500 is very good and 1000 or more is perfect. Moreover, the ratio of the sample size to the number of items (p) should be a minimum of 10.

Based on MacCallum et al. (1999), 'these recommendations are, however, ill-directed ones.' Those authors recommend that suitable sample size or $N:p$ ratio for a given measurement analysis is actually a function of several aspects of the data, such as how closely items are related to the target construct: the necessary sample size would be small if the items directly hit the construct, whereas a greater sample size would be required if the correlations between items and the construct were small. According to MacCallum et al. (1999), a sample size of 100-200 may be adequate if each latent factor has a good number of items (i.e. five or more items appointing the same factor).

Nonetheless, the factorability of the proposed scale was tested, using two techniques recommended by Pallant (2007). First, Kaiser-Meyer-Okin's (KMO) analysis was conducted. KMO analysis measures the suitability of the data for factor analysis. The test measures the adequacy of the sample for each variable and the proportion of variance among variables that might be common variance. The lower the proportion, the more suited the data is to factor analysis. It was found that $KMO = 0.883$, which exceeds the 0.6 cut off level. This indicates that the sample is adequate.

Second, is Bartlett's Test of Sphericity, which tests the homogeneity of variances, and determines whether samples have equal variances. Equal variances amongst samples indicate the homogeneity of variances. Some statistical tests, for example the analysis of variance, assume that variances are equal across groups or samples. The Bartlett

test can be used to verify that assumption, Snedecor and Cochran (1989), and Ott and Longnecker (2015). The $p < 0.05$ also met the levels of statistical significance. These findings support the suitability of the proposed items to be factor analysed and therefore PCA results can be examined.

The results show the presence of a six-dimensional factor pattern. As depicted in Table 5-8, the first six components (factors or constructs) with eigenvalues exceeding 1 described 46.424%, 11.883%, 6.518%, 5.664%, 4.446 and 3.349% of the variance, respectively. This was supported next by the assessment of Cattell's (1966) Screen Plot test, which showed a clear break after the sixth component (see Figure 5-4). A screen plot displays the eigenvalues of a component or factor in descending order as opposed to the number of the component or factor.

Table 5-8: PCA results for the 25-item scale

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	14.392	46.424	46.424	14.392	46.424	46.424
2	3.684	11.883	58.307	3.684	11.883	58.307
3	2.021	6.518	64.826	2.021	6.518	64.826
4	1.756	5.664	70.49	1.756	5.664	70.49
5	1.378	4.446	74.936	1.378	4.446	74.936
6	1.038	3.349	78.285	1.038	3.349	78.285
7	0.858	2.768	81.052			
8	0.72	2.323	83.375			
9	0.617	1.991	85.366			
10	0.526	1.697	87.063			
11	0.478	1.542	88.605			
12	0.435	1.404	90.009			
13	0.372	1.2	91.209			
14	0.341	1.1	92.309			
15	0.336	1.085	93.394			
16	0.285	0.92	94.314			
17	0.245	0.791	95.105			
18	0.225	0.727	95.832			
19	0.198	0.638	96.47			
20	0.174	0.563	97.032			
21	0.16	0.515	97.547			
22	0.137	0.44	97.988			
23	0.105	0.34	98.328			
24	0.098	0.317	98.645			
25	0.088	0.283	98.928			
26	0.077	0.249	99.177			
27	0.075	0.242	99.419			
28	0.061	0.198	99.617			
29	0.048	0.156	99.774			
30	0.047	0.15	99.924			
31	0.023	0.076	100			

Extraction Method: Principal Component Analysis.

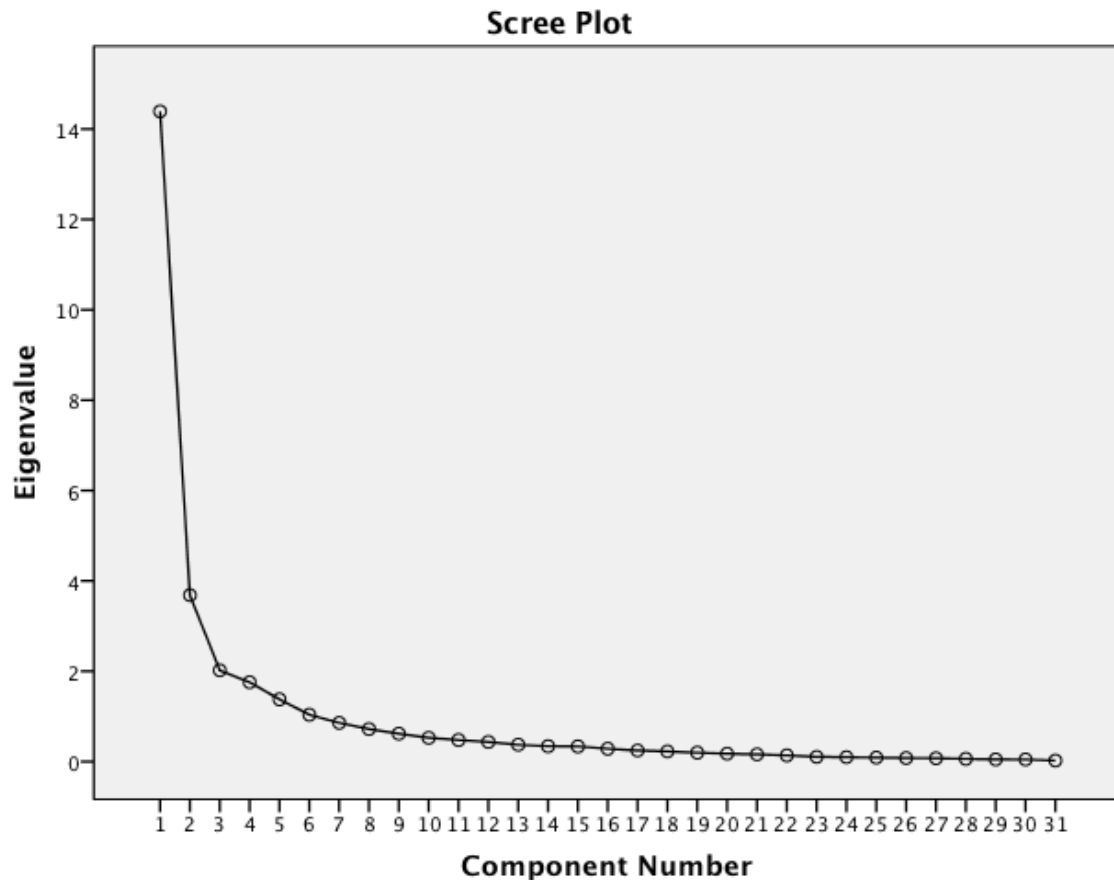


Figure 5-4: Screen Plot

To support the interpretation of these six components, a Varimax rotation technique was implemented in which, according to Kaiser (1958), each factor has a small number of large loadings and a large number of zero or small loadings. Hence, interpretation is simplified as, after the varimax rotation, each original variable is associated with one or a small number of factors, whereby each factor represents a small number of variables.

The six components explain a total of 78.285% of the variance, which exceeds the recommended threshold of 60% (Hair et al., 2010). As shown in Table 5-9, the matrix displays the predominant factor loadings for each item and this helps highlight the grouping effect of the items. Although the interpretation of the six components

validates previous assumptions of the six constructs, with almost all items loading strongly on their respective components, a few items were still found to relatively have high loading on more than one factor.

As the rationale in developing scales is to avoid potential overlap between underlying constructs (Byrne, 2010), deletion of problematic items is more appropriate at the preliminary cross-loadings (BR6 – COMM1- SUPPORT1-SUPPORT3 - SUPPORT6 - TRAINING1- TRAINING2 – TRAINING3- TRAINING4- TRAINING6) – one at a time – 21 items remained. Table 5-10 provides an overview of items deleted from the previous stage.

Contract clauses include 8 items; each one representing a different clause. In addition, to fees, which has one item, these items were not included when conducting the factor analysis since the main objective of the Principal Component Analysis (PCA) is to reduce the data. However, all of the items representing contract clauses and fees are important for the study.

Table 5-9: Rotated Component Matrix

Rotated Component Matrix						
	Component					
	1	2	3	4	5	6
COMM3	0.803					
COMM4	0.793					
COMM5	0.793					
COMM2	0.766					
COMM6	0.72					
<u>TRAINING2</u>		0.826				
<u>TRAINING1</u>		0.802				
<u>TRAINING3</u>		0.779				
SUPPORT4		0.759				
SUPPORT2		0.722				
SUPPORT5		0.624				
<u>SUPPORT3</u>						
<u>SUPPORT1</u>						
<u>COMM1</u>						
BR1			0.865			
BR2			0.834			
BR3			0.81			
BR4			0.803			
BR5			0.623			
<u>BR6</u>						
LMARKETK3				0.963		
LMARKETK4				0.955		
LMARKETK2				0.93		
LMARKETK1				0.774		
TKNOW3					0.803	
TKNOW2					0.784	
TKNOW1					0.762	
<u>TRAINING6</u>					0.518	
<u>SUPPORT6</u>						0.763
TRAINING5						0.526
<u>TRAINING4</u>						

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Rotation converged in 7 iterations.

Table 5-10: Items dropped from item minimisation stage

Label	Item
BR6	This brand is well known for its good relationship with franchisees.
COMM1	Franchisor merely discusses the overall strategy of an operation without making specific statements about what he or she would like me to do (reverse scale).
SUPPORT1	The on-going service provided by my franchisor is very good.
SUPPORT3	My franchisor/representative visits my store regularly.
SUPPORT6	The franchisor supports the store in facility maintenances.
TRAINING1	My training provided by my franchisor was very useful.
TRAINING2	My franchisor normally invests to educate and train supervisors to help our operation.
TRAINING3	My franchisor willingly provides us sufficient opportunities to learn operation skills.
TRAINING4	My franchisor provides the operation manuals.
TRAINING6	My franchisor offers the updated training courses.

*Dropped - based on PCA

A further exploratory principal components analysis was undertaken on the reduced data set of 21 items that revealed a clear factor pattern, with a better-explained total variance of 85.320%. The final version of the remaining items, together with their description, is presented in Table 5-11. As shown from the table, there are five items for Brand Reputation, five for Communication, four for Local Market Knowledge, three for Technical Know-how, three items for Support and one for Training that were confirmed in the PCA.

For brand reputation, the remaining five items were taken from different studies. The first item was adjusted from Chih-Wen Wu (2015), Barthélemy (2008) and Griessmair et al. (2014). The second item was taken from Combs and Ketchen, (1999); the third item from Vishag et al. (2016), Davis and Mentzer, (2008) and Suh

and Houston (2010) and finally, the last two items were taken from Sung Ho Han et al. (2015) and Veloutsou and Moutinho (2009). This construct measures the franchisee opinion about the franchisor brand and how it would affect their performance in terms of market share and profitability.

On the other hand, regarding Training, the remaining item was from Jyh-Shen et al. (2004). The construct measures the effect of transfer of knowledge and business practices from franchisor to franchisee on franchisee performance, in terms of market share and profitability. In addition, for supports there are 3 items. The first item was taken from Nyadzayo et al. (2015) and Roh and Yoon (2009). The second two items were from Vishag et al. (2016) and Dhanaraj et al. (2004). The construct measures the effect of both the initial as well as on going technical support on franchisee performance, in terms of market share and profitability.

Moreover, technical know-how comprises three items, which were taken from Gillis et al. (2014) and Knight and Cavusgil (2004) to measure the extent that the transfers of technical know-how from franchisor to franchisee would affect the franchisee performance in terms of market share and profitability. Furthermore, for collaborative communication, the remaining five items were taken from different studies. The first items were taken from K-Y. Lee et al. (2010) and Mohr et al. (1996). The second three items were from Chiou et al. (2004). The last item was adopted from Yen-Chun et al. (2013) and Joshi (2009). This construct measures the extent to which collaborative communication between the franchisee and the franchisor would affect franchisee performance in terms of market share and profitability. Finally, local market knowledge comprises four items. The first item was taken from Gillis et al.

(2014) and Bourdeau and Voorhees (2007). The last three items were adjusted from Dhanaraj et al. (2004), Simonin (1999b) and (Lane et al., 2001).

Table 5-11: Validated items in PCA

Item	Description	Loading
BR1	My franchisor's brand has good reputation	0.889
BR2	My franchisor brand is well-respected	0.862
BR3	My Franchisors brand is trustworthy	0.837
BR4	My Franchisors brand is reputable	0.828
BR5	My Franchisors brand makes honest claims	0.633
COMM2	Franchisor will tell me when I have performed well.	0.848
COMM3	My franchisor emphasizes interactive communication	0.822
COMM5	If we propose any questions and suggestions, the franchisor will handle the questions and suggestions immediately	0.748
COMM4	The information provided by the franchisor is very helpful in solving our store's problems	0.706
COMM6	My franchisor works hard to ensure that there is a lot of two-way communication between them and us	0.666
LMARKETK3	My franchisor has good Knowledge about my culture	0.969
LMARKETK4	My franchisor has Local competition knowledge	0.958
LMARKETK2	My franchisor has previous local marketing expertise	0.937
LMARKETK1	A potential franchisor has previous experience local market experience is an important selection criterion	0.779
TKNOW3	Our employees follow daily procedures and checklists	0.832
TKNOW2	Our employees follow standardized procedures provided by the franchisor	0.828
TKNOW1	My franchisor have a specified set of written procedures that is critical for us to follow	0.809
SUPPORT2	The promotional and advertising assistance is very good	0.848
SUPPORT4	More than the requirement, the franchisor invests their time to visit or meet us for coaching	0.791
SUPPORT5	More than the requirement, the franchisor regularly provides business analysis to us	0.771
TRAINING5	My franchisor instructs us how to use the operation manuals	0.684

After conducting the EFA, the output of factor analysis in SPSS20, was used to calculate the composite reliability and the average variance extracted, using Excel to test the convergent validity. In addition, based on Fornell and Larcker (1981), the convergent validity analysis was also implemented. The average variance extracted (AVE) is well above 0.50 for all constructs, which demonstrates that the constructs display a high degree of convergent validity. AVE and other reliability statistics are all reported in Table 5-12 below.

Table 5-12: Descriptive Statistics of the Scale Constructs

Construct Name	Cronbach's alpha (α)	CR	AVE
Brand Reputation	.939	.915	.729
Franchisor Support	.887	.845	.646
L. M. Knowledge	.938	.952	.835
T. Knowhow	.886	.863	.667
Communication	.938	.972	.579

5.4.4 Data Screening

Most of the social science studies depend on survey questionnaires (Sekaran, 2000). In addition, missing data is a normal and regular occurrence in survey-based research studies (Cheema, 2014). According to Cheema (2014), missing data occurs when participants ignore some questions purposely or because of a lack of understanding. Therefore, it could cause some problems during the analysis process. In the current study, the researcher has made sure that applicants answer all the questions related to the model by checking them immediately.

5.4.5 Test of Normality

It's compulsory to test normality in empirical statistical studies (Tabri, 2013).

Normality can be defined by the assumption that the distribution of the shape of data can be a symmetrical, bell-shaped curve (Pallant, 2005). According to Pallant (2005), normality can be asset by kurtosis and skewness values. Furthermore, the symmetry of distribution will be exposed by the skewness value; however, the Kurtosis value will reflect the 'flatness' of the distribution (Pallant, 2005). Moreover, when the kurtosis and skewness values are 0, the distribution of the data is absolutely normal. However, the occurrence of this scenario is unusual in social science (Pallant, 2005).

In addition, according to Tabachnick and Fidell (2013), skewness will not 'make a fundamental difference in the analysis' when it comes to large samples. Nevertheless, it can result in an underestimate of the variance, but this risk is also minimised in the case of large samples. Moreover, the size of the sample can affect the shape of distribution, which may decrease the negative effect of non-normality.

The non-normality effect is not very important when it comes to large samples such as 200 and more (Hair et al., 2010). In this present study, conducting a normality test is fundamental as the practical sample size is 123 and the researcher is concerned about the non-normality variable. Based on, Kline (1998), in a normal distribution the value of 3 is the standardised index kurtosis index (β_2). Hence, if the value is greater, it will represent a positive kurtosis; on the other hand, if the value is lesser, then it will represent a negative kurtosis. However, "the computer software adjusts this value by deducting 3 from the β_2 value, therefore, making zero the indicator of normal distribution and its sign the indicator of positive or negative kurtosis", (Almakrami,

2013). West et al. (1995) state that if β_2 value is equivalent to 7 or larger then it is a sign of normality. In this study, the researcher used the value of 7 as a guide. Table (5-13) illustrates the kurtosis values and shows no item to be kurtotic.

Table 5-13: Summary Normality Statistics

Factors	N	Mean	Std. Deviation	Skewness	Kurtosis
Brand Reputation	123	5.9659	0.974	-0.753	-0.486
Franchisor Support	123	5.2981	1.403	-0.900	-0.041
Training	123	5.220	1.571	-0.900	-0.079
T. Knowhow	123	5.5122	1.095	-0.668	-0.124
Communication	123	5.2846	1.225	-0.551	-0.942
L. M. Knowledge	123	3.1626	1.852	0.521	-1.004
Fees	123	4.950	1.299	-0.342	-0.805
Performance	123	4.670	1.175	-0.315	-0.802
Contract Duration	123	2.130	0.932	0.478	-0.596
Contract Clauses	123	4.4228	1.011	-0.554	-0.470

5.4.6 Testing for Multicollinearity

According to Pallant (2005), the definition of multicollinearity is, “the relationship among the independent variables”. With the objective of “checking the multicollinearity between the predictor variables, the researcher should look closely at the correlations matrix and both Tolerance and Variance inflation factor (VIF) should be applied”, (Algethmi, 2014). Based on Pallant (2005), defined tolerance is, “an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the mode”, and variance inflation factor (VIF) is

“just the inverse of the Tolerance value”. As shown below in Table 5-14, the Tolerance results are all greater than 0.1, and their VIF values are less than 10. Therefore, in this current study no multicollinearity problem has occurred.

Table 5-14: Multicollinearity Test

Model Factors	Profitability		Market Share	
	Tolerance	VIF	Tolerance	VIF
Brand Reputation	.396	2.522	0.410	2.437
Franchisor Support	0.347	2.882	0.361	2.772
Training	0.423	2.366	0.441	2.226
T. Knowhow	0.419	2.387	0.435	2.298
Communication	0.284	3.520	0.309	3.239
L. M. Knowledge	0.799	1.251	0.821	1.217
Fees1	0.410	2.240	0.429	2.333
Contract Duration	0.478	2.092	Not applicable	
Contract Clauses1	.148	6.771	.152	6.596
Contract Clauses2	.130	7.673	.142	7.018
Contract Clauses3	.459	2.178	Not applicable	
Contract Clauses4	.497	2.011	Not applicable	
Contract Clauses5	.323	3.097	0.695	1.437
Contract Clauses6	.510	1.962	Not applicable	
Contract Clauses7	.314	3.187	0.338	2.955
Contract Clauses8	.418	2.392	.507	1.974

5.4.7 Common Method Bias (CMB)

Common method bias is a measurement error according to Mat Roni (2014) Podsakoff et al. (2003; 2012) as it adds pressure to the effectiveness of a culmination drawn upon static findings. This bias is illustrated through a presence of systematic variance (Bagozzi and Yi, 1990) that can affect a given relationship among variables (Doty and Glick, 1998) resulting in weak conclusions.

According to Mat Roni (2014), the simplest measure to statistically control against common method bias is Harman's single factor test. In addition, this test has been commonly used in the literature (Podsakoff et al., 2003). Based on Mat Roni (2014), the total variance explained for the first component should be less than 50% of all the variables in the model. In this study the total variance explained for the first component is 36.3%, which indicates that our instrument is free from significant common method bias effects.

Table 5-15: Common Method Bias

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.610	36.282	36.282	11.610	36.282	36.282
2	3.667	11.460	47.743			
3	3.597	11.239	58.982			
4	1.902	5.944	64.926			
5	1.662	5.192	70.119			
6	1.333	4.166	74.284			
7	1.039	3.247	77.532			
8	.928	2.900	80.432			
9	.847	2.646	83.078			
10	.634	1.982	85.060			
11	.539	1.685	86.745			
12	.481	1.502	88.246			
13	.406	1.268	89.515			
14	.400	1.249	90.764			
15	.369	1.153	91.917			
16	.330	1.031	92.948			
17	.306	.956	93.904			
18	.265	.828	94.732			
19	.248	.774	95.506			
20	.228	.712	96.218			
21	.207	.646	96.864			
22	.175	.547	97.411			
23	.163	.509	97.920			
24	.124	.387	98.307			
25	.115	.358	98.665			
26	.089	.279	98.944			
27	.085	.266	99.211			
28	.077	.242	99.453			
29	.058	.181	99.634			
30	.049	.152	99.786			
31	.045	.139	99.925			
32	.024	.075	100.000			

Extraction Method: Principal Component Analysis.

5.4.8 Model Testing - Multiple Regression Analysis

According to Hair et al. (2010); Sykes (1993), the best way to test the relationship between dependent and independent variables, is to use multiple regression analysis as a statistical tool. To test the hypothesis in Phase 3, multiple regression analysis was used. Consequently, the performance construct comprises measurement of perceived market share and perceived profitability. This section answered part 1 of question 3, which is the effect of constraints defined by the theories of franchise selection on perceived market share and perceived profitability.

5.4.8.1 The Constraints Defined by the Theories of Franchise Selection and Franchisee Performance in terms of Perceived Market Share and Perceived Profitability

5.4.8.1.1 Perceived Market Share

Table (5-16) exemplify $F = 18.225$, which measures the overall significant of the model as $P < 0.05$. In column 6 it shows that $p = .000$.

Table 5-16: Overall model significance in terms of Market Share

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	108.698	7	15.528	18.225	.000 ^b
Residual	97.985	115	0.852		
Total	206.683	122			

Based on Pallant (2005), to know how much of the variance that variables share in the model we should look at the coefficient of determination, R square. Additionally, Pallant (2005), argues that if the sample is small Adjusted R Square value should be considered instead of R Square value. The Adjusted R Square result in Table 5-17

shows that the model explains 49.7 per cent of the variance in the factors affecting the market share of the franchisee.

Table 5-17: Model Summary in terms of Market Share

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.725 ^a	0.526	.497	0.923

The outcome in Table 5-18, column 4 explains that factors, Brand_R_New ($t= 2.40$, $p<0.05$), Tknowhow ($t= 2.215$, $p<0.05$) and Fees ($t= 3.079$, $p<0.01$) all significantly affect the franchisees performance in terms of perceived market share. In addition, Table (5-17), column 2 shows that factors contributing most to the franchisee performance in term of perceived market share, Fees (30%), Brand_R_New and Tknowhow (43%). Support_New, TRAINING5, Comm_New and LMKnowledge were found not significantly linked to the franchisee performance in terms of perceived market share.

Table 5-18: Multiple Regressions Analysis in terms of Market Share

Model	Standardised Coefficients	t	Sig.	95.0% Confidence Interval for B	
	Beta			Lower Bound	Upper Bound
(Constant)		-1.198	0.233	-1.817	0.448
Brand_R_New	0.228	2.40	0.018*	0.053	0.555
Support_New	0.042	0.437	0.663	-0.139	0.217
Comm_New	0.142	1.309	0.193	-0.077	0.379
FEES1	0.296	3.079	0.003**	0.106	0.488
TRAINING5	-0.038	-0.427	0.67	-0.177	0.114
TKnowhow	0.195	2.215	0.029*	0.025	0.44
Knowledge	0.017	0.243	0.808	-0.083	0.107

*Regression is significant at the 0.05 level

** Regression is significant at the 0.01 level

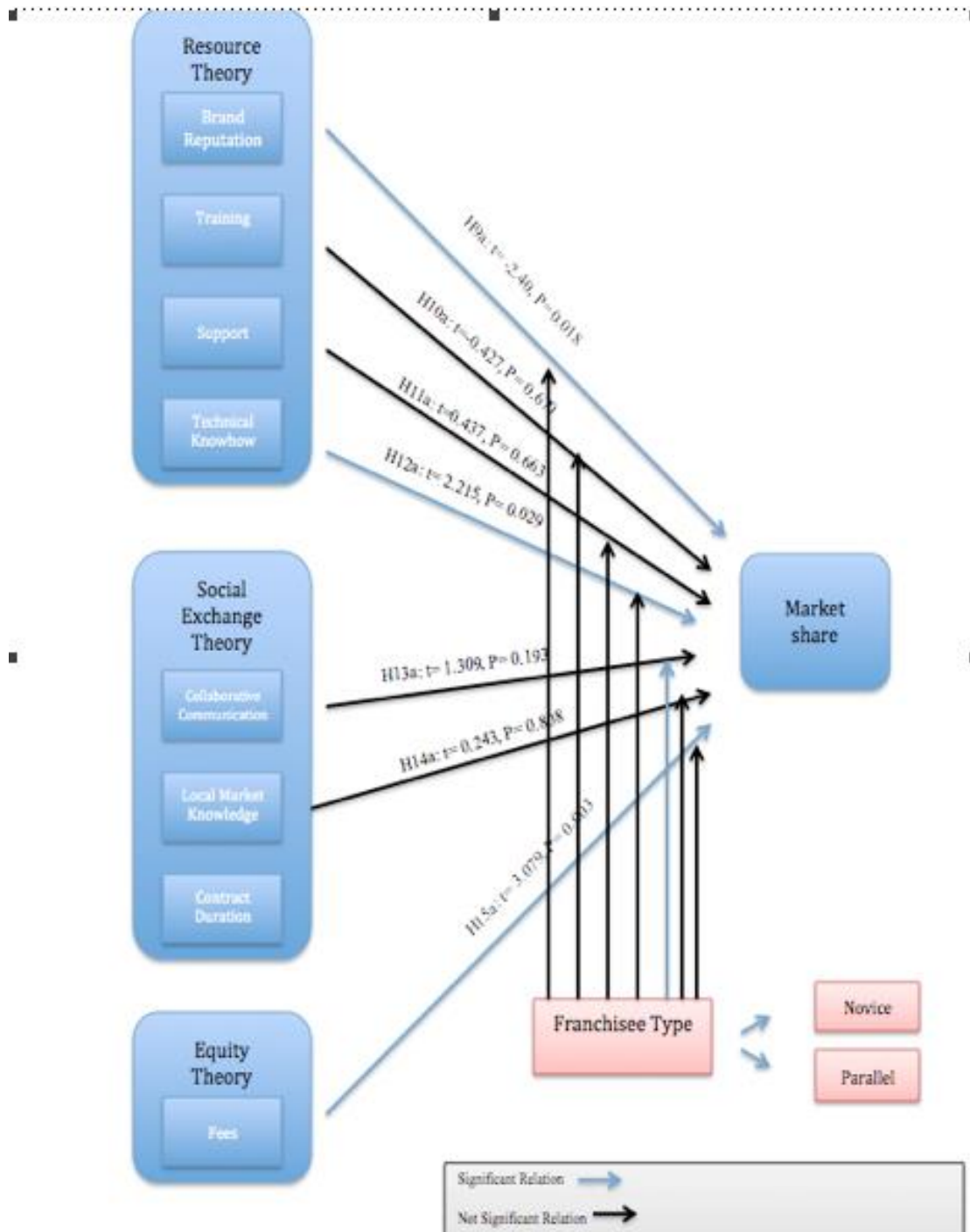


Figure 5-5: Model based on regression result (Perceived Market Share)

5.4.8.1.2 Perceived Profitability

Table 5-19 illustrates $F = 12.693$, which evaluates the overall significance of the model as $P < 0.05$, as in column 6 it shows that $p = .000$.

Table 5-19: Overall model significance in terms of profitability

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	96.037	8	12.005	12.693	.000 ^b
Residual	107.817	114	0.946		
Total	203.854	122			

Furthermore, The Adjusted R Square result in Table 5-20 shows that the model clarifies 43.4 per cent of the variance in the factors affecting the perceived profitability of the franchisee.

Table 5-20: Model summary in terms of Profitability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.686 ^a	0.471	0.434	0.973

Moreover, the result in Table 5-21 column 4 explains that factors, Brand_R_New ($t=3.546$, $p<0.01$) and FEES1 ($t= 3.585$, $p<0.01$) all significantly affect the franchisees performance in term of perceived profitability. Additionally, Table 5-20 column 2, shows that factors contributing most to the franchisee performance in terms of perceived profitability, FEES1 (36.6%) and Brand_R_New (36.1%). On the other hand, Support_New, Tknowhow, TRAINING5, Comm_New, LMKnowledge and contract duration are found not significantly linked to the franchisee performance in terms of perceived profitability.

Table 5-21: Multiple Regressions Analysis in terms of Profitability

Model	Standardised Coefficients	t	Sig.	95.0% Confidence Interval for B	
	Beta			Lower Bound	Upper Bound
(Constant)		-0.634	0.527	-1.609	0.828
Brand_R_New	0.361	3.546	0.001**	0.211	0.747
Support_New	-0.016	-0.153	0.878	-0.209	0.179
Comm_New	0.098	0.832	0.407	-0.143	0.349
FEES1	0.366	3.585	0.000**	0.163	0.565
TRAINING5	-0.059	-0.626	0.533	-0.202	0.105
TKnowhow	-0.048	-0.514	0.608	-0.276	0.162
Knowledge	0.037	0.503	0.616	-0.075	0.126
Contract duration	0.113	1.546	0.125	-0.044	0.358

*Regression is significant at the 0.05 level

** Regression is significant at the 0.01 level

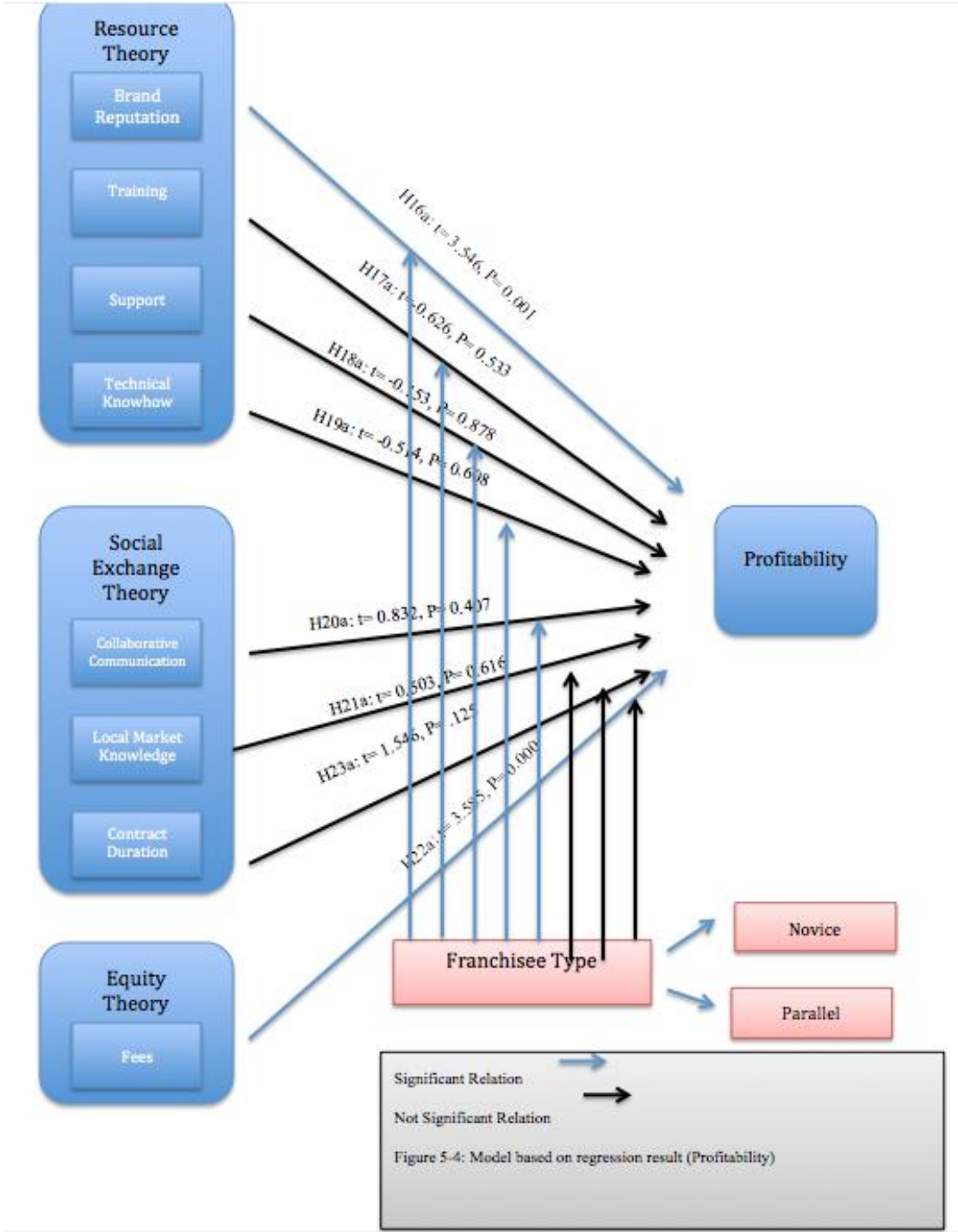


Figure 5-6: Model based on regression result (Perceived Profitability)

Hypothesis Test Result

To test the model hypotheses, multiple regression analysis was used. Factors such as Brand Reputation, Training, Support, Technical Know-how, Collaborative Communication, Local Market Knowledge, FEES1 and Contract Duration effect franchisee performance in terms of perceived Market Share and Profitability. From Table 5-18 and Table -21, results show that FEES1 are the highest contributed factor in the model in terms of perceived market share ($\beta = 0.296$, $p < 0.01$) and perceived profitability ($\beta = 0.366$, $p < 0.01$). Multiple regression outcomes from Table 5-18, column 4, illustrates the following:

Based on the multiple regression analysis in Table 5-18, to examine if strong franchisor's brand reputation has an effect on franchisee's perceived market share, $\beta = .229$, $t = 2.400$, $P < 0.05$. Hence, H9a, the hypothesis that a strong franchisor's brand reputation will lead to increased franchisee's perceived market share, is supported.

According, to the multiple regression analysis in Table 5-18, to verify whether greater amount of the training provided by the franchisor has an effect on franchisee's perceived market share, $t = -0.427$, $P > 0.05$. Thus, H10a, the hypothesis that a greater amount of training provided by the franchisor will lead to increased franchisee's perceived market share, is not supported.

In reference to the multiple regression analysis in Table 5-18 to investigate whether a greater amount of support provided by the franchisor has an effect on franchisee's market share, $t = 0.437$, $P > 0.05$. Thus, H11a, the hypothesis that the greater the

amount of support provided by the franchisor will lead to increased franchisee's perceived market share, is not supported.

Based on the multiple regression analysis in Table 5-18, to test whether a greater extent of technical knowhow provided by the franchisor has an effect on franchisee's market share, $\beta = .195$, $t = 2.215$, $P < 0.05$. Hence, H12a, the hypothesis that the greater the extent of technical knowhow provided by the franchisor will lead to increased franchisee's perceived market share, is supported.

According, to the multiple regression analysis in Table 5-18, to verify whether the presence of collaborative communication between franchisor and franchisee has an effect on franchisee market share, $t = 1.309$, $P > 0.05$. Therefore, H13a, the hypothesis that the presence of collaborative communication between franchisor and franchisee will lead to increased franchisee's perceived market share, is not supported.

In reference to the multiple regressions analysis in Table 5-18, to verify whether higher levels of franchisor's local market knowledge and understanding has an effect on franchisee market share, $t = 0.243$, $P > 0.05$. Therefore, H14a, the higher the level of franchisor's local market knowledge and understanding will lead to higher franchisee's perceived market share, is not supported.

Based on the multiple regression analysis in Table 5-18, to test whether higher fees imposed by the franchisor on the franchisee has an effect on franchisee's market share, $\beta = .296$, $t = 3.079$, $P < 0.01$. Consequently, H15a, the hypothesis that higher fees

imposed by the franchisor on the franchisee will lower the franchisee's perceived market share, is not supported.

Multiple regression outcomes from Table 5-21, column 4, show the following:

Based on the multiple regression analysis in Table 5-21, to test if strong franchisor's brand reputation has an effect on franchisee's profitability, $\beta=.361$, $t= 3.546$, $P< 0.01$.

Therefore, H16a, the hypothesis that a strong franchisor's brand reputation will lead to increased franchisee's perceived profitability, is supported.

According, to the multiple regression analysis in Table 5-21, to verify whether a greater amount of the training provided by the franchisor has an effect on franchisee's profitability, $t= -0.626$, $P> 0.05$. Thus, H17a, the hypothesis that the greater the amount of the training provided by the franchisor will lead to increased franchisee's perceived profitability, is not supported.

In reference to the multiple regression analysis in Table 5-21, to verify whether greater amount of the support provided by the franchisor has an effect on franchisee's profitability, $t= -0.153$, $P> 0.05$. Thus, H18a, the hypothesis that the greater the amount of the support provided by the franchisor will lead to increased franchisee's perceived profitability, is not supported.

Based on the multiple regression analysis in Table 5-21, to test whether greater extent of technical knowhow provided by franchisor has an effect on franchisee's profitability, $t= -0.514$, $P> 0.05$. Hence, H19a, the hypothesis that the greater the

extent of technical knowhow provided by the franchisor will lead to increased franchisee's perceived profitability, is not supported.

According, to the multiple regression analysis in Table 5-21, to verify whether the presence of collaborative communication between franchisor and franchisee has an effect on franchisee profitability, $t = 0.832$, $P > 0.05$. Therefore, H20a, the hypothesis that the presence of collaborative communication between franchisor and franchisee will lead to increased franchisee's perceived profitability, is not supported.

According, to the multiple regression analysis in Table 5-21, to verify whether higher levels of franchisor's local market knowledge and understanding has an effect on franchisee profitability, $t = 0.503$, $P > 0.05$. Consequently, H21a, the higher the level of franchisor's local market knowledge and understanding will lead to higher Franchisee's perceived profitability, is not supported.

According, to the multiple regression analysis in Table 5-21, to verify whether the length of contract duration has an effect on franchisee profitability, $t = 1.546$, $P > 0.05$. Therefore, H22a, the hypothesis that the longer the contract duration, the higher the franchisee's perceived profitability will become, is not supported.

Based on the multiple regression analysis in Table 5-21, to test whether higher fees imposed by the franchisor on the franchisee has an effect on franchisee's profitability, $\beta = .366$, $t = 3.585$, $P < 0.01$. Hence, H23a, the hypothesis that higher fees imposed by the franchisor on the franchisee will lower the franchisee's perceived profitability, is not supported.

Table 5-22: Hypothesis Summary

No	Hypothesis
H9a	Strong franchisor's brand reputation will lead to increased franchisee's perceived market share.
H10a	Greater amount of the training provided by the franchisor will lead to increased franchisee's perceived market share.
H11a	Greater amount of the support provided by the franchisor will lead to increased franchisee's perceived market share.
H12a	Greater extent of technical knowhow provided by franchisor will lead to increased franchisee's perceived market share.
H13a	The presence of collaborative communication between franchisor and franchisee will lead to increased franchisee perceived market share.
H14a	Higher level of franchisor's local market knowledge and understanding will lead to higher franchisee's perceived market share.
H15a	Higher fees and costs imposed by the franchisor on the franchisee will lower the franchisee's perceived market share.
H16a	Strong franchisor's brand reputation will lead to increased franchisee's perceived profitability.
H17a	Greater amount of the training provided by the franchisor will lead to increased franchisee's perceived profitability.
H18a	Greater amount of the support provided by the franchisor will lead to increased franchisee's perceived profitability.
H19a	Greater extent of technical knowhow provided by franchisor will lead to increased franchisee's perceived profitability.
H20a	The presence of collaborative communication between franchisor and franchisee will lead to increased franchisee perceived profitability.
H21a	Higher level of franchisor's local market knowledge and understanding will lead to higher franchisee's perceived profitability.
H22a	The longer the contract duration, the higher will be the franchisee's perceived profitability.
H23a	Higher fees and costs imposed by the franchisor on the franchisee will lower the franchisee's perceived profitability.

Table 5-23: Hypothesis Test Summary

Hypothesis	t-value	p(sig)	Decision
H9a: Brand_R_New → Market Share	2.400	0.018*	Supported
H10a: TRAINING5 → Market Share	-0.427	0.67	Not Supported
H11a: Support_New → Market Share	0.437	0.663	Not Supported
H12a: Tknowhow → Market Share	2.215	0.029*	Supported
H13a: Comm_New → Market Share	1.309	0.193	Not Supported
H14a: LMKnowledge → Market Share	0.243	0.808	Not Supported
H15a: FEES1 → Market Share	3.079	0.003**	Not Supported
H16a: Brand_R_New → Profitability	3.546	0.001**	Supported
H17a: TRAINING5 → Profitability	-0.626	0.533	Not Supported
H18a: Support_New → Profitability	-0.153	0.878	Not Supported
H19a: Tknowhow → Profitability	-0.514	0.608	Not Supported
H20a: Comm_New → Profitability	0.832	0.407	Not Supported
H21a: LMKnowledge → Profitability	0.503	0.616	Not Supported
H22a: Contractduration → Profitability	1.546	0.125	Not Supported
H23a: FEES1 → Profitability	3.585	0.000**	Not Supported

* Related to significant at the 0.05 level

** Related to significant at the 0.01 level

5.4.8.1.3 Moderation

In this section, the researcher is testing the moderation effect of different types of franchisees (parallel and novice) on the relationship between constraints defined by the theories of franchise selection and franchisee performance in terms of perceived market share and perceived profitability.

According to Hayes (2013), the role of moderation is very important to many social science theories. PROCESS is, “a procedure for SPSS that can apply moderation analysis”, (Hayes, 2012). Furthermore, Hayes (2013) indicates that the use of PROCESS can provide the researcher with very important Output options to explore the interactions between the moderator and the predictor.

In this study the researcher used PROCESS to estimate moderation since most methodologists recommend using it, such as Edwards and Lambert (2007) and Pareacher, et al. (2007). In addition, a lot of studies have been using it to test and explore the indirect interaction effect such as Turcotte, et al. (2015) and Maynard and Parfyonova (2013). Moreover, outcomes show the following:

Perceived Market share

According to the moderation analysis in Table 5-25, to test whether type of franchisees would affect the relationship between brand reputation and the franchisee performance in terms of perceived market share, $\beta = .1579$, $t = .8329$ and $P > .05$, therefore; there is no significant moderation.

Model Summary

Table 5-24: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.6221	.3870	1.0647	28.6863	3.0000	119.0000	.0000

Model

Table 5-25: Moderation Effect model

	coeff	se	t	p	LLCI	ULCI
constant	4.7570	.0941	50.5514	.0000	4.5707	4.9433
Type	-.2330	.1997	-1.1667	.2457	-.6285	.1625
BrandRNe	.8115	.0879	9.2293	.0000	.6374	.9856
int_1	.1579	.8329	.8329	.4066	-.2175	.5332

Int_1 BrandRNe X type

Table 5-26: Moderation Effect Int_1 BrandRNe X typ

	R2-chng	F	df1	df2	P
Int_1	.0032	.6938	1.0000	119.0000	.4066

In reference to the moderation analysis in Table 5-28, to test whether the type of franchisees would affect the relationship between training and the franchisee performance in terms of perceived market share, $\beta = -.0736$, $t = -.3617$ and $P > .05$, consequently, there is no significant moderation.

Model Summary

Table 5-27: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.4350	.1892	1.4082	6.1317	3.0000	119.0000	.0007

Model

Table 5-28: Moderation Effect model

	Coeff	se	T	P	LLCI	ULCI
Constant	4.7493	.1072	44.3138	.0000	4.5371	4.9615
Type	-.1129	.2355	-.4796	.6324	-.5792	.3534
Traing5	.3602	.0873	4.1246	.0001	.1873	.5331
Int_1	-.0736	.2036	-.3617	.7182	-.4767	.3295

Int_1 Traing5 X type

Table 5-29: Moderation Effect Int_1 Traing5 X type

	R2-chng	F	df1	df2	P
Int_1	.0019	.1308	1.0000	119.0000	.7182

Based on the moderation analysis in Table 5-31 to test whether type of franchisees would affect the relationship between franchisor support and the franchisee performance in terms of perceived market share, $\beta = .1220$, $t = .5060$ and $P > .05$, hence, there is no significant moderation.

Model Summary

Table 5-30: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.5317	.2827	1.2459	11.5175	3.0000	119.0000	.0000

Model

Table 5-31: Moderation Effect model

	Coeff	se	t	p	LLCI	ULCI
Constant	4.7511	.1054	45.0642	.0000	4.5424	4.9599
Type	-.3597	.2460	-1.4620	.1464	-.8468	.1275
SupportN	.4954	.0919	5.3891	.0000	.3134	.6775
Int_1	.1220	.2411	.5060	.6138	-.3555	.5995

Int_1 SupportN X type

Table 5-32: Moderation Effect Int_1 SupportN X type

	R2-chng	F	df1	df2	P
Int_1	.0029	.2560	1.0000	119.0000	.6138

Based on the moderation analysis in Table 5-34, to test whether type of franchisees would affect the relationship between technical know-how and the franchisee performance in terms of perceived market share, $\beta = -.2354$, $t = -1.0295$ and $P > .05$, thus, there is no significant moderation.

Model Summary

Table 5-33: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.5630	.3170	1.1862	13.2449	3.0000	119.0000	.0000

Model

Table 5-34: Moderation Effect model

	Coeff	se	t	p	LLCI	ULCI
Constant	4.7514	.1005	47.2547	.0000	4.5523	4.9505
Type	-.2020	.2321	-.8703	.3859	-.6617	.2576
TKnowhow	.6689	.1086	6.1571	.0000	.4538	.8840
Int_1	-.2354	.2286	-1.0295	.3053	-.6882	.2173

Int_1 TKnowhow X type

Table 5-35: Moderation Effect Int_1 TKnowhow X type

	R2-chng	F	df1	df2	P
Int_1	.0093	1.0600	1.0000	119.0000	.3053

According to the moderation analysis in Table 5-37, to test whether the type of franchisees would affect the relationship between collaborative communication and the franchisee performance in terms of perceived market share, $\beta = -.0473$, $t = -.2792$ and $P > .05$; hence, there is no significant moderation.

Model Summary

Table 5-36: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.5949	.3539	1.1222	21.8048	3.0000	119.0000	.0000

Model

Table 5-37: Moderation Effect model

	Coeff	Se	t	p	LLCI	ULCI
Constant	4.7521	.0966	49.1772	.0000	4.5608	4.9434
Type	-.0124	.2235	-.0554	.9560	-.4549	.4301
Comm_New	.6334	.0784	8.0788	.0000	.4781	.7886
Int_1	-.0473	.1695	-.2792	.7806	-.3829	.2882

Int_1 Comm_New X type

Table 5-38: Moderation Effect Int_1 Comm_New X type

	R2-chng	F	df1	df2	P
Int_1	.0004	.0779	1.0000	119.0000	.7806

According to the moderation analysis in Table 5-40 to test whether type of franchisees would affect the relationship between local market knowledge and the franchisee performance in terms of perceived market share, $\beta = -.2906$, $t = -1.7266$ and $P < 0.1$. Consequently, there is a significant moderation. However, the lower confidence intervals and the upper confidence intervals overlap (LLCI = $-.6238$ and ULCI = $.0427$), showing there is no significant moderation.

Model Summary

Table 5-39: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.2219	.0493	1.6513	1.2720	3.0000	119.0000	.2872

Model

Table 5-40: Moderation Effect model

	Coeff	se	t	P	LLCI	ULCI
Constant	4.7167	.1231	38.3206	.0000	4.4730	4.9604
Type	-.2938	.2905	-1.0111	.3140	-.8691	.2815
Knowledge	.0521	.0767	.6800	.4978	-.0997	.2039
Int_1	-.2906	.1683	-1.7266	.0868	-.6238	.0427

Int_1 Knowledge X type

Table 5-41: Moderation Effect Int_1 Knowledge X type

	R2-chng	F	df1	df2	P
Int_1	.0355	2.9811	1.0000	119.0000	.0868

In reference to, the moderation analysis in Table 5-43, to test whether the type of franchisees would affect the relationship between franchise fees and the franchisee performance in terms of perceived market share, $\beta = .2393$, $t = 1.6080$ and $P > .05$; thus, there is no significant moderation.

Model Summary

Table 5-42: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.6486	.4207	1.0062	28.6379	3.0000	119.0000	.0000

Model

Table 5-43: Moderation Effect model

	Coeff	Se	t	p	LLCI	ULCI
Constant	4.7564	.0919	51.7667	.0000	4.5744	4.9383
Type	-.2523	.1908	-1.3220	.1887	-.6301	.1256
Fees1	.6386	.0744	8.5894	.0000	.4914	.7859
Int_1	.2393	.1488	1.6080	.1105	-.0554	.5341

i Effect nt_1 Fees1 X type

Table 5-44: Moderation Effect Int_1 Fees1 X type

	R2-chng	F	df1	df2	P
Int_1	.0118	2.5855	1.0000	119.0000	.1105

Perceived Profitability

In reference to the moderation analysis in Table (5-46), to test whether the type of franchisees would affect the relationship between brand reputation and the franchisee performance in terms of perceived profitability, $\beta = .1121$, $t = .6778$ and $P > .05$; thus, there is no significant moderation.

Model Summary

Table 5-45: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.6125	.3752	1.0703	39.2385	3.0000	119.0000	.0000

Model

Table 5-46: Moderation Effect model

	Coeff	Se	t	p	LLCI	ULCI
Constant	4.5860	.0947	48.4029	.0000	4.3984	4.7736
Type	-.2534	.2265	-1.1191	.2654	-.7019	.1950
BrandRNe	.7952	.0852	9.3295	.0000	.6264	.9639
Int_1	.1121	.1653	.6778	.4992	-.2153	.4394

Int_1 BrandRNe X type

Table 5-47: Moderation Effect Int_1 BrandRNe X type

	R2-chng	F	df1	df2	P
Int_1	.0016	.4595	1.0000	119.0000	.4992

According to the moderation analysis in Table 5-49, to test whether the type of franchisees would affect the relationship between training and the franchisee performance in terms of perceived profitability, $\beta = -.0411$, $t = -.1913$ and $P > .05$. Consequently, there is no significant moderation.

Model Summary

Table 5-48: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.3414	.1166	1.5134	2.9651	3.0000	119.0000	.0349

Model

Table 5-49: Moderation Effect model

	Coeff	Se	t	p	LLCI	ULCI
Constant	4.5816	.1168	39.2380	.0000	4.3504	4.8128
Type	-.1642	.2731	-.6015	.5487	-.7049	.3765
Traing5	.2741	.0996	2.7514	.0069	.0768	.4714
Int_1	-.0411	.2147	-.1913	.8486	-.4663	.3841

Int_1 Traing5 X type

Table 5-50: Moderation Effect Int_1 Traing5 X type

	R2-chng	F	df1	df2	P
Int_1	.0006	.0366	1.0000	119.0000	.8486

Based on the moderation analysis in Table 5-52, to test whether the type of franchisees would affect the relationship between franchisor support and the franchisee performance in terms of perceived profitability, $\beta = .0707$, $t = .3110$ and $P > .05$. Hence, there is no significant moderation.

Model Summary

Table 5-51: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.4611	.2126	1.3489	9.3692	3.0000	119.0000	.0000

Model

Table 5-52: Moderation Effect model

	Coeff	Se	t	p	LLCI	ULCI
Constant	4.5825	.1072	42.7660	.0000	4.3703	4.7947
Type	-.3613	.2659	-1.3588	.1768	-.8877	.1652
SupportN	.4211	.0887	4.7478	.0000	.2455	.5968
Int_1	.0707	.2273	.3110	.7564	-.3793	.5207

Int_1 SupportN X type

Table 5-53: Moderation Effect Int_1 SupportN X type

	R2-chng	F	df1	df2	P
Int_1	.0010	.0967	1.0000	119.0000	.7564

Referring to the moderation analysis in Table 5-55, to test whether the type of franchisees would affect the relationship between technical know-how and the franchisee performance in terms of perceived profitability, $\beta = -.2225$, $t = -.8025$ and $P > .05$. Consequently, there is no significant moderation.

Model Summary

Table 5-54: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.3898	.1520	1.4527	6.2566	3.0000	119.0000	.0006

Model

Table 5-55: Moderation Effect model

	Coeff	Se	t	p	LLCI	ULCI
Constant	4.5809	.1112	41.1830	.0000	4.3607	4.8012
Type	-.2417	.2724	-.8874	.3767	-.7810	.2976
TKnowhow	.4491	.1174	3.8240	.0002	.2165	.6816
Int_1	-.2225	.2772	-.8025	.4239	-.7715	.3265

Int_1 TKnowhow X type

Table 5-56: Moderation Effect Int_1 TKnowhow X type

	R2-chng	F	df1	df2	P
Int_1	.0084	6440	1.0000	119.0000	.4239

In reference to the moderation analysis in Table 5-58, to test whether the type of franchisees would affect the relationship between collaborative communication and the franchisee performance in terms of perceived profitability, $\beta = -.0355$, $t = -.1739$ and $P > .05$. Thus, there is no significant moderation.

Model Summary

Table 5-57: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.5031	.2531	1.2794	12.3409	3.0000	119.0000	.0000

Model

Table 5-58: Moderation Effect model

	Coeff	Se	T	p	LLCI	ULCI
Constant	4.5824	.1039	44.0933	.0000	4.3766	4.7881
Type	-.0720	.2488	-.2894	.7728	-.5646	.4206
Comm_New	.5277	.0888	5.9409	.0000	.3518	.7036
Int_1	-.0355	.2041	-.1739	.8622	-.4397	.3686

Int_1 Comm_New X type

Table 5-59: Moderation Effect Int_1 Comm_New X type

	R2-chng	F	df1	df2	P
Int_1	.0003	.0303	1.0000	119.0000	.8622

Based on the moderation analysis in Table 5-61, to test whether the type of franchisees would affect the relationship between local market knowledge and the franchisee performance in terms of perceived profitability, $\beta = -.4152$, $t = -2.6969$ and $P < .05$. Thus, there is a significant moderation.

Model Summary

Table 5-60: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.2998	.0899	1.5591	3.6270	3.0000	119.0000	.0151

Model

Table 5-61: Moderation Effect model

	Coeff	Se	T	p	LLCI	ULCI
Constant	4.5291	.1160	39.0575	.0000	4.2995	4.7587
Type	-.3403	.2780	-1.2243	.2233	-.8907	.2101
Knowledge	.0572	.0651	.8776	.3819	-.0718	.1861
Int_1	-.4152	.1539	-2.6969	.0080	-.7200	-.1103

Int_1 Knowledge X type

Table 5-62: Moderation Effect Int_1 Knowledge X type

	R2-chng	F	df1	df2	P
Int_1	.0735	7.2731	1.0000	119.0000	.0080

Based on the moderation analysis in Table 5-64, to test whether the type of franchisees would affect the relationship between the contract duration and the franchisee performance in terms of perceived profitability, $\beta = .5260$, $t = 1.8050$ and $P < 0.1$. Consequently, there is a significant moderation.

Model Summary

Table 5-63: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.2749	.0756	1.5836	2.6271	3.0000	119.0000	.0535

Model

Table 5-64: Moderation Effect model

	Coeff	Se	T	P	LLCI	ULCI
Constant	4.6664	.1231	37.9130	.0000	4.4227	4.9101
Type	.0578	.2918	.1980	.8434	-.5199	.6355
Duration	.2615	.1351	1.9358	.0553	-.0060	.5290
Int_1	.5260	.2914	1.8050	.0736	-.0510	1.1030

Int_1 duration X type

Table 5-65: Moderation Effect Int_1 duration X type

	R2-chng	F	df1	df2	P
Int_1	.0287	3.2580	1.0000	119.0000	.0736

Referring to the moderation analysis in Table 5-67 to test whether the type of franchisees would affect the relationship between the franchise fees and the franchisee performance in terms of perceived profitability, $\beta = .4202$, $t = 2.6468$ and $P < 0.1$.

Consequently, there is a significant moderation.

Model Summary

Table 5-66: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	P
.6404	.4101	1.0105	26.7972	3.0000	119.0000	.0000

Model

Table 5-67: Moderation Effect model

	Coeff	Se	t	P	LLCI	ULCI
Constant	4.5859	.0923	49.7004	.0000	4.4032	4.7686
Type	-.2716	.2011	-1.3504	.1795	-.6698	.1266
Fees1	.6077	.0751	8.0885	.0000	.4589	.7565
Int_1	.4202	.1587	2.6468	.0092	.1058	.7345

Int_1 Fees1 X type

Table 5-68: Moderation Effect Int_1 Fees1 X type

	R2-chng	F	df1	df2	P
Int_1	.0368	7.0058	1.0000	119.0000	.0092

Table 5- 69: Hypothesis Summary

NO	Hypothesis
H9b	Type of franchisee moderates the impact of brand reputation on perceived market share.
H10b	Type of franchisee moderates the impact of training provided by the franchisor on perceived market share.
H11b	Type of franchisee moderates the impact of the support provided by the franchisor on perceived market share.
H12b	Type of franchisee moderates the impact of the technical knowhow provided by the franchisor on perceived market share.
H13b	Type of franchisee moderates the impact of collaborative communication between franchisor and franchisee on perceived market share.
H14b	Type of franchisee moderates the impact of the franchisor's local market knowledge and understanding on perceived market share.
H15b	Type of franchisee moderates the impact of the Higher fees imposed by the franchisor on perceived market share.
H16b	Strong franchisor's brand reputation will lead to increased franchisee's perceived profitability.
H17b	Type of franchisee moderates the impact of the training provided by the franchisor on perceived profitability.
H18b	Type of franchisee moderates the impact of the support provided by the franchisor on perceived profitability.
H19b	Type of franchisee moderates the impact of the technical knowhow provided by franchisor on perceived profitability.
H20b	Type of franchisee moderates the impact of the collaborative communication between franchisor and franchisee on perceived profitability.
H21b	Type of franchisee moderates the impact of franchisor's local market knowledge and understanding on perceived profitability.
H22b	Type of franchisee moderates the impact of contract duration on perceived profitability
H23b	Type of franchisee moderates the impact of higher fees on perceived profitability

Table 5-70: Moderation Effect

Moderation affect	t-value	p(sig)	Decision
H9b: Brand_R_New → Market Share	.8329	0.4066	Not Supported
H10b: TRAINING5 → Market Share	-.3617	0.7182	Not Supported
H11b: Support_New → Market share	0.506	0.6138	Not Supported
H12b: Tknowhow → Market Share	-1.0295	0.3053	Not Supported
H13b: Comm_New → Market Share	-0.2792	0.7806	Not Supported
H14b: LMKnowledge → Market Share	-1.7266	0.0868*	Supported
H15b: FEES1 → Market Share	1.6080	0.1105	Not Supported
H16b: Brand_R_New → Profitability	0.6778	4992	Not Supported
H17b: TRAINING5 → Profitability	-.1913	0.8486	Not Supported
H18b: Support_New → Profitability	.3110	0.7564	Not Supported
H19b:Tknowhow → Profitability	-.8025	0.4239	Not Supported
H20b: Comm_New → Profitability	-0.1739	0.8622	Not Supported
H21b: LMKnowledge → Profitability	-2.6969	0.008	Supported
H22b: FEES1 → Profitability	2.6468	0.0092	Supported
H23b: Contract duration → Profitability	1.8050	0.0736	Supported

5.4.8.2 Contract Clauses and Franchisee Performance

This section represents Phase 3 answering part 2 of question 3, which studied the effect of different contract clauses on franchisee performance in terms of perceived market share, and perceived profitability.

5.4.8.2.1 Perceived Market Share

Table 5-71 exemplify $F = 5.661$, which measures the overall significant of the model as $P < 0.05$. In column 6 it shows that $p = .000$.

Table 5-71: Overall Model Significance in terms of Market Share

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	40.264	7	8.053	5.661	.000 ^b
Residual	166.419	115	1.422		
Total	206.683	122			

According to Pallant (2005), to know the level of the variance that variables share in the model, we should look at the coefficient of determination, R square. Additionally, Pallant (2005) argues that if the sample is small, Adjusted R Square value should be considered instead of R Square value. The Adjusted R Square result in Table 5-72 shows that the model explains 16 per cent of the variance in the factors affecting the perceived market share of the franchisee

Table 5-72: Model Summary in terms of Market Share

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.441 ^a	0.195	.160	1.193

Table 5-73: Multiple Regressions Analysis in terms of Market Share

Model	Standardised Coefficients	t	Sig.	95.0% Confidence Interval for B	
				Lower Bound	Upper Bound
Constant		6.969	0.000	2.578	4.625
CC1TRAINING	-.298	1.616	0.109	-0.534	0.054
CC2support	0.445	2.295	0.024*	0.048	0.646
CC5CD	-0.335	3.734	0.000*	-0.364	-0.112
CC8termination	0.185	1.744	0.084**	-0.027	0.421
CC7te	0.133	1.207	0.230	-0.072	0.296

*Regression is significant at the 0.05 level

** Regression is significant at the 0.01 level

The outcome in Table 5-73 column 4 explains that clauses, CC2support B= 0.347, $p < 0.05$, CC5CD B= -0.238, $p < 0.05$ and CC8termination B= 0.197, $p < 0.01$ all significantly affect the franchisees. performance in terms of perceived market share. Moreover, Table 5-73, column 2, shows that clauses contributing most to the franchisee performance in terms of perceived market share are CC2support (44.5%), CC8termination (18.5%) and CC7te (13.3%). On the other hand, CC1TRAINING and CC5CD found not to be significantly linked to the franchisee performance in terms of perceived market share.

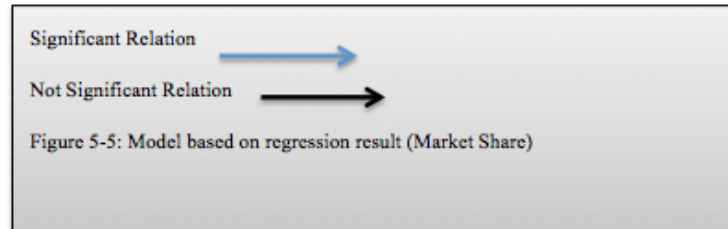
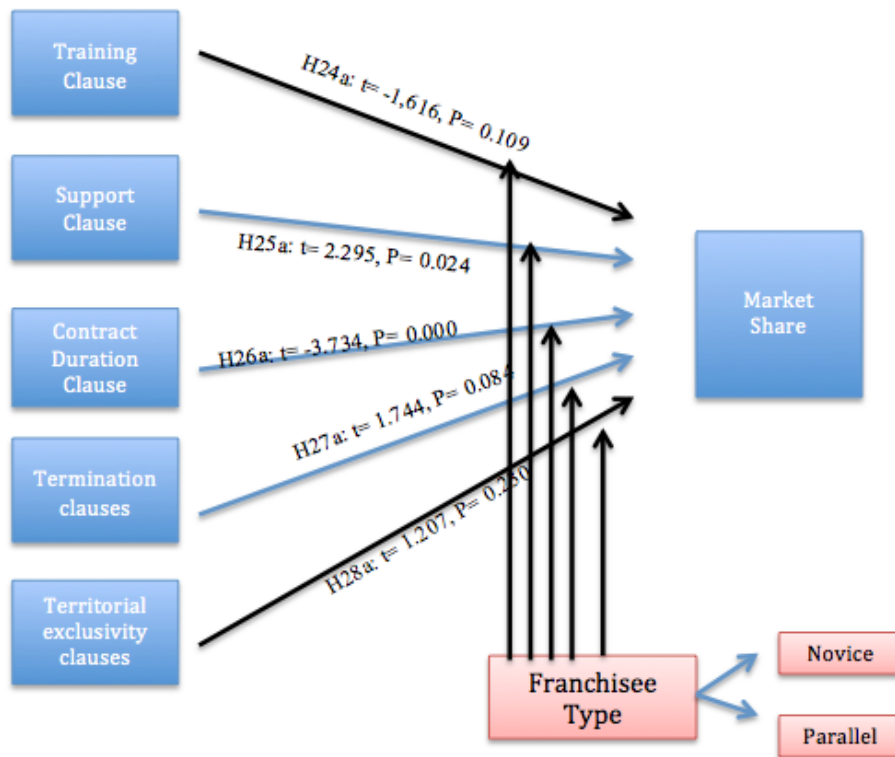


Figure 5-7: Model based on regression result (Perceived Market Share)

5.4.8.2.2 Perceived Profitability

Table 5-74: Overall Model Significance in terms of Profitability

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	33.591	8	4.199	2.811	.007 ^b
Residual	170.263	114	1.494		
Total	203.854	122			

Table 5-74 above, illustrates $F= 2.811$, which evaluates the overall significant of the model as $P < 0.05$, as in column 6 it shows that $p = .007$.

Table 5-75: Model Summary in terms of Perceived Profitability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.406 ^a	0.165	0.106	1.222

Furthermore, The Adjusted R Square result in Table 5-75 shows that the model clarifies 10.6 per cent of the variance in the factors affecting the perceived profitability of the franchisee.

Table 5-76: Multiple Regression Analysis in terms of Perceived Profitability

Model	Standardised Coefficients	t	Sig.	95.0% Confidence Interval for B	
	Beta			Lower Bound	Upper Bound
(Constant)		7.191	0.000	2.995	5.272
C1TRAINING	-0.525	-2.648	0.009**	-0.734	-0.106
CC2support	0.538	2.529	0.013*	0.090	0.742
CC5CD	-0.199	-1.686	0.095***	-0.306	0.025
CC6EXITS	0.186	1.597	0.113	-0.047	0.441
CC8termination	0.116	0.933	0.353	-0.138	0.382
CC7te	-0.067	-0.572	0.569	-0.251	0.139
CC3tyinga	0.003	0.024	0.981	-0.202	0.207
CC4fees	-0.113	-0.963	0.338	-0.284	0.098

*Regression is significant at the 0.05 level

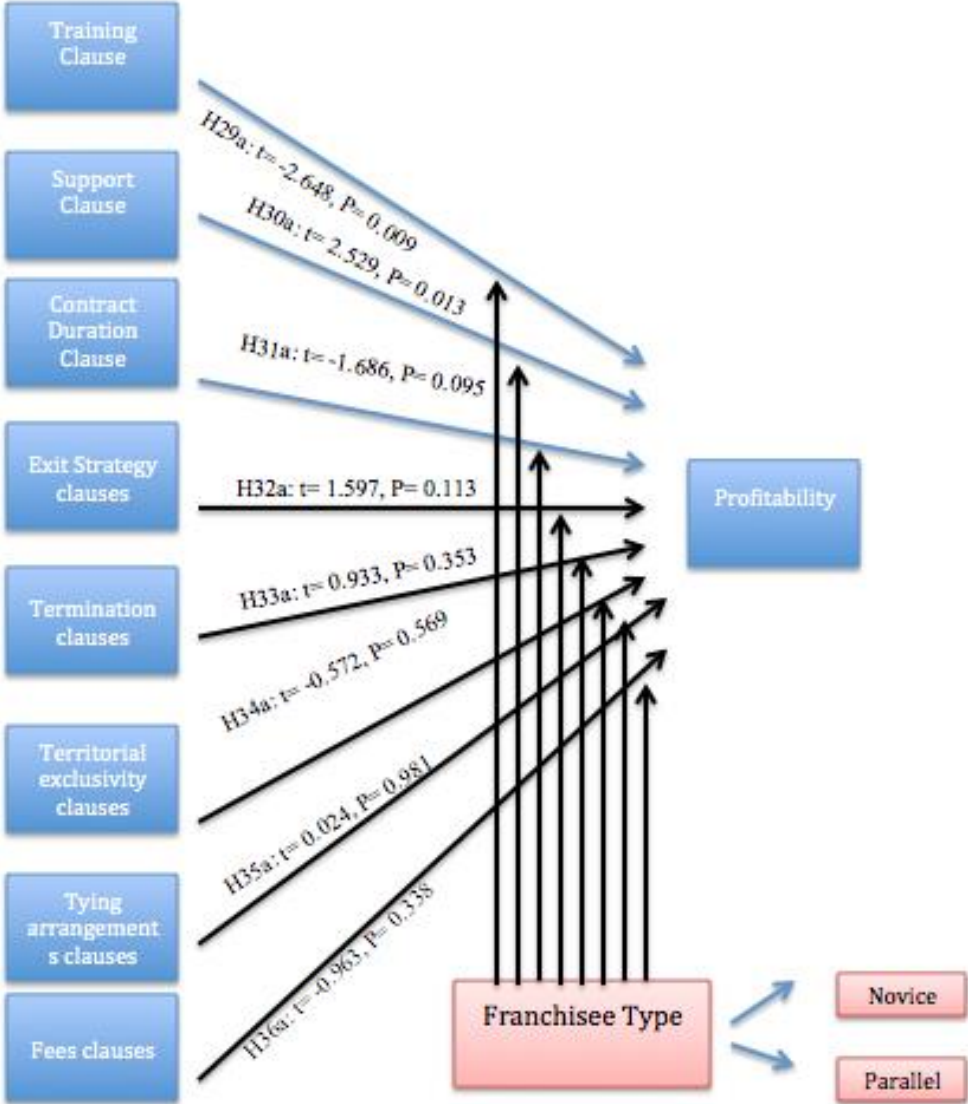
** Regression is significant at the 0.01 level

*** Regression is significant at the 0.1 level

Moreover, the result in Table 5-76, column 4, explains that clauses, C1TRAINING

$B= -0.525$, $p<0.01$, CC2support $B= 0.538$, $p<0.05$ and CC5CD $B= -0.199$, $p<0.1$ all

significantly affect the franchisees performance in term of perceived profitability. Additionally, Table 5-76, column 2, shows that factors contributing most to the franchisee performance in term of perceived profitability, CC2support (53.8%), CC6EXITS (18.6%), CC8termination (11.6%) and CC3tyinga (00.3%). On the other hand, C1TRAINING, CC5CD, CC7te and CC4fees are not significantly linked to the franchisee performance in terms of perceived profitability.



Significant Relation →
Not Significant Relation →
Figure 5-6: Model based on regression result (Profitability)

Figure 5-8: Model based on regression result (Perceived Profitability)

To test the model hypotheses, multiple regression analysis was used. Clauses such as training, support, contract duration, exit strategy, termination, territorial exclusivity, tying arrangements, and fees affect franchisee performance in terms of perceived market share and perceived profitability. From Table 5-73 and Table 5-76 results show that support clauses are the highest contributed clauses in the model, in terms of market share ($\beta = 0.445$, $p < 0.05$) and profitability ($\beta = 0.538$, $p < 0.05$). Multiple regression outcomes from Table 5-73, column 4, illustrates the following:

Based on the multiple regression analysis in Table 5-73, that examines if the extensiveness of the training clauses affect the franchisees' perceived market share positively, $t = -1.616$, $P > 0.05$. Hence, H24a, hypothesis that the extensiveness of the training clauses will affect the franchisees' perceived market share negatively, is not supported.

Based on the multiple regression analysis in Table 5-73, that verifies whether the extensiveness of the support clauses affects the franchisees' perceived market share positively, $t = 2.295$, $P < 0.05$. Thus, H25a, the hypothesis that the extensiveness of the support clauses will affect the franchisees' perceived market share positively, is supported.

In reference to the multiple regression analysis in Table 5-73, to investigate whether shorter contract duration clauses affect the perceived market share of novice franchisees positively, $\beta = -0.335$, $t = -3.734$, $P < 0.05$. Thus, H26a hypothesis that the shorter contract duration clauses will affect the franchisees, perceived market share positively, is not supported.

Based on the multiple regression analysis in Table 5-73, to test whether stricter termination clauses affect the perceived market share of franchisees negatively, $t = 1.744$, $P < 0.05$. Hence, H27a holds the hypothesis that stricter termination clauses will affect franchisees' perceived market share negatively, is not supported.

According, to the multiple regression analysis in Table 5-73, to verify whether the stricter territorial exclusivity clauses affect the perceived market share of novice franchisees negatively, $t = 1.207$, $P > 0.05$. Therefore, H28a shows the hypothesis that stricter territorial exclusivity clauses will affect the franchisees' perceived market share negatively, is not supported.

Multiple regression outcomes from Table 5-76, column 4, show the following:

Based on the multiple regression analysis in Table 5-76, to test if the extensiveness of the training clauses affects the franchisees' perceived profitability positively, $t = -2.648$, $P > 0.01$. Therefore, H29a, hypothesises that the extensiveness of the training clauses will affect the franchisees' perceived profitability positively, is not supported.

According, to the multiple regressions analysis in Table 5-76, to verify whether the extensiveness of the support clauses affects the franchisee's perceived profitability positively, $t = 2.529$, $P > 0.05$. Thus, H30a the hypothesis that the extensiveness of the support clauses will affect franchisees' perceived profitability positively, is supported.

In reference to the multiple regressions analysis in Table 5-76, to verify whether the length of contract duration affects the perceived profitability of novice franchisees negatively, $t = -1.686$, $P > 0.05$. Thus, H31a the hypothesis that the length of contract duration will lead to affect franchisees' perceived profitability negatively is supported.

Based on the multiple regressions analysis in Table 5-76, to test the difficulty of franchisee exit strategy clauses effects on perceived profitability of franchisees negatively, $t= 1.597$, $P> 0.05$. Hence, H32a illustrates a hypothesis that the difficulty of franchisee exit strategy clauses will affect the franchisees' perceived profitability negatively, is not supported.

According, to the multiple regression analysis in Table 5-76, to verify whether the stricter termination clauses affects the perceived profitability of franchisees negatively, $t= 0.933$, $P> 0.05$. Therefore, H33a the hypothesis that stricter termination clauses will affect the franchisees' perceived profitability negatively is not supported.

According, to the multiple regression analysis in Table 5-76, to verify whether the stricter territorial exclusivity clauses affects the perceived profitability of franchisees negatively, $t= -0.572$, $P> 0.05$. Consequently, H34a signifies that stricter territorial exclusivity clauses will affect franchisees' perceived profitability negatively, is not supported.

Based on the multiple regression analysis in Table 5-76, to test whether the stricter tying arrangements clauses in franchise contract will affect the perceived profitability of franchisees negatively, $t= 0.024$, $P< 0.01$. Hence, H35a the hypothesis that stricter tying arrangements clauses will affect franchisee's perceived profitability negatively is not supported.

According, to the multiple regression analysis in Table 5-76, to verify whether the franchise fee clauses in the franchise contracts affect the perceived profitability of

franchisees negatively, $t = -0.963$, $P > 0.05$. Therefore, in H36a, the franchise fee clauses will lead to affect franchisee's perceived profitability negatively, is not supported.

Table 5-77: Hypothesis Summary

NO	Hypothesis
H24a	Extensiveness of the training clauses affects the franchisee's perceived market share positively.
H25a	Extensiveness of the support clauses affects the franchisee's perceived market share positively.
H26a	Shorter contract duration clauses affect the perceived market share of novice franchisees positively.
H27a	Stricter termination clauses affect the perceived market share of franchisees negatively.
H28a	Stricter territorial exclusivity clauses affect the perceived market share of novice franchisees negatively.
H29a	Extensiveness of the training clauses affects the franchisee's perceived profitability positively.
H30a	Extensiveness of the support clauses affects the franchisees the perceived profitability positively.
H31a	The length of contract duration affects the perceived profitability of novice franchisees negatively.
H32a	The difficulty of franchisee exit strategy clauses affects the perceived profitability of franchisees negatively.
H33a	Stricter termination clauses affect the perceived profitability of franchisees negatively.
H34a	Stricter territorial exclusivity clauses affect the perceived profitability of franchisees negatively.
H35a	Stricter tying arrangements clauses in franchise contract will affect the perceived profitability of franchisees negatively.
H36a	Franchise fee clauses in the franchise contracts affect the perceived profitability of franchisees negatively.

Table 5-78: Hypothesis Test Summary

Hypothesis	t-value	p(sig)	Decision
H24a: Training clauses → Market Share	-1.616	0.109	Not Supported
H25a: Support clauses → Market Share	2.295	0.024*	Supported
H26a: Contract duration clauses → Market Share	-3.734	0.000**	Not Supported
H27a: Termination clauses → Market Share	1.744	0.084***	Not Supported
H28a: Territorial exclusivity → Market Share	1.207	0.230	Not Supported
H29a: Training clauses → Profitability	-2.648	0.009**	Not Supported
H30a: Support clauses → Profitability	2.529	0.013*	Supported
H31a: Contract duration clauses → Profitability	-1.686	0.095***	Supported
H32a: Exit strategy clauses → Profitability	1.597	0.113	Not Supported
H33a: Termination clauses → Profitability	0.933	0.353	Not Supported
H34a: Territorial exclusivity clauses → Profitability	-0.572	0.569	Not Supported
H35a: tying arrangements clauses → Profitability	0.024	0.981	Not Supported
H36a: Fees clauses → Profitability	-0.963	0.338	Not Supported

* Related to significant at the 0.05 level

** Related to significant at the 0.01 level

*** Related to significant at the 0.1 level

5.4.8.2.3 Moderation

This section tests the moderation effect of different types of franchisees (parallel and novice) on the relationship between contract clauses, and franchisee performance in terms of perceived market share, and perceived profitability.

As aforementioned, in the previous subheading 'moderation', according to Hayes (2013), moderation plays an important role in social science theories. The SPSS

PROCESS macro is, “a procedure that can be used for moderation analysis”, Hayes, (2012). Furthermore, Hayes (2013) states that PROCESS can be used by the researcher to obtain output options that can be used to examine the interactions between the two variables involved in the interaction, namely, the moderator variable and the predictor variable. The process of moderation distinguishes between the effects of the independent variable and the moderator variable. In this study the researcher has used PROCESS to estimate moderation, moreover, the outcomes are shown as follows:

Perceived Market Share

Referring to the moderation analysis in Table 5-80 that tests whether the type of franchisees would affect the relationship between training clauses and franchisee performance in terms of perceived market share, $\beta = -.2825$, $t = -1.2327$ and $P > .05$. Therefore, there is no significant moderation.

Model Summary

Table 5-79: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	p
.1896	.0359	1.6744	1.3806	3.0000	119.0000	.2521

Model

Table 5-80: Moderation Effect model

	coeff	Se	t	P	LLCI	ULCI
Constant	4.8140	.1298	37.0930	.0000	4.5570	5.0710
Type	-.2012	.3124	-.6439	.5209	-.8198	.4175
CC1TRAIN	.0505	.0878	.5750	.5664	-.1233	.2243
Int_1	-.2825	.2291	-1.2327	.2201	-.7362	.1713

Int_1 CC1TRAIN X type

Table 5-81: Moderation Effect Int_1 CC1TRAIN X type

	R2-chng	F	df1	df2	p
Int_1	.0179	1.5196	1.0000	119.0000	.2201

In reference to the moderation analysis in Table 5-83, to test whether the type of franchisees would affect the relationship between support clauses, and the franchisee performance in terms of perceived market share, $\beta = -.0632$, $t = -.2723$ and $P > .05$, therefore, there is no significant moderation.

Model Summary

Table 5-82: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	p
.2060	.0424	1.6631	1.4856	3.0000	119.0000	.2220

Model

Table 5-83: Moderation Effect model

	Coeff	se	t	P	LLCI	ULCI
Constant	4.7736	.1357	35.1883	.0000	4.5050	5.0422
Type	-.4094	.3259	-1.2564	.2114	-1.0547	.2358
CC2sport	.1422	.0890	1.5972	.1129	-.0341	.3185
Int_1	-.0632	.2320	-.2723	.7858	-.5226	.3962

Int_1 CC2sport X type

Table 5-84: Moderation Effect Int_1 CC2sport X type

	R2-chng	F	df1	df2	p
Int_1	.0007	.0742	1.0000	119.0000	.7858

According to the moderation analysis in Table 5-86, to test whether the type of franchisees would affect the relationship between shorter contract duration, and the franchisee performance in terms of perceived market share, $\beta = .0570$, $t = .3047$ and $P > .05$. Therefore, there is no significant moderation.

Model Summary

Table 5-85: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	p
.2131	.0454	1.6580	1.4172	3.0000	119.0000	.2412

Model

Table 5-86: Moderation Effect model

	Coeff	se	t	P	LLCI	ULCI
Constant	4.7372	.1400	33.8284	.0000	4.4600	5.0145
Type	-.0628	.3251	-.1932	.8471	-.7066	.5809
CC5CD	-.1467	.0870	-1.6858	.0945	-.3190	.256
Int_1	.0570	.1871	.3047	.7611	-.3134	.4274

Int_1 CC5CD X type

Table 5-87: Moderation Effect Int_1 CC5CD X type

	R2-chng	F	df1	df2	p
Int_1	.0012	.0928	1.0000	119.0000	.7611

Looking at the moderation analysis in Table 5-89, to test whether the type of franchisees would affect the relationship between stricter termination clauses, and the franchisee performance in terms of perceived market share, $\beta = .2632$, $t = 1.0388$ and $P > .0$. Therefore, there is no significant moderation.

Model Summary

Table 5-88: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	p
.2878	.0828	1.5930	2.6867	3.0000	119.0000	.0496

Model

Table 5-89: Moderation Effect model

	Coeff	se	t	P	LLCI	ULCI
Constant	4.7799	.1156	41.3571	.0000	4.5511	5.0088
Type	-.0881	.2537	-.3473	.7290	-.5904	.4142
CC8ter	.2964	.1094	2.7085	.0078	.0797	.5131
Int_1	.2632	.2534	1.0388	.310	-.2385	.7649

Int_1 CC8ter X type

Table 5-90: Moderation Effect Int_1 CC8ter X type

	R2-chng	F	df1	df2	p
Int_1	.0103	1.0792	1.0000	119.0000	.3010

According to the moderation analysis in Table 5-92, to test whether the type of franchisee would affect the relationship between stricter territorial exclusivity clauses, and the franchisee performance in terms of perceived market share, $\beta = -.1021$, $t = -.6271$ and $P > .05$. Therefore, there is no significant moderation.

Model Summary

Table 5-91: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	p
.2730	.0746	1.6073	2.8557	3.0000	119.0000	.0401

Model

Table 5-92: Moderation Effect model

	Coeff	se	T	P	LLCI	ULCI
Constant	4.7441	.1159	40.9451	.0000	4.5147	4.9735
Type	-.1586	.2730	-.5807	.5625	-.6992	.3821
CC7te	.2171	.0769	2.8235	.0056	.0648	.3693
Int_1	-.1021	.1628	-.6271	.5318	-.4246	.2203

int_1 CC7te X type

Table 5-93: Moderation Effect Int_1 CC7te X type

	R2-chng	F	df1	df2	p
Int_1	.0032	.3933	1.0000	119.0000	.5318

Perceived Profitability

Based on the moderation analysis in Table 5-95, to test whether the type of franchisees would affect the relationship between training clauses and franchisee performance in terms of perceived profitability, $\beta = -.3224$, $t = 1.810$ and $P < 0.05$. Consequently, there is no significant moderation.

Model Summary

Table 5-94: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	p
.1959	.0384	1.6473	1.0089	3.0000	119.0000	.3914

Model

Table 5-95: Moderation Effect model

	Coeff	Se	t	P	LLCI	ULCI
Constant	4.6515	.1344	34.6054	.0000	4.3853	4.9176
Type	-.0669	.3405	-.1965	.8446	-.7411	.6073
CC1TRAIN	-.0944	.0906	-1.0424	.2994	-.2738	.0850
Int_1	-.3224	.2517	1.810	.2027	-.8208	.1760

Int_1 CC1TRAIN X type

Table 5-96: Moderation Effect Int_1 CC1TRAIN X type

	R2-chng	F	df1	df2	p
Int_1	.0237	1.6410	1.0000	119.0000	.2027

Based on the moderation analysis in Table 5-98, to test whether the type of franchisees would affect the relationship between support clauses, and the franchisee performance in terms of perceived profitability, $\beta = -.3532$, $t = -1.0322$ and $P < 0.05$. Consequently, there is no significant moderation.

Model Summary

Table 5-97: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	p
.1918	.0368	1.6501	1.2413	3.0000	119.0000	.2979

Model

Table 5-98: Moderation Effect model

	Coeff	Se	t	P	LLCI	ULCI
Constant	4.6831	.1646	28.4556	.0000	4.3573	5.0090
Type	-.0971	.4570	-.2126	.8320	-1.0020	.8077
CC2sport	-.0029	.1147	-.0250	.9801	-.2301	.2243
Int_1	-.3532	.3422	-1.0322	.3041	-1.0308	.3244

Int_1 CC2sport X type

Table 5-99: Moderation Effect Int_1 CC2sport X type

	R2-chng	F	df1	df2	p
Int_1	.0226	1.0653	1.0000	119.0000	.3041

Based on the moderation analysis in Table 5-101, to test whether the type of franchisee would affect the relationship between contract duration clauses, and the franchisee performance in terms of perceived profitability, $\beta = -.2105$, $t = -1.1854$ and $P < 0.05$. Consequently, there is no significant moderation.

Model Summary

Table 5-100: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	p
.2043	.0417	1.6415	1.0728	3.0000	119.0000	.3634

Model

Table 5-101: Moderation Effect model

	Coeff	Se	t	P	LLCI	ULCI
Constant	4.6550	.1337	34.8092	.0000	4.3902	4.9198
Type	-.0066	.3205	-.0212	.9831	-.6214	.6082
CC5CD	-.0934	.0788	-1.1854	.2382	-.2493	.0626
Int_1	-.2105	.1776	-1.1854	.2381	-.5621	.1411

Int_1 CC5CD X type

Table 5-102: Moderation Effect Int_1 CC5CD X type

	R2-chng	F	df1	df2	p
Int_1	.0164	1.4056	1.0000	119.0000	.2381

Based on the moderation analysis in Table 5-104, to test whether the type of franchisee would affect the relationship between exit strategy clauses and the franchisee performance in terms of perceived profitability, $\beta = .0522$, $t = .1828$ and $P < 0.05$. Consequently, there is no significant moderation.

Model Summary

Table 5-103: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	p
.2222	.0494	1.6285	2.2091	3.0000	119.0000	.0906

Model

Table 5-104: Moderation Effect model

	Coeff	se	t	P	LLCI	ULCI
Constant	4.5835	.1180	38.8443	.0000	4.3498	4.8171
Type	-.3166	.2840	-1.1148	.2672	-.8789	.2457
CC6EXITS	.2176	.1038	2.0952	.0383	.0120	.4232
Int_1	.0522	.2855	.1828	.8553	-.5131	.6174

Int_1 CC6EXITS X type

Table 5-105: Moderation Effect Int_1 CC6EXITS X type

	R2-chng	F	df1	df2	p
Int_1	.0003	.0334	1.0000	119.0000	.8553

Based on the moderation analysis in Table 5-107, to test whether the type of franchisee would affect the relationship between termination clauses and the franchisee performance in terms of perceived profitability, $\beta = .0809$, $t = .3546$ and $P < 0.05$. Consequently, there is no significant moderation.

Model Summary

Table 5-106: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	p
.1804	.0326	1.6573	1.1986	3.0000	119.0000	.3134

Model

Table 5-107: Moderation Effect model

	Coeff	se	t	P	LLCI	ULCI
Constant	4.5927	.1172	39.2025	.0000	4.3607	4.8247
Type	-.1927	.2799	-.6886	.4924	-.7469	.3614
CC8ter	.1652	.0953	1.7325	.0858	-.0236	.3540
Int_1	.0809	.2282	.3546	.7235	-.3709	.5327

Int_1 CC8ter X type

Table 5-108: Moderation Effect Int_1 CC8ter X type

	R2-chng	F	df1	df2	p
Int_1	.0010	.1257	1.0000	119.0000	.7235

Based on the moderation analysis in Table 5-110, to test whether the type of franchisee would affect the relationship between territorial exclusivity clauses and the franchisee performance in terms of perceived profitability, $\beta = -.2103$, $t = -1.0839$ and $P < 0.05$. Consequently, there is no significant moderation.

Model Summary

Table 5-109: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	p
.1642	.0270	1.6669	1.0040	3.0000	119.0000	.3936

Model

Table 5-110: Moderation Effect model

	Coeff	se	t	P	LLCI	ULCI
Constant	4.5607	.1195	38.1688	.0000	4.3241	4.7973
Type	-.2895	.2917	-.9927	.3229	-.8671	.2880
CC7te	.0555	.0799	.6942	.4889	-.1027	.2136
Int_1	-.2103	.1941	-1.0839	.2806	-.5946	.1739

Int_1 CC7te X type

Table 5-111: Moderation Effect Int_1 CC7te X type

	R2-chng	F	df1	df2	p
Int_1	.0137	1.1749	1.0000	119.0000	.2806

Based on the moderation analysis in Table 5-113, to test whether the type of franchisee would affect the relationship between tying arrangement clauses and the franchisee performance in terms of perceived profitability, $\beta = -.1634$, $t = -.7079$ and $P < 0.05$. Consequently, there is no significant moderation.

Model Summary

Table 5-112: Moderation Effect model summary

R	R-sq	MSE	F	df1	df2	p
.1342	.0180	1.6822	.5774	3.0000	119.0000	.6310

Model

Table 5-113: Moderation Effect model

	Coeff	se	t	P	LLCI	ULCI
Constant	4.6091	.1215	37.9400	.0000	4.3686	4.8497
Type	-.2520	.2862	-.8806	.3803	-.8186	.3146
CC3tyiga	.0274	.0865	.3167	.7520	-.1439	.1987
Int_1	-.1634	.2308	-.7079	.4804	-.6204	.2936

Int_1 CC3tyiga X type

Table 5-114: Moderation Effect Int_1 CC3tyiga X type

	R2-chng	F	df1	df2	p
Int_1	.0061	.5012	1.0000	119.0000	.4804

Based on the moderation analysis in Table 5-116, to test whether the type of franchisee would affect the relationship between fees clauses, and the franchisee performance in terms of perceived profitability, $\beta = -.2640$, $t = -1.5184$ and $P < 0.05$. Consequently, there is no significant moderation.

Model Summary

Table 5-115: Moderation Effect Model summary

R	R-sq	MSE	F	df1	df2	p
.2417	.0584	1.6130	1.9081	3.0000	119.0000	.1320

Model

Table 5-116: Moderation Effect model

	Coeff	se	T	P	LLCI	ULCI
Constant	4.6534	.1281	36.3241	.0000	4.3997	4.9071
Type	-.0122	.2886	-.0423	.9663	-.5837	.5593
CC4fees	-.1175	.875	-1.3428	.1819	-.2908	.0558
Int_1	-.2640	.1739	-1.5184	.1316	.6084	.0803

Int_1 CC4fees X type

Table 5-117: Moderation Effect Int_1 CC4fees X type

	R2-chng	F	df1	df2	p
Int_1	.0219	2.3055	1.0000	119.0000	.1316

Table 5-118: Hypothesis Summary

NO	Hypothesis
H24b	Type of franchisee moderates the impact of the training clauses on perceived market share.
H25b	Type of franchisee moderates the impact of the support clauses on perceived market share.
H26b	Type of franchisee moderates the impact of the contract duration clauses on perceived market share.
H27b	Type of franchisee moderates the impact of the termination clauses on perceived market share.
H28b	Type of franchisee moderates the impact of the territorial exclusivity clauses on perceived market share.
H29b	Type of franchisee moderates the impact of the training clauses on perceived profitability.
H30b	Type of franchisee moderates the impact of the support clauses on perceived profitability.
H31b	Type of franchisee moderates the impact of the contract duration clauses on perceived profitability.
H32b	Type of franchisee moderates the impact of the exit strategy clauses on perceived profitability.
H33b	Type of franchisee moderates the impact of the termination clauses on perceived profitability.
H34b	Type of franchisee moderates the impact of the territorial exclusivity clauses on perceived profitability.
H35b	Type of franchisee moderates the impact of the tying arrangements clauses on perceived profitability.
H36b	Type of franchisee moderates the impact of the franchise fee clauses on perceived profitability.

Table 5-119: Moderation Effect

Moderation affect	t-value	p(sig)	Decision
H24b: Training clauses → Market Share	-1.2327	.2201	Not Supported
H25b: Support clauses → Market Share	-.2723	.7858	Not Supported
H26b: Contract duration clauses → Market Share	.3047	.7611	Not Supported
H27b: Termination clauses → Market Share	1.0388	.310	Not Supported
H28b: Territorial exclusivity → Market Share	-.6271	.5318	Not Supported
H29b: Training clauses → Profitability	1.810	.2027	Not Supported
H30b: Support clauses → Profitability	-1.0322	.3041	Not Supported
H31b: Contract duration clauses → Profitability	-1.1854	.2381	Not Supported
H32b: Exit strategy clauses → Profitability	.1828	.8553	Not Supported
H33b: Termination clauses → Profitability	.3546	.7235	Not Supported
H34b: Territorial exclusivity clauses → Profitability	-1.0839	.2806	Not Supported
H35b: Tying arrangements clauses → Profitability	-.7079	.4804	Not Supported
H36b: Fees clauses → Profitability	-1.5184	.1316	Not Supported

5.5 Conclusion

This chapter has identified the findings and results of the quantitative research. In relation to the differences in the attitudes of the novice and parallel franchisees towards the contractual terms and clauses, the findings indicate that the attitude of novice franchisees and parallel franchisees towards training, support, tying arrangement, fees, contract duration, territorial exclusivity clauses are different. The findings indicate that the novice franchisees and parallel franchisees attitudes towards exit strategy and termination clauses are similar.

In respect of how the constraints and factors defined by the theories of franchise selection and contractual terms, affect the franchisee performance as determined by

perceived market share, findings indicate that a strong franchisor's brand reputation, a greater amount of training provided by the franchisor and greater extent of technical knowhow provided by franchisor, will lead to increased franchisees' perceived market share. Higher fees imposed by the franchisor will lower the franchisees' market share. A greater amount of support provided by the franchisor, the presence of collaborative communication between franchisor and franchisee, a higher level of franchisor's local market knowledge and understanding, will not result in an increase in the franchisees' perceived market share.

In terms of perceived profitability, a strong franchisor's brand reputation and a greater amount of training provided by the franchisor will lead to increased franchisees' profitability. Higher fees imposed by the franchisor on the franchisee will lower the franchisees' perceived profitability.

However, a greater amount of support and technical knowhow is provided by the franchisor. Presence of collaborative communication between franchisor and franchisee, higher levels of the franchisor's local market knowledge and understanding, and longer contract duration will not lead to increased franchisee's perceived profitability.

CHAPTER SIX – QUANTITATIVE DISCUSSION

6.0 Introduction

The primary objective of this study is to examine the performance of how different types of franchisees are affected by constraints defined by the theories of franchise selection and contractual terms. For the purpose of this study, perceived market share and perceived profitability have been used to assess the performance of the franchisee. Based on the theory of entrepreneurship, the study defined two types of franchisees and the objectives of each.

As a result of the applicability of (Phase 1)constraints defined by the theories of franchise selection to entrepreneurs who want to become franchisees, there are variations in the attitudes of different types of franchisees towards contractual terms (Phase 2). These will be discussed in this chapter. Lastly, this research will discuss if the constraints defined by the theories of franchise selection and contractual terms will affect the franchisee's performance in terms of perceived market share, and perceived profitability (Phase 3).

6.1 Types of Franchisees and Contract Clauses (Phase 2)

This research studies the attitudes of different types of franchisees towards contractual terms. The contractual terms include training, support, tying arrangements, fees, contract duration, exit strategy, territorial exclusivity and termination clauses. The findings are as follows:

Training Clauses

The results contradict hypothesis 1 in table 6-1: Different types of franchisees perceive the extensiveness of the training clauses in the franchise contract similarly. as the study shows there is a significant difference between parallel and novice franchisees in terms of training clauses ($Z=-3.180$, $Sig= 0.001$). However, novice franchisees' mean scores are $M= 5.29$, and parallel franchisees' mean scores are $M= 4.33$. Differences in the mean scores show different attitudes of parallel and novice franchisees towards the training clause.

The result contradicts Shane and Spell (1998), who state that factors such as training, sales promotion and strong franchisor brand will lead to a successful franchise operation. Therefore, different types of franchisees, in this case study, perceive the extensiveness of the training clauses in a franchise contract differently.

The main reason for this is in respect of training clauses. In the sample, most of the parallel franchisees have prior experience in the food and beverage sector, and therefore require less training than the novice franchisees that have no prior experience. This explains why their attitudes are different towards training clauses.

Support Clauses

The result contradicts hypothesis 2 in Table 6-1: Different types of franchisees perceive the extensiveness of the support clauses in the franchise contract similarly; there is a significant difference between parallel and novice franchisees with regards to support clauses ($Z= -3.964$, $Sig= 0.000$). However, novice franchisees' mean score is $M= 5.58$, while parallel franchisees' mean score is $M= 4.28$. Thus, novice and parallel franchisees' attitudes toward support clauses differ. The result contradicts the

fact that a successful franchise operation requires support, including marketing and promotional support (Shane and Spell, 1998).

The reason for this in the case study is that most of the parallel franchisees have previous experience in the food and beverage sector, and as a result they need less support than the novice franchisees. As novice franchisees have no prior experience in their field, they require the maximum support from their franchisors. As a result, novice franchisee's attitude differs from that of parallel franchisees toward support clauses.

Contract Duration Clauses

The results confirm hypothesis 3 in table 6-1: Different types of franchisees perceive the length of contract duration clauses in the franchise contract differently. There is a significant difference between parallel and novice franchisees with regards to contract duration clauses ($Z=-4.267$, $Sig=0.000$). Novice franchisees mean score is $M=4.63$, while parallel franchisees mean score is $M=3.08$. Therefore, novice and parallel franchisees differ in their attitudes toward contract duration clauses. Parallel franchisees prefer long-term contracts to recover their investments.

According to Brickley et al. (2006), long-term contracts increase franchisee perceived performance. In addition, they found that contract duration is positively and significantly related to the franchisee's human capital investments. Moreover, Vasquez (2007) illustrates that the franchisee's initial investment needs to be recovered to avoid any investment hold-up. However, novice franchisees tend to prefer short-term contract duration in order to learn the know-how, as they have no

experience. Their long-term contracts will create uncertainty. Novice franchisees do not have strong bargaining power (Brickely et al., 2006). The results confirm the hypothesis as both types of franchisees have different attitudes toward contract duration clauses.

Exit Strategy Clauses

The results contradict hypothesis 4 in table 6-1: Different types of franchisees perceive the difficulty of franchisee exit strategy clauses in the franchise contract similarly; in that there is no significant difference between parallel and novice franchisees in the matter of strictness of exit strategy clauses ($Z=-0.475$, $Sig=0.635$). Novice franchisees' mean score is $M=4.84$, while parallel franchisees' mean score is $M=4.67$. Hence, attitudes of novice and parallel franchisees toward exit strategy clauses are similar. Exit strategy clauses are important for novice and parallel franchisees. Exit strategy clauses not only protect the goodwill of the business but also ensures smooth transition of the business if necessary. The similarity in attitudes of novice and parallel franchisees towards exit strategy clauses are explained by the fact that exit from one, allows both novice and parallel franchisees to acquire relevant skills and avail of other opportunities (Hessels et al., 2011).

Termination Clauses

The result confirms hypothesis 5 in table 6-1: Different types of franchisees perceive termination clauses in the franchise contracts similarly; there is a significant difference between parallel and novice franchisees with regards to the rumination clauses ($Z= -2.188$, $Sig=0.029$). Novice franchisees' mean score was $M=4.55$, while parallel franchisees' mean score was $M=4.98$. Hence novice and parallel franchisees

have similar attitudes towards termination clauses. Dnes (1993) illustrates that franchisees are required to pay franchise fees and royalties to franchisors and they need to recover their investment. Franchisors can terminate the contract if franchisees fail to meet certain specified standards. Dnes (2009) found that if the franchisor and franchisees can keep their promises, opportunistic behaviour would not occur. Both types of franchisees have similar attitudes towards termination clauses because these clauses will affect their performance.

Territorial Exclusivity Clauses

The result confirms the hypothesis 6 in table 6-1: Different types of franchisees perceive the territorial exclusivity clauses in the franchise contracts differently; there is a significant difference between parallel and novice franchisees in terms of strictness of the territorial exclusivity clauses ($Z=-1.979$, $\text{Sig}=0.048$). Novice franchisees' mean score was $M=4.37$, while parallel franchisees' mean score was $M=4.92$. From these results, it is concluded that parallel and novice franchisees have different attitudes toward the territorial exclusivity clauses.

According to Caves and Murphy (1976), in order for franchisees to be successful, they should be able to achieve a size that facilitates effective completion. Parallel franchisees have prior experience and they prefer exclusive territories to develop the business in a particular area and to ensure that the franchisors do not develop alternative distribution channels in the franchisee's territory. The performance of parallel franchisees is not affected by the level of competition as they can create their own customer base. According to Mathewson and Winter (1994), through territorial exclusivity, the franchisee becomes more relevant to the success of the franchise

system by ensuring that they are not replaced by the franchisor. Moreover, in the Middle East, culture plays an important role, as most of the parallel franchisees belong to prominent families and their customer base is developed from personal relationships. On the other hand, novice franchisees have no prior experience; therefore, they are uncertain of their business concepts. Novice franchisees consider other franchisors offering the same services and products in the same territory, as their performance might be adversely affected.

Tying Arrangement Clauses

The result confirms the hypothesis 7 in table 6-1: Different types of franchisees perceive tying arrangements clauses in franchise contracts differently; there is a significant difference between parallel and novice franchisees in terms of tying arrangement clauses ($Z=-2.18$, $Sig= 0.029$). Novice franchisees' mean score was $M=5.21$, on the other hand, parallel franchisees' mean score was $M=4.53$. The results conclude that the novice and parallel franchisees' attitudes differ towards tying arrangement clauses.

Michael (2000) illustrates that tying arrangement enhances the quality of the product purchased by the franchisees. The result confirms the statement from the novice franchisees point of view, as they have no previous experience with suppliers. Novice franchisees will accept tying arrangements, as their lack of experience deprives them of the opportunity to purchase externally at the best possible market price and terms. Additionally, external suppliers would be reluctant to transact with novice franchisees, as they have not yet acquired credibility in the market.

Furthermore, tying arrangement clauses will help to increase the quality and consistency of the product purchased by them. Consistency and quality are important requisites of success for firms in the food and beverage sector (Wu, 2010).

On the other hand, parallel franchisees in this study have prior experience in the field, which makes them more conservative when it comes to prices. Parallel franchisees have their own preferred suppliers from whom they can acquire product inputs at favourable prices. Parallel franchisees are often able to purchase from external suppliers not only at the lowest prices but also on the best terms. According to Hunt and Nevin (1975), tying arrangement clauses restrict franchisees and make them pay unreasonably higher prices compared to their own suppliers, which will affect their profit adversely. As a result, the attitude differs between novice and parallel franchisees towards tying arrangement clauses, according to their experience in the field.

Fees Clauses

The results confirm the hypothesis 8 in table 6-1: Different types of franchisees perceive franchisee fee clauses in franchise contracts differently; there is a significant difference between parallel and novice franchisees with regards to fees clauses ($Z=3.769$, $\text{Sig}=0.00$). Novice franchisees' mean score was $M=4.29$, while parallel franchisees' mean score was $M=3.08$. The result concludes that novice and parallel franchisees' attitudes towards fees clauses differ. The result verifies the theory by Bhattacharyya and Lafontaine (1995) that the initial franchise fee is related to the total value created by the franchise relationship positively. However, the royalty rate is not affected by the total value created by the franchise relationship.

Emerson and Benoliel (2013) illustrate that those franchisors will determine the extent to which franchisee fees and royalties are reasonable and whether the profitability of the franchisees will be affected. As novice franchisees have no prior experience they do not have the power to negotiate the fee clause in the contract. In contrast, parallel franchisees can negotiate. Novice franchisee's attitude differs from that of parallel franchisees towards fees clauses. Novice franchisees pay higher royalty fees as they depend more on their franchisors. Parallel franchisees pay less royalty fees as they have prior experience and they don't rely on their franchisors as much as novice franchisees.

Table 6-1: Hypothesis Test Summary

Hypothesis	Z-value	p(sig)	Decision
H1: Different types of franchisees perceive the extensiveness of the training clauses in the franchise contract similarly.	-3.18	0.001	Not Supported
H2: Different types of franchisees perceive the extensiveness of the support clauses in the franchise contract similarly.	-3.964	0.000	No Supported
H3: Different types of franchisees perceive the length of contract duration clauses in the franchise contract differently.	-4.267	0.000	Supported
H4: Different types of franchisees perceive the difficulty of franchisee exit strategy clauses in the franchise contract similarly.	-0.475	0.635	Not Supported
H5: Different types of franchisees perceive the territorial exclusivity clauses in the franchise contracts differently.	-1.979	0.048	Supported
H6: Different types of franchisees perceive termination clauses in the franchise contracts similarly.	-2.188	0.029	Supported
H7: Different types of franchisees perceive tying arrangements clauses in franchise contract differently.	-2.180	0.029	Supported
H8: Different types of franchisees perceive franchisee fee clauses in the franchise contracts differently.	-3.769	0.000	Supported

6.2 The Constraints Defined by the Theories of Franchise Selection and Franchisee Performance (Phase 3)

This study aims to investigate a model with different constructs to explain how constraints defined by the theories of franchise selection affects the franchisees performance in terms of perceived market share and perceived profitability in the food and beverage sector in the Middle East. The model explains 49.7 per cent (Adjusted R^2) of the variance in the factors affecting the perceived market share of the franchisee in the food and beverage sector and 43.4 per cent (Adjusted R^2) of the variance in the factors affecting the perceived profitability of the franchisee in the food and beverage sector

6.2.1 Perceived Market Share

The results confirm the hypothesis and supports the claim that factors such as; Brand Reputation ($t= 2.40$, $p<0.05$), Technical know-how ($t= 2.215$, $p<0.05$) and Fees ($t= 3.079$, $p<0.01$) are the main factors affecting the franchisees performance in terms of perceived market share in the food and beverage sector in the Middle East. See Table 6-2 below.

Table 6-2: Hypothesis Test Summary

Hypothesis	t-value	p(sig)	B	Decision
H9a: Strong franchisor's brand reputation will lead to increased franchisee's market share.	2.400	0.018*	0.228	Supported
H12a: Greater extent of technical knowhow provided by franchisor will lead to increased franchisee's market share.	2.215	0.029*	0.195	Supported
H15a: Higher fees imposed by the franchisor on the franchisee will lower the franchisee's market share.	3.079	0.003**	0.296	Not Supported

The above results agree with previous studies in franchising (Merrilees and Frazer, 2013; Wen Wu, 2015 and El Akremi et al., 2015).

The following reasons may apply regarding support, training, communication and local market knowledge.

Franchisee Prior Experience

Parallel franchisees in this study sample have prior experience in the field of food and beverage and because of their experience they recognise the importance of those factors. In addition, because novice franchisees don't have any prior experience, they rely on the franchisors recourses to increase their market share.

Resource Base Theory

Parallel franchisees in this study have prior experience in the field of food and beverage and because of their experience they recognise the importance of those factors. In addition, because novice franchisees don't have any prior experience they rely on the franchisor's resources to increase their market share, such as brand reputation and technical know-how. In terms of brand reputation and technical know-how, the results contradict the qualitative findings of this study. Although factors related to the resource base theory were applicable as a priority to novice franchisees, it is applicable to parallel franchisees as well. As a result, parallel franchisees believe that brand reputation and technical know-how will help them achieve their franchisor objectives.

Equity Theory

On the other hand, a franchise fee is an equity theory constraint which is applicable as a priority to parallel franchisees. This result confirms our qualitative findings in Chapter 4. In this study, parallel franchisees consider franchise fees an important factor that will affect their perceived market share positively. The result confirms the result of El Akremi et al. (2015), who found that, “higher franchising fees are positively correlated with higher performance”.

Culture

Culture plays a significant role, as both franchisees should be aware of the social requirements in the Middle East. For example, in Saudi Arabia customers are more likely to go out and choose well-known brand names, as they like to recall the experience they had abroad, and they like to be associated with other customers who visit those brands. As a result, we find that franchisees invest in well-reputed brands and require the best technical know-how from their franchisors to produce the best product for their customers (Ho Han et al., 2015).

However, factors such as Support ($t= 0.437$, $p<0.05$), Training ($t= -0.427$, $p<0.05$), Collaborative Communication ($t= 1.309$, $p<0.05$) and Local Market Knowledge ($t= 0.243$, $p<0.05$) are not found to be significantly linked to the franchisee performance in terms of perceived market share in the food and beverage sector in the Middle East. See Table 6-3.

Table 6-3: Hypothesis Test Summary

Hypothesis	t-value	p(sig)	Decision
H10a: Greater amount of the training provided by the franchisor will lead to increased market share.	-0.427	0.67	Not Supported
H11a: Greater amount of the support provided by the franchisor will lead to increased franchisee's market share.	0.437	0.663	Not Supported
H13a: The presence of collaborative communication between franchisor and franchisee will lead to increased franchisee market share.	1.309	0.193	Not Supported
H14a: Higher level of franchisor's local market knowledge and understanding will lead to higher franchisee's market share.	0.243	0.808	Not Supported

Those results contradict previous studies in franchising (Michael and Combs, 2008; Brookes, 2014; Minguela-Rata et al., 2010; Rodríguez et al., 2005 and Stanworth et al., 2002).

The following reasons may apply regarding support, training, communication and local market knowledge.

Franchisee Prior Experience

The largest number of respondents with prior experience in the same sector, food and beverage, are 85 parallel franchisees with a percentage of 69. As a result, parallel franchisees consider constraints of resource theory as a secondary factor that would affect their perceived market share. This finding confirms our qualitative findings in Chapter 4.

Franchisor's Nationality

A franchisor's nationality is the reason why those factors were not significantly linked to perceived market share, as 82% were non-Saudi franchisors. Affecting factors such as training, support, local market knowledge and collaborative communication between the franchisor and franchisee.

Culture

Culture in the Middle East might affect the relationship between those factors and perceived market share as the social, and business culture in the Middle East differs from those of the foreign franchisors.

6.2.2 Perceived Profitability

The results confirms the hypothesis and supports the claim that factors such as: Brand Reputation ($t= 3.546$, $p<0.01$) and Fees ($t= 3.585$, $p<0.01$) are the main factors affecting franchisees performance in terms of perceived profitability in the food and beverage sector in the Middle East. See Table 6-4 below.

Table 6-4: Hypothesis Test Summary

Hypothesis	t-value	p(sig)	B	Decision
H16a: Strong franchisor's brand reputation will lead to increased franchisee's profitability.	3.546	0.001**	0.361	Supported
H22a: Higher fees imposed by the franchisor on the franchisee will lower the franchisee's profitability	3.585	0.000**	0.366	Not Supported

The above results confirm previous studies in franchising (Kaufmann and Dant, 2001; Michael and Combs, 2008; El Akremi et al., 2015 and Combs et al., 1999).

Many reasons may arise regarding Brand Reputation and Franchise Fees.

Franchisee Prior Experience

Parallel franchisees in this study sample have prior experience in the field of food and beverage, and because of their experience they recognise the importance of those factors. In addition, due to having no prior experience, novice franchisees rely on the franchisors brand reputation and low franchise fees to increase their perceived profitability.

Resource Base Theory

The result contradicts the qualitative findings of this study in Chapter 4. Factors related to the resource base theory, such as brand reputation, were applicable as a priority to novice franchisees. However, in this research it is applicable to parallel franchisees as well. This means they are important to them, as it will affect their perceived profitability. As a result, parallel franchisees believe that brand reputation will help them achieve their objectives.

Equity Theory

The result confirms our qualitative findings in Chapter 4. The factor related to equity theory, such as franchise fees, was applicable as a priority to parallel franchisees.

Parallel franchisees believe that factors such as franchise fees will help them to achieve their objectives and increase their perceived profitability.

However, in this research parallel franchisees consider franchise fees as an important factor that will affect their perceived profitability positively. The result confirms the result of El Akremi et al. (2015), who found that, “higher franchising fees are

positively correlated with higher performance”.

Culture

Culture plays a significant role, as both franchisees are aware of the social requirements in the Middle East. For example, in Saudi Arabia, customers are more likely to go out and choose well-known brand names, as they like to recall the experience they had abroad and to be associated with, and look like, other customers who visit the same brands. That’s why we find both types of franchisees invest in well-reputed brands to increase their perceived profitability (Ho Han et al., 2015).

However, factors such as Support ($t = -0.153$, $p < 0.05$), Training ($t = -0.626$, $p < 0.05$), Collaborative Communication ($t = 0.832$, $p < 0.05$), Technical Know-how ($t = -0.514$, $p < 0.05$), Local Market Knowledge ($t = 0.503$, $p < 0.05$) and Contract Duration ($t = 1.546$, $p < 0.05$), are found not to be significantly linked to franchisee performance in terms of perceived profitability in the food and beverage sector in the Middle East. See Table 6-5 below.

Table 6-5: Hypothesis Test Summary

Hypothesis	t-value	p(sig)	Decision
H17a: Greater amount of the training provided by the franchisor will lead to increased franchisee’s profitability.	-0.626	0.533	Not Supported
H18a: Greater amount of the support provided by the franchisor will lead to increased Franchisee’s profitability.	-0.153	0.878	Not Supported
H19a: Greater extent of technical knowhow provided by franchisor will lead to increased franchisee’s profitability.	-0.514	0.608	Not Supported
H20a: The presence of collaborative communication between franchisor and franchisee will lead to increased franchisee profitability.	0.832	0.407	Not Supported
H21a: Higher level of franchisor’s local market knowledge and understanding will lead to higher franchisee’s profitability.	0.503	0.616	Not Supported
H23a: The longer the contract duration, the higher will be the franchisee’s profitability.	1.546	0.125	Not Supported

These results contradict previous studies in franchising (Justis and Judd, 1989; Scott, et al., 2006; Darrell, 1998 and El Akremi et al., 2015).

Many reasons may be applicable to support, training, communication, technical know-how, local market knowledge and contract duration.

Franchisee Prior Experience

Given that there were 85 parallel franchisees representing 69% of the sample size in the sample that are experienced in the food and beverage sector, there is no significant link between the factors and perceived profitability. Parallel franchisees believe that, due to their experience in the same field, contract duration is not a priority factor in affecting their perceived profitability.

Franchisors Nationality

The fact that our franchisors are non-Saudi businesses, explains why the franchisees think that collaborative communication, training and support will not impact their perceived profitability.

Culture

The culture of the country where the franchisee operates differs from that of the franchisors. Parallel franchisees are aware of their culture and they do not think that franchisor knowledge about the local market and culture would affect their perceived profitability.

Powerful Predictor

In the context of fees, the franchise agreement requires two types of payments to be made by the franchisee to the franchisor: the initial franchise fee and the ongoing royalty payment (Kaufmann and Dant, 2001). As the initial franchise fee is paid in advance, however, royalty payments represent a percentage of turnover (as opposed to percentage of profit) and were found to be the most powerful predictors ($\beta=0.296$) in terms of perceived market share and ($\beta=0.366$) in terms of perceived profitability.

This result is confirmed by El Akremi et al. (2015), who illustrates why and how several characteristics of franchised chains influence sales performance. The six factors tested in this research are: experience before franchising and chain maturity; initial training efforts; franchising contract duration; franchising fees and royalties; chain internationalisation and the curvilinear impact of the proportion of franchised units. The results show that there is a significant positive relationship between Experience before Franchising, Initial Training Efforts, Franchising Fees and Chain Internationalisation and Chain Performance.

Moreover, 'franchising fees and chain performance correlated positively and significantly.' On the other hand, there is a significant negative relationship between franchising royalties and chain performance. However, there is a negative relationship between franchising contract duration and higher chain performance. There was finally a significant quadratic relationship between the proportion of franchised units and chain performance.

In reference to this study, franchise fees play a significant role in affecting a

franchisee's performance in terms of perceived market share and perceived profitability. Therefore, franchisees consider franchise fees as an important factor that influences their perceived market share and profitability.

6.2.3 Moderation

The purpose of this study is to test whether the type of franchisee would affect the relationship between constraints defined by the theories of franchise selection and the franchisee's performance in terms of perceived market share and perceived profitability in the food and beverage sector in the Middle East.

Perceived Market Share

The results in table 6-5 show that the affect of the types of franchisee on the relationship between local market knowledge ($B = -.2906$, $t = -1.7266$ and $P < 0.1$) and the franchisee performance in terms of perceived market share is statistically significant. However, the lower confidence intervals and the upper confidence intervals overlap ($LLCI = -.6238$ and $ULCI = .0427$) which doesn't signify the interaction affect. In addition, the conditional affect of X on Y at values of the moderator(s) shows that the moderation is not significant.

In the case of parallel franchisees ($t = 1.5567$, $p > .05$, $LLCI = -.0386$ and $ULCI = .3224$) and novice franchisees ($t = -1.0509$, $p > .05$, $LLCI = -.4288$ and $ULCI = .1314$). See Table (6-7)

Table 6-6: Moderation Effect

Moderation affect	t-value	p(sig)	95% CI	coeff	Decision
H14b: Type of franchisee moderates the impact of the franchisor's local market knowledge and understanding on perceived market share	-1.7266	0.0868*	-.62 to .04	-.2906	Not Supported

Table 6-7: Type of Franchisee Comparison Test Result

Moderation affect	Parallel Franchisees		t-Statistic of difference	Novice Franchisees		t-Statistic of difference
	Path coeff.	t- Value		Path coeff.	t-Value	
Local market knowledge → market share	.1419	1.5567	.1222	-.1487	-1.0509	.2954

On the other hand, the results show that types of franchisees would not affect the relationship between brand reputation ($t = .8329$ and $P > .05$), support ($t = .5060$ and $P > .05$), training ($t = -.3617$ and $P > .05$), technical know-how ($t = -1.0295$ and $P > .05$), collaborative communication ($t = -.2792$ and $P > .05$) fees ($t = 1.6080$ and $P > .05$) and franchisee performance in terms of perceived market share.

Table 6-8: Moderation Effect

Moderation affect	t-value	p(sig)	95% CI	Decision
H9b: Type of franchisee moderates the impact of brand reputation on perceived market share.	.8329	0.4066	-.21 to .53	Not Supported
H10b: Type of franchisee moderates the impact of training provided by the franchisor on perceived market share.	-.3617	0.7182	-.47 to .32	Not Supported
H11b: Type of franchisee moderates the impact of the support provided by the franchisor on perceived market share.	0.506	0.6138	-.35 to .59	Not Supported
H12b: Type of franchisee moderates the impact of the technical knowhow provided by the franchisor on perceived market share.	-1.0295	0.3053	-.68 to .21	Not Supported
H13b: Type of franchisee moderates the impact of collaborative communication between franchisor and franchisee on perceived market share.	-0.2792	0.7806	-.38 to .28	Not Supported
H15b: Type of franchisee moderates the impact of the Higher fees imposed by the franchisor on perceived market share.	1.6080	0.1105	-.05 to .53	Not Supported

Perceived Profitability

The results show that the type of franchisee would affect the relationship between local market knowledge ($t = -2.6969$ and $P < .05$), fees ($t = 2.6468$ and $P < 0.1$) and contract duration ($t = 1.8050$ and $P < 0.1$) and franchisee performance, in terms of perceived profitability.

Table 6-9: Moderation Effect

Moderation Effect	t-value	p(sig)	95% CI	Coeff	Decision
H21b: Type of franchisee moderates the impact of franchisor's local market knowledge and understanding on perceived profitability	-2.6969	0.008	-.72 to -.11	-.4152	Supported
H22b: Type of franchisee moderates the impact of contract duration on perceived profitability	1.8050	0.0736	-.05 to 1.1	.5260	Supported
H23b: Type of franchisee moderates the impact of higher fees on perceived profitability	2.6468	0.0092	.10 to .73	.4202	Supported

Table 6-10: Type of Franchisee Comparison Test Result

Moderation Effect	Parallel Franchisees		t-Statistic of difference	Novice Franchisees		t-Statistic of difference
	Path Coeff.	t-Value		Path Coeff.	t-Value	
Local market knowledge → Profitability	.1854	2.5762	.0112	-.2297	-1.6883	.0940
Contract Duration → Profitability	.0990	.6077	.5446	.6250	2.5869	.0109
Fees → Profitability	.4779	5.1902	.000	.8981	6.9449	.000

Local Market knowledge

In this particular study, parallel franchisees are of the opinion that factors such as franchisor's local market knowledge will decrease their performance in terms of perceived profitability ($P < 0.05$, $LLCI = .0429$ and $ULCI = .3279$). Moreover, in the

case of parallel franchisees, the moderator is significant. However, in the case of novice franchisees ($P < 0.05$, LLCI = -0.4992 and ULCI = 0.0397) the moderator is not significant. Since, parallel franchisees have prior experience in their market, and factors such as franchisor's local market knowledge will not really help them to increase their perceived profitability and achieve their objectives. Culture, religious norms and customer preferences in the franchisee's market are different to those in the franchisor's market. Therefore, parallel franchisees are aware of these differences more than the franchisors. The results confirm our qualitative findings in Chapter 4.

Contract Duration

Moreover, novice franchisees believe that contract duration is an important factor and it will help them to increase their perceived profitability and achieve their goals ($P < 0.01$, LLCI = 0.1466 and ULCI = 1.1034). As a result, in the case of novice franchisees the moderator is significant. However, in the case of parallel franchisees ($P > 0.05$, LLCI = -0.2236 and ULCI = 0.4216) the moderator is not significant. In this case study, as novice franchisees have no previous experience, they will prefer long-term contracts to learn and to recover their investments. This result contradicts El Akremi et al. (2015), who found that there is a negative relationship between contract duration and performance.

Franchise Fees

Finally, fees are considered to be an important factor to both parallel ($t = 5.1902$, $P < 0.05$, LLCI = 0.2956 and ULCI = 0.6602) and novice franchisees ($t = 6.9449$, $P < 0.05$, LLCI = 0.6420 and ULCI = 1.1541). However, by imposing higher fees on novice franchisees their perceived profitability will be increased more so than parallel

franchisees. Furthermore, novice franchisees have no prior experience in their business and they need time to learn, moreover, imposing higher franchise fees will affect them positively as they have to pay these fees only once. The result confirms the study of El Akremi et al. (2015).

On the other hand, the results show that type of franchisees would not affect the relationship between brand reputation ($t= .6778$ and $P>.05$), support ($t= .3110$ and $P>.05$), training ($t= -.1913$ and $P>.05$), technical know-how ($t= -.8025$ and $P>.05$) and collaborative communication ($t= -.1739$ and $P>.05$) and the franchisee performance in terms of perceived profitability.

Table 6-11: Moderation Effect

Moderation Effect	t-value	p(sig)	95% CI	Decision
H17b: Strong franchisor's brand reputation will lead to increased franchisee's perceived profitability.	0.6778	4992	-.21 to .43	Not Supported
H18b: Type of franchisee moderates the impact of the training provided by the franchisor on perceived profitability.	-.1913	0.8486	-.46 to .38	Not Supported
H19b: Type of franchisee moderates the impact of the support provided by the franchisor on perceived profitability.	.3110	0.7564	-.37 to .52	Not Supported
H20b: Type of franchisee moderates the impact of the technical knowhow provided by franchisor on perceived profitability.	-.8025	0.4239	-.77 to .32	Not Supported
H21b: Type of franchisee moderates the impact of the collaborative communication between franchisor and franchisee on perceived profitability.	-0.1739	0.8622	-.43 to .36	Not Supported

6.3 Contract Clauses and Franchisee Performance (Phase 3)

The objective of this study is to present a model with different constructs to explain how contractual clauses affect the franchisee's performance in terms of perceived market share and perceived profitability in the food and beverage sector in the Middle East. The model explains 16 per cent of the variance in the contractual clauses, affecting perceived market share of the franchisee in the food and beverage sector, and 10.6 per cent of the variance, in the contractual clauses, affecting the perceived profitability of the franchisee in the food and beverage sector.

6.3.1 Perceived Market Share

The outcomes confirm the hypothesis and support the claim that contract clauses such as; support clauses ($t= 2.295$, $p<0.05$), contract duration clauses ($t= -3.734$, $p<0.05$) and termination clauses ($t= 1.744$, $p<0.01$) are the main contract clauses affecting the franchisee's performance in terms of perceived market share in the food and beverage sector in the Middle East.

Table 6-12: Hypothesis Test Summary

Hypothesis	t-value	p(sig)	B	Decision
H25a: Extensiveness of the support clauses affects the franchisee's perceived market share positively.	2.295	0.024*	0.445	Supported
H26a: Shorter contract duration clauses affect the perceived market share of novice franchisees positively.	-3.734	0.000*	-0.335	Not Supported
H27a: Stricter termination clauses affect the perceived market share of franchisees negatively.	1.744	0.084**	0.185	Not Supported

The above results confirm those of previous studies in franchising (Lim and Frazer, 2004; Darrell, 1998 and Ozanne and Hunt, 2011).

Many reasons may arise regarding support, contract duration and termination clauses.

Support Clauses

Franchisor support was an exceptional resource that was applicable to both types of franchisees in the qualitative findings. Parallel franchisees have experience in the same field. However, they considered franchisor support as an important factor that would impact their perceived market share. In addition, the result contradicts our previous finding that both types of franchisee have different attitudes toward support clauses. Parallel franchisees seek clauses where there is a positive obligation for the franchisor to provide support, both initial, as well as on going. Additionally, novice franchisees with no prior experience require support on a continuing on-going basis and seek clauses that offer extensive support provided by the franchisor (Lim and Frazer, 2004).

Contract Duration

Both types of franchisees believe that the length of the contract will affect their perceived market share according to their objectives. This contradicts the above result, that both types of franchisee have different attitudes toward contract duration clauses. Parallel franchisees prefer long-term contract clauses to recoup investments and to increase their perceived market share; whereas, novice franchisees prefer long-term contract clauses, as these will allow them to obtain business experience and recoup their investments.

Termination Clauses

Both novice and parallel franchisees view contract termination clauses as being a factor affecting the perceived market, as it affects their ability to continue operating

the business. The result confirms that both types of franchisee have similar attitudes towards termination clauses. The results reflect that termination clauses affect the perceived market share of the franchisees positively. Ozanne and Hunt (2011) illustrate that a strict termination clause will provide the franchisor with the power to terminate the franchise contract if the franchisee does not perform well.

Consequently, in this study, both types of franchisee are of the opinion that a strict termination clause will enhance their performance.

However, contract clauses such as training clauses ($t = -1.616$, $p < 0.05$) and territorial exclusivity clauses ($t = 1.207$, $p < 0.05$) are not found to be significantly linked to the franchisee's performance in terms of perceived market share in the food and beverage sector in the Middle East.

Table 6-13: Hypothesis Test Summary

Hypothesis	t-value	p(sig)	B	Decision
H24a: Extensiveness of the training clauses affect franchisee's perceived market share positively.	-1.616	0.109	-.298	Not Supported
H28a: Stricter territorial exclusivity clauses affect the perceived market share of novice franchisees negatively.	1.207	0.230	0.133	Not Supported

The above results contradict Michael and Combs (2008) study as their results show that there is a significant negative relationship between exclusive territories and the length of training and franchisee failure. In addition, Azouly and Shane (2001) found that firms more likely to survive over time, are those that adopt exclusive territories.

Many reasons are applicable to training clauses and territorial exclusivity clauses.

Franchisees Prior Experience

69% of our sample represents 85 parallel franchisees experienced in the food and beverage sector. Therefore, they do not require specific training in the sector as they already bring skills and experience to the business. This justifies our results that the training clause is not significantly linked to franchisee performance in terms of perceived market share. In addition, this confirms the above result that different types of franchisees have different attitudes toward training clauses and this might be because of the prior experience that parallel franchisees have in the same field.

Territorial Exclusivity Clause

The objective of territorial exclusivity is to prevent excessive competition for franchisees from other outlets of the same franchisor's brand and cannibalising the franchisee's sales. When franchisors permit opening of additional units in the same territory it would cannibalise the sales and profits of existing franchisees (Mayfield, 1997). However, parallel franchisees, with their experience, are in a better position to withstand competition from other franchisees of the same franchisor in the same area. Consequently, results indicate that territorial exclusivity clauses are found not to be significantly linked to franchisee performance in terms of perceived market share. Moreover, our above findings showed that different types of franchisees perceive the territorial exclusivity clauses in the franchise contracts differently.

6.3.2 Perceived Profitability

The outcomes confirm the hypothesis and support the claim that contract clauses such as; training clauses ($t = -2.648$, $p < 0.01$), support clauses ($t = 2.529$, $p < 0.05$) and contract duration clauses ($t = -1.686$, $p < 0.01$) are the main contract clauses affecting

the franchisees performance in terms of perceived profitability in the food and beverage sector in the Middle East.

Table 6-14: Hypothesis Test Summary

Hypothesis	t-value	p(sig)	B	Decision
H29a: Extensiveness of the training clauses affects the franchisee's perceived profitability positively.	-2.648	0.009**	-0.525	Not Supported
H30a: Extensiveness of the support clauses affects the franchisees the perceived profitability positively.	2.529	0.013*	0.538	Supported
H31a: The length of contract duration affects the perceived profitability of novice franchisees negatively.	-1.686	0.095***	-0.199	Supported

The above results confirm previous studies in franchising (Lim and Frazer, 2004; Darrell, 1998 and Ozanne and Hunt, 2011).

Many reasons apply to training, support and contract duration.

Training Clauses

In this study, parallel and novice franchisees consider training clauses as an important clause, which affects their perceived profitability negatively. The results confirm the above result, that different types of franchisees have different attitudes towards training clauses. In addition, this result contradicts other studies, such as El Akremi et al. (2015) who found that there is a significant positive relationship between length of initial training period and chain performance. This result was due to the fact that parallel franchisees in our sample have prior experience in the same field and don't require extensive-training clauses.

Support Clause

Both franchisees consider the support clause an essential clause that affects their

perceived profitability positively. This result confirms our qualitative findings, as franchisor support was an exceptional resource, which was applicable to both types of franchisees.

Contract Duration Clause

The length of contract duration affects the novice franchisees perceived profitability negatively. Furthermore, long contract duration will decrease the perceived profitability of novice franchisees due to lack of experience and lack of knowledge about contractual provisions; this uncertainty results in their preference for shorter term contract duration (Brickley et al., 2006).

However, contract clauses such as exit strategy clauses ($t= 1.597, p<0.05$), termination clauses ($t= 0.933, p<0.05$), fees clauses ($t= -0.963, p<0.05$), territorial exclusivity clauses ($t= -0.572, p<0.05$) and tying arrangements clauses ($t= 0.024, p<0.05$) are not significantly linked to the franchisee performance in terms of perceived profitability in the food and beverage sector in the Middle East.

Table 6-15: Hypothesis Test Summary

Hypothesis	t-value	p(sig)	B	Decision
H32a: The difficulty of franchisee exit strategy clauses affects the perceived profitability of franchisees negatively.	1.597	0.113	0.186	Not Supported
H33a: Stricter termination clauses affect the perceived profitability of franchisees negatively.	0.933	0.353	0.116	Not Supported
H34a: Stricter territorial exclusivity clauses affects the perceived profitability of franchisees negatively.	-0.572	0.569	-0.067	Not Supported
H35a: Stricter tying arrangements clauses in franchise contract will affect the perceived profitability of franchisees negatively.	0.024	0.981	0.003	Not Supported
H36a: Franchise fee clauses in the franchise contracts affect the perceived profitability of franchisees negatively.	-0.963	0.338	-0.113	Not Supported

These results contradict previous studies in franchising (Michael and Combs, 2008; Mathewson and Winter, 1994; Kleun, 1995; Brickley et al., 1991 and Mathewson and Winter, 1994).

Many reasons contribute to our findings that exit strategy, termination, fees, territorial exclusivity and tying arrangements clauses are not significantly linked to the franchisee performance in terms of perceived profitability.

Exit Strategy Clauses

In our sample, 69% of our franchisees are experienced in the food and beverage sector, represented by 85 parallel franchisees. Parallel franchisees have “prior business ownership experience who have the capacity to start new businesses and launch new products”, (Westhead et al., 2005). They are risk-takers; since they have extensive experience, they are prepared to assume a higher level of risk. Their objective is to diversify risk by purchasing and retaining ownership of different businesses simultaneously (Ucbasaran et al., 2003).

Parallel franchisees are capable of establishing new firms while they are already running other firms (Alsos and Kolvereid, 1998 & Renzulli et al., 2000). Due to the fact that parallel franchisees own many businesses simultaneously, exit strategy clauses are not relevant. They rarely exit a particular business and retain it for a substantial length of time. This also explains the fact that parallel franchisees prefer long contract duration with a right to renew the franchise agreement.

Termination Clauses

In respect of termination clauses, due to the previous experience of the 69% sample who are parallel franchisees, it is less likely that disputes will arise and there is less likelihood of acrimonious relationship issues. These franchisees are also more likely to avoid disputes, as communication is kept open between parties. Consequently, the result that termination clauses are not significantly linked to the franchisee performance in terms of perceived profitability is justified and supported.

Franchise Fees Clauses

Fees are not significantly linked to the franchisee performance in terms of perceived profitability of the franchisees for two reasons. The food and beverage franchise markets in the sample of Oman and Saudi Arabia show where franchisees have already achieved critical mass and established markets in terms of franchising in the food and beverage sector. Hence, they are capable of generating adequate revenue to pay royalties and other fees to the franchisor based upon a percentage of the franchisee's gross sales. This, at the same time, permits the parallel franchisee to achieve their return requirements. The parallel franchisees representing 69% of the sample have already passed the initial period where they face higher costs of establishing their business and lower sales.

Territorial Exclusivity Clauses

The purpose of territorial exclusivity clauses is to prevent excessive competition between franchisees of the same franchisor. Existing parallel franchisees are not likely to be concerned with the opening of new outlets in close proximity and will not be concerned by encroachment, and cannibalisation of sales and profitability due to their

prior experience in the food and beverage sector. Based on our findings, tying arrangements clauses are not significantly linked to franchisee performance in respect of perceived profitability. This is explained by the fact that our sample is skewed in favour of parallel franchisees who have a reputation in the market with suppliers who enable them to purchase at competitive market prices.

Powerful Predictor

Additionally, the support clause, according to Lim and Frazer (2004), is a positive obligation for the franchisor to provide support, both initial as well as on going, including technical, promotional and advertising support, was found to be the most powerful predictor ($\beta=0.445$) in terms of perceived market share and ($\beta=0.538$) in terms of perceived profitability.

This outcome is confirmed by other studies, such as, Lim and Frazer (2004), who illustrate how the franchisors and franchisees influence the franchisor-franchisee relationship, as well as the skills that each partner needs to possess in order to play their respective roles effectively. A pilot study was conducted and the results show that franchisors that have previous experience in the industry and business, as well as strong market knowledge, have the related management skills to successfully guide franchisees and support them.

Watson et al. (2015) explains why the franchisor desires to select specifically those franchisees that have the potential for entrepreneurial behaviour. The outcome reflects the fact that franchisees selected, have an entrepreneurial focus emanating from their organisational values, and is evident in support provided by the franchisor in respect of entrepreneurial activities. Additionally, the study found that the selection of

franchisees whose entrepreneurial values are congruent with those of the system, affect the performance of the franchise system favourably.

Moreover, the results indicate that the existence of franchisor managerial support and the selection of entrepreneurial franchisees have a positive effect and are significantly related to the system performance.

In reference to these two studies, support clauses have played a significant role in affecting franchisees performance; which means franchisees consider support clauses an important clause affecting their perceived market share and profitability.

6.3.3 Moderation

The purpose of this study is to test whether the type of franchisee would affect the relationship between contract clauses and the franchisee's performance in terms of perceived market share and perceived profitability in the food and beverage sector in the Middle East.

Perceived Market Share

Results show that the type of franchisee does not affect the relationship between training clauses ($t = -1.2327$ and $P > .05$), support clauses ($t = -.2723$ and $P > .05$), contract duration clauses ($t = .3047$ and $P > .05$), termination clauses ($t = 1.0388$ and $P > .05$) and territorial exclusivity clauses ($t = -.6271$ and $P > .05$) and the franchisee performance in terms of perceived market share.

Table 6-16: Moderation Effect

Moderation Effect	t-value	p(sig)	95% CI	Decision
H24b: Type of franchisee moderates the impact of the training clauses on perceived market share.	-1.2327	.2201	-.73 to .17	Not Supported
H25b: Type of franchisee moderates the impact of the support clauses on perceived market share.	-.2723	.7858	-.52 to .39	Not Supported
H26b: Type of franchisee moderates the impact of the contract duration clauses on perceived market share.	.3047	.7611	-.31 to .42	Not Supported
H27b: Type of franchisee moderates the impact of the termination clauses on perceived market share.	1.0388	.310	-.23 to .76	Not Supported
H28b: Type of franchisee moderates the impact of the territorial exclusivity clauses on perceived market share.	-.6271	.5318	-.42 to .22	Not Supported

Since 54% of the sample representing 67 respondents specified that their franchisors were large, and 35% representing 43 respondents specified that their franchisors are medium sized, and 10% (12) specified that their franchisors are small. One of the explanatory factors is that larger franchisors have higher bargaining power in respect of contract clauses. According to Das and Teng (2001), franchisors normally have a greater bargaining and negotiating power than the franchisees and they are in a position to insert clauses in the franchise agreement.

Another attributable reason is that the franchise agreement includes standard clauses. Therefore, the type of franchisee does not affect training clauses, support clauses, contract duration clauses, termination clauses and territorial exclusivity clauses. The types of franchisees do not perceive the above-mentioned clauses in the franchise contracts differently. As a result, the type of franchisee also has no effect on the relationship between the clauses and franchisee performance in terms of perceived market share.

Perceived Profitability

The results show that type of franchisees does not affect the relationship between training clauses ($t= 1.810$ and $P>.05$), support clauses ($t= -1.0322$ and $P>.05$), contract duration clauses ($t= -1.1854$ and $P>.05$), exit strategy clauses ($t= .1828$ and $P>.05$), termination clauses ($t= .3546$ and $P>.05$), territorial exclusivity clauses ($t= -1.0839$ and $P>.05$), tying arrangement clauses ($t=.7079$ and $P>.05$) and fees clauses ($t= -1.5184$ and $P>.05$) and the franchisee performance in terms of perceived profitability.

Table 6-17: Moderation Effect

Moderation Effect	t-value	p(sig)	95% CI	Decision
H29b: Type of franchisee moderates the impact of the training clauses on perceived profitability.	1.810	.2027	-.82 to .17	Not Supported
H30b: Type of franchisee moderates the impact of the support clauses on perceived profitability.	-1.0322	.3041	-1.03 to .32	Not Supported
H31b: Type of franchisee moderates the impact of the contract duration clauses on perceived profitability.	-1.1854	.2381	-.56 to .14	Not Supported
H32b: Type of franchisee moderates the impact of the exit strategy clauses on perceived profitability.	.1828	.8553	-.51 to .61	Not Supported
H33b: Type of franchisee moderates the impact of the termination clauses on perceived profitability.	.3546	.7235	-.37 to .53	Not Supported
H34b: Type of franchisee moderates the impact of the territorial exclusivity clauses on perceived profitability.	-1.0839	.2806	-.59 to .17	Not Supported
H35b: Type of franchisee moderates the impact of the tying arrangements clauses on perceived profitability.	-.7079	.4804	-.62 to .29	Not Supported
H36b: Type of franchisee moderates the impact of the franchise fee clauses on perceived profitability.	-1.5184	.1316	.60 to .08	Not Supported

This is due to the size of franchisors included in the sample, with the majority being large and medium sized, with greater power to insert clauses as compared to franchisees. These franchisors may also want to adhere to standard contract clauses in an attempt to ensure uniformity of the franchise agreement. Additionally, as discussed

above, the bargaining power resides with the large and medium sized franchisor, and the franchisee has little scope for negotiation. The franchisor's business model may be such that it does not permit compromises or negotiated concession of contract clauses.

6.4 Conclusion

This chapter presents comprehensive discussions on the outcomes retrieved by examining the research data in Chapter 5. In reference to our main thesis objectives, the current research investigates whether the constraints defined by the theory of franchise selection and contract terms, impact the franchisee performance in terms of perceived market share and perceived profitability. Moreover, to achieve this objective, different tests were conducted, including a reliability test, factor analysis test, common method bias (CMB), regression test and moderation test to examine the model and the related hypotheses.

The chapter also explains the results of hypotheses testing, which confirmed seventeen relationships and rejected forty-seven hypothesised links.

The statistical findings support the fact that different types of franchisees have different attitudes toward contract clauses. The franchisee's prior experience and objectives, affect the attitude of different types of franchisees toward contract clauses. Additionally, factors such as franchisor brand reputation, technical know-how and fees, influence the franchisee perceived market share. Furthermore, constrains such as, franchisor brand reputation and franchise fees may impact the franchisee perceived profitability. Moreover, the statistical findings supported a proposition that types of franchisees influence the relationship between the constraints defined by the theory of franchise selection, and contract terms impact the franchisee performance in terms of

perceived profitability. Furthermore, parallel franchisees impact the link between franchisors' local market knowledge and their perceived profitability. On the other hand, novice franchisees impact the link between the contract duration and franchise fees and their perceived profitability. The franchisee's prior experience, culture and franchisor nationality are factors that affect the relationship between constraints defined by theories of franchise selection and franchisee performance in terms of perceived market share and perceived profitability.

In addition, contract clauses, such as support, contract duration and termination clauses; will affect the franchisee perceived market share. Moreover, contract clauses such as training, support and contract duration will influence the franchisee perceived profitability. However, results show that there is no interaction between types of franchisees and the link between the contract clauses and franchisee performance. Franchisees' prior experience, franchisees' objectives and risk, are factors that can affect the relationship between contract clauses and franchisee performance in terms of perceived market share and perceived profitability.

CHAPTER SEVEN – CONCLUSION

7.0 Thesis Summary

The main objective of the study was to investigate whether different types of franchisees would affect the relationship between the constraints defined by the theories of franchise selection and contract clauses and franchisee performance in terms of perceived market share and perceived profitability. The constraints defined by the theories of franchise selection include: brand reputation, training, support, technical know-how, local market knowledge, contract duration, collaborative communication and fees. Contractual terms comprise training clause, support clause, tying arrangements clause, fees clause, contract duration clause, exit strategy clause, territorial exclusivity clause, and termination clause, would affect the franchisee's performance in terms of perceived market share and perceived profitability.

To achieve this objective, a comprehensive literature review has been conducted within three areas. The study combines research on franchising, with that of entrepreneurship. Firstly, entrepreneurship theory literature was reviewed to distinguish types of entrepreneurs who choose to be franchisees; this identified two categories, namely, novice and parallel (Westhead et al., 2005).

The second aspect of the literature review involved franchising literature based on the resource base theory, social exchange theory and equity theory. The constraints of each of these theories were used to identify the factors franchisees consider when selecting franchisees. Propositions were developed regarding which factors different types of franchisee consider a priority, when entering a franchise relationship. The

literature then considered how different types of franchisees perceive the different clauses within a franchise contract and consequently, related hypotheses were developed.

Finally, the literature review identified how the constraints and factors defined by the theories of franchise selection affect franchisee performance in terms of perceived market share and perceived profitability. The research objectives and questions were formulated based on the literature review.

The research was conducted using both qualitative as well as quantitative methodology. The research was carried out in three phases, namely: Phase 1 – qualitative, Phase 2- quantitative and Phase 3 – quantitative. Firstly, phase 1 consisted of two stages of data collection where a semi-structure questionnaire was designed, and 11 face-to-face interviews were conducted with franchisees in Saudi Arabia and Sultanate of Oman. The first stage was during the month of August 2013, and the second stage that comprised follow-up questions was during the month of February 2014. The questionnaire referred to the importance of factors that affect franchisees' decisions when selecting their franchisors. The data was analysed both manually and with Nvivo software for these 11 face-to-face interviews.

The findings showed that the factors related to resource based theory are applicable to novice franchisees, except training and support which were considered as exceptional factors that are applicable to both novice and parallel franchisees. Moreover, factors related to social exchange theory were found to be applicable to both types of franchisees. The factors related to equity theory were found to be applicable to

parallel franchisees. The qualitative findings indicate that novice franchisees consider the franchisor's brand reputation, and the extent of training, support and technical know-how provided by the franchisor, as important factors when selecting a franchisor.

Additionally, it was found that training and support were exceptional constraints relevant to both novice and parallel franchisees. The constraints of the social exchange theory included the franchisor's local market knowledge, contract duration and collaborative communication, and were applicable to both novice and parallel franchisees. The constraints of the equity theory, which include franchise fees, are applicable to parallel franchisees only.

In Phase 2 and 3, a survey was designed and distributed via the website, Survey Monkey, and personally in Saudi Arabia, and the Sultanate of Oman during October and November 2016. The questionnaire covered two types of questions. Firstly, questions related to the attitude of different types of franchisees towards contract clauses which represents phase 2; and secondly, whether the constraints defined by the theories of franchise selection, such as brand reputation, training, support, technical know-how, local market knowledge, contract duration, collaborative communication and fees; and contract clauses, such as training clause, support clause, tying arrangements clause, fees clause, contract duration clause, exit strategy clause, territorial exclusivity clause, and termination clause would affect the franchisee's performance in terms of perceived market share, and perceived profitability, which represents phase 3. From this, 123 responses were received and the data analysed

(using SPSS 20); and, based on the Mann-Whitney U test, regression and moderation analysis was conducted.

The quantitative findings reflect that both types of franchisees have different attitudes towards training clauses; support clauses; contract duration clauses; territorial exclusivity clauses; tying arrangements clauses and franchise fees clauses. Novice franchisees and parallel franchisees have different objectives, needs and power when it comes to negotiation with the franchisor on contract clauses. However, both types of franchisee have similar attitudes toward termination clauses. Moreover, the results show that factors of franchisor brand reputation, technical know-how and high franchise fees will increase the franchisee's perceived market share. The above results agree with previous studies in franchising (Merrilees and Frazer, 2013; Wen Wu, 2015 and El Akremi et al., 2015).

In addition, factors of franchisor's brand reputation, and higher franchise fees, will increase the franchisee perceived profitability. The above results confirm existing literature on franchising (Kaufmann and Dant, 2001; Michael and Combs, 2008; El Akremi et al., 2015 and Combs et al., 1999).

One of the most interesting findings is that parallel franchisees are of the opinion that a franchisor's local market knowledge will decrease their performance in terms of perceived profitability. There is a general perception that franchisors have the upper hand in the relationship between franchisor and franchisee, but in reality, franchisees with experience do not prefer their franchisor interfering in their business operations by claiming that they (franchisor) knows their own market better.

Another interesting finding is that novice franchisees believe that long contract duration is an important factor, which will help them increase their perceived profitability. However, the reality is that novice franchisees lack experience and resources, and their chance of business survival in the first three years is relatively low. Instead of considering the franchise experience as a learning process and testing their business survival in a short-term contract, novice franchisees opt for a long-term contract.

In addition, another interesting finding is that by imposing higher franchise fees on novice franchisees, their perceived profitability will increase more than that of parallel franchisees. The dilemma of this situation is that high-end franchisor brands first consider experience in selecting possible franchisees. Despite this novice franchisees are willing to pay high franchise fees instead of paying lower franchise fees to a low to medium franchisor brand to recover their investments. The results confirm the findings of El Akremi et al. (2015).

Furthermore, the results show that contract clauses such as, the extensiveness of the support clauses; long contract duration and stricter termination clauses, will affect franchisee perceived market share positively. The above results confirm those of previous studies in franchising (Lim and Frazer, 2004; Darrell, 1998 and Ozanne and Hunt, 2011). Finally, contract clauses such as, the extensiveness of support clauses and short contract duration clauses, will positively affect franchisee perceived profitability. However, clauses such as, extensiveness of training, will affect franchisee perceived profitability negatively. The above results confirm previous studies in franchising (Lim and Frazer, 2004; Darrell, 1998; Ozanne and Hunt, 2011).

The franchisee's prior experience, culture and nationality, were factors that affected the relationship between the constraints defined by theories of franchisor selection and franchisee performance, in terms of perceived market share and perceived profitability.

7.1 Managerial Implications

This research has practical implications for franchisees, new franchisees and franchisors. Firstly, the findings of this study can help franchisees select their franchisors based on specific criteria depending on their objectives, such as the franchisor's local market knowledge.

Secondly, franchisees can improve their performance, in terms of perceived market share and perceived profitability, through considering the importance of certain contract clauses and franchisors resources. The franchisor's main resources include: branch reputation, franchisor local market knowledge, contract duration, collaborative communication franchise fees, and technical knowhow. Contract clauses, in respect of support, contract duration and termination, have a significant impact on the franchisee's perceived performance.

Thirdly, novice franchisees should consider attending courses related to franchising and negotiation skills before approaching a franchisor in-order to meet the franchisor's standards.

Fourthly, from the franchisors perspective, they should also consider certain criteria

while selecting their franchisees, such as, their prior experience and their local market knowledge.

Fifthly, from the franchisor's point of view they should consider the different types of franchisees' attitudes towards contract clauses before offering them the franchise contract.

Finally, the results of this research can be used by franchisors, since the main objective of franchisors is to have a successful relationship with successful franchisees. Franchisors should know what affects franchisee performance, from their point of view, in order to provide them with the right resources.

7.2 Academic Implication

In addition to managerial implications, the findings of this study also provide several implications for academics that are concerned with factors that affect franchisee performance. Since franchising is an important entrepreneurial activity, our study extends the theories of entrepreneurship and franchising by providing support through empirical data. Empirical data indicates that some contract clauses are specifically related to perceived market share and perceived profitability, whereas other clauses are not.

Existing research primarily explores the impact of brand reputation as a factor that affects franchisees' performance (Wu, 2015). Based on research by Combs et al. (2004), franchisee performance is dependent on additional factors, rather than merely having access to scarce resources. This study therefore identifies the factors based on

resource theory, social exchange theory and equity theory, which affect franchisee performance.

Additionally, this study provides empirical evidence for existing literature, in relation to entrepreneurship and franchising within the context of the food and beverage sector of the Middle East.

Previous studies have been conducted in developed countries, such as the United Kingdom and United States of America. These results from Saudi Arabia and the Sultanate of Oman, can be extrapolated to other countries in the Gulf Co-operative Council countries, and in the Middle East and North Africa (MENA) region.

7.3 Research Contribution to knowledge

Research by Saraogi (2009) is considered one of the pioneering studies that relates the selection criteria used by franchisors in the selection of potential franchisees, to their behavioural outcomes, according to the franchisor's desire. Furthermore, Doherty (2008) studied market and partner selection in international retail franchising in the United Kingdom from the franchisor perspective. He suggested that future researchers study market and partner selection in international retail franchising from the franchisee's perspective.

Existing research is focused on the franchisor's perspective, without paying adequate attention to the franchisee's perspective, in terms of selecting franchisors and in franchisee performance; nor does it identify the factors that affect the franchisee's performance in the international market of the Middle East. Thereby, this study has

addressed a research gap, by investigating further the different factors that affect franchisees' selection of franchisors, and further, has contributed to existing literature on entrepreneurship and franchising.

Our research has made a significant contribution to the theories of entrepreneurship and franchising by combining the investigation of how different types of franchisees perceive clauses in franchise contracts, and how factors determined by theories of franchising lead to an increase in franchisee performance, as measured by perceived market share and perceived profitability. Research by Wu (2015), explains the relationship between the franchising strategy and performance. This study also supports the resource-based view and relationship-marketing theory as explanations for franchisees' performance in the context of chain stores. Furthermore, the researcher suggests that future researchers examine the significance of other external and internal factors that affect franchisees' performance.

Moreover, Nijmeijer et al. (2014) suggest that future researchers should combine economic-based approaches, such as the agency theory and organisational approaches, with strategic theories and social-psychological perspectives, to include relational exchange, expectancy and entrepreneurship theory, in order to test factors that could influence the performance of franchisees.

Therefore, our study contributes to existing knowledge on entrepreneurship and franchising by providing theoretical explanations of the factors that affect franchisees' performance. This study contributes to research in franchising and entrepreneurship management. In contrast to other researchers who have focused on the effect of

franchisors' strategic resource on franchisees' franchising strategy and firm performance (Wu, 2015), our study uses the resource-based view to explain factors affecting franchisor selection and franchisee performance. Thereby, this study provides theoretical implications that differ from those of previous studies.

Additionally, although it is recommended by Wu (2015) that research in franchising must explain performance, there is limited research on examining franchisees' performance. Consequently, this study determines the relative effect of franchisors' strategic resources and inter-firm relational exchange on franchisees' franchising strategy and firm performance.

Brooks and Altinay (2011) expanded on the understanding of the partner selection process from the franchisee and franchisor's perspective, in international master franchise agreement. However, Brooks and Altinay (2011) research has focused only on the hotel industry. They also acknowledge the necessity for further research across franchise agreements, other than master franchise agreements and other industry sectors, through quantitative research methodology, to validate the findings.

Therefore, our study has made a contribution to existing knowledge, by relating the selection criteria used by the franchisees in the selection of potential franchisors and contract clauses to their performance, in terms of perceived market share and perceived profitability. This is however, restricted to markets in Saudi Arabia and Sultanate of Oman in the food and beverage sector.

Finally, in terms of methodology, quantitative methods were used in some research studies on franchising (El Akremi et al., 2015; Wu, 2015; Chiou and Droge, 2015).

On the other hand Grewal et al. (2011) used qualitative methods and Lim and Frazer (2004) used mixed methods. Since this study uses multi-methods of qualitative and quantitative within three different phases of research, it can be considered as one of the initial studies using a multi-methodological approach in franchising and entrepreneurship studies.

7.4 Achieving Objectives

This study has achieved its research objectives; to investigate and develop a conceptual framework for franchisee performance and to identify how factors defined by constraints of the theories of franchise selection and contract clauses affect franchisees in Saudi Arabia and Oman. The research has identified the factors and contract clauses affecting franchisee performance, by conducting face to face interviews; the findings of which, are discussed in Chapter 4, followed by the main field study and the related statistics tests such as: reliability, factor analysis, Mann-Whitney U test, multiple regression analysis and moderation. These tests and their results are addressed in detail in Chapters 5 and 6.

7.5 Answering Research Question

The first research question was to investigate the applicability of theories of franchise selection on types of entrepreneur franchisees. This was answered through qualitative research; the findings of which are represented in Chapter 4.

The second question was to investigate the different attitudes of different types of entrepreneur franchisees, towards contract clauses. This was achieved through quantitative research, using the Mann-Whitney U test to compare the attitude of

parallel franchisees and novice franchisees in relation to contract clauses. The findings of these tests have been presented in Chapter 5 followed by a discussion in Chapter 6.

The final question was to test the effect of constraints defined by theories of franchise selection and contract clauses on franchisee performance, in terms of perceived market share and perceived profitability. This has been achieved through quantitative research; multiple regression analysis was conducted to determine whether the constraints and clauses were significantly linked to franchisee performance, in term of perceived market share and perceived profitability.

7.6 Limitations and Direction for Future Research

The research study has faced certain limitations. Firstly, as a female, the researcher encountered cultural limitations, which made access to a larger number of franchisees difficult. Some of the companies rejected the request for interviews and surveys, and some companies had rules that prevented them from responding to surveys on the grounds of confidentiality. Some respondents rejected the request, as they were too busy. This affected the response rate of the sample. Further, future research could increase sample size. In addition, because of the difficulty of access to franchisees, future research should use secondary data.

It is not possible to generalise the findings of other sectors, as the study was mainly based on the food and beverage sector. Future research should consider studying another sectors to generalise current findings. For the purpose of this study, perceived market share and perceived profitability have been used to assess the performance of

franchisees. Previous studies by (Barthélemy, 2008) have used variables such as return on sales and return on assets; Combs et al. (2004) used sales growth. Research by Spanos and Lioukas (2001) indicated that financial performance and sales performance were highly correlated. Their research indicates the impact of firm assets on financial profitability, defined by return on equity, profit margin, and net profits, affected by the mediating variable of market performance, defined by sales volume and market share. Future research can investigate the same factors and the impact of contract clauses on financial performance.

Although, in the case of contract clauses and franchisee performance, the Adjusted R Square result was applied and indicates that the model explains 16 per cent of the variance in the factors affecting the perceived market share of the franchisee, and 10.6 per cent of the variance in the factors affecting the perceived profitability of the franchisee; we found statistically significant predictors allow the researcher to draw important conclusions. Hence, future research may consider adding more variables to the model to increase the Adjusted R Square.

Hair et al. (1998) suggest, “a general rule is that there should be at least five observations for each independent variable”. In this study, some of the variables have one or three observations. Future research should overcome this limitation.

The total interview time was three hours, twenty-four minutes and sixty five seconds. This is considered too short, due to the obstacles that the researcher faced while conducting this research. These obstacles include the fact that in Saudi Arabia there is a cultural bias against women and the respondents wanted to conclude the interview

as quickly as possible. Additionally, many respondents were too busy to devote sufficient time to responding. Future research should overcome this limitation.

7.7 Chapter Conclusion

The concluding chapter of this thesis has reviewed the different chapters, providing a synopsis of the findings and how the research objectives and questions were addressed. Furthermore, the chapter has provided academic and managerial implications that have been addressed through the contributions that the study has made to the fields of entrepreneurship and franchising, in the food and beverage sector in the Sultanate of Oman, and Saudi Arabia. The limitations of the existing study have been acknowledged and directions for future research have been presented.

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Appendices



Entrepreneurship and franchisee performance

Introduction

Thank you for accepting to take a part in this survey measuring how the constraints defined by the theories of franchise selection and the contractual terms affects the performance of the franchisees. Your opinion today will effect and serve the franchise industry in future. This survey will take 10 minutes to complete. Be assured that all answers you provide will be kept confidential.

Thank you in advance



Section A: Background information on Franchisee

1. Name of franchisee: (optional)

2. Sector of activity:

3. No of employees:

4. How many franchises do you have:

5. Nationality of franchisee:

6. The duration of my current franchise contract is

2 Years 5 Years 10 Years More than 10 Years

7. Every year I pay to the franchisor as a franchise fee

8. When did you open this franchise?

Please circle the appropriate answer

9. Have you ever operated a franchise before? Yes/ No

10. Do you have more than one franchise now? Yes/No

Section B: Background information on Franchisor

11. Who was the franchisor- allow to not answer if confidential?
12. How large was the franchisor?
13. What was the franchisor's nationality?
14. Did the franchisor have other franchisees (apart from yourself) in the local area?
Yes/no
15. If yes, how many?

16. Think of one of your current franchise and please read the statements below and see if you agree with them. Select one of the boxes with 1 being the strongly disagree and 7 being the strongly agree

1. Contract Clauses	Strongly disagree					Strongly agree	
	1	2	3	4	5	6	7
My franchisors insert tough contract clauses related to training							
My franchisors insert tough contract clauses related to support.	1	2	3	4	5	6	7
My franchisors are very strict with tying arrangements clauses	1	2	3	4	5	6	7
My franchisors increase the franchise fees in the contract	1	2	3	4	5	6	7
My Franchisors impose shorter contract duration clauses	1	2	3	4	5	6	7
My Franchisors insert stricter franchisee exit strategy clauses	1	2	3	4	5	6	7

My Franchisors impose stricter territorial exclusivity clauses	1	2	3	4	5	6	7
My Franchisors impose stricter termination clauses	1	2	3	4	5	6	7
2. Brand Reputation							
My franchisor's brand has good reputation	1	2	3	4	5	6	7
My franchisor brand is well-respected	1	2	3	4	5	6	7
My Franchisors brand is trustworthy	1	2	3	4	5	6	7
My Franchisors brand is reputable	1	2	3	4	5	6	7
My Franchisors brand makes honest claims	1	2	3	4	5	6	7
This brand is well known for its good relationship with franchisees	1	2	3	4	5	6	7
3. Franchisor Support							
The on-going service provided by my franchisor is very good	1	2	3	4	5	6	7
The promotional and advertising assistance is very good	1	2	3	4	5	6	7
My franchisor/representative visits my store regularly	1	2	3	4	5	6	7
More than the requirement, the franchisor invests their time to visit or meet us for coaching	1	2	3	4	5	6	7
More than the requirement, the franchisor regularly provides business analysis to us	1	2	3	4	5	6	7
The franchisor supports the store in facility maintenances	1	2	3	4	5	6	7
4. Training							
My training provided by my franchisor was very useful	1	2	3	4	5	6	7
My franchisor normally invests to educate and train supervisors to help our operation	1	2	3	4	5	6	7
My franchisor willingly provides us sufficient	1	2	3	4	5	6	7

opportunities to learn operation skills							
My franchisor provides the operation manuals	1	2	3	4	5	6	7
My franchisor instructs us how to use the operation manuals	1	2	3	4	5	6	7
My franchisor offers the updated training courses	1	2	3	4	5	6	7
5. Technical know-how							
My franchisor have a specified set of written procedures that is critical for us to follow	1	2	3	4	5	6	7
Our employees follow standardized procedures provided by the franchisor	1	2	3	4	5	6	7
Our employees follow daily procedures and checklists	1	2	3	4	5	6	7
6. Collaborative communication							
Franchisor merely discusses the overall strategy of an operation without making specific statements about what he or she would like me to do (reverse scale)	1	2	3	4	5	6	7
Franchisor will tell me when I have performed well.	1	2	3	4	5	6	7
My franchisor emphasizes interactive communication	1	2	3	4	5	6	7
The information provided by the franchisor is very helpful in solving our store's problems	1	2	3	4	5	6	7
If we propose any questions and suggestions, the franchisor will handle the questions and suggestions immediately	1	2	3	4	5	6	7
My franchisor works hard to ensure that there is a lot of two-way communication between them and us	1	2	3	4	5	6	7
7. Local market knowledge							
A potential franchisor has previous experience local market experience is an important selection criterion	1	2	3	4	5	6	7
My franchisor has previous local marketing expertise	1	2	3	4	5	6	7

My franchisor has good Knowledge about my culture	1	2	3	4	5	6	7
My franchisor has Local competition knowledge	1	2	3	4	5	6	7
8. Fees							
The franchise fee of the franchisor is reasonable	1	2	3	4	5	6	7
The amount of royalty charged by the franchisor fees was not high	1	2	3	4	5	6	7
9. Performance							
As compared to other similar franchisees in this franchise organization our performance is very high in terms of market share	1	2	3	4	5	6	7
As compared to other similar franchisees in this franchise organization our performance is very high in terms of profitability	1	2	3	4	5	6	7

القسم أ: معلومات أساسية عن متلقي الامتياز

١. اسم متلقي الامتياز (اختياري).....
٢. قطاع النشاط:
 F&B الملابس التجميل الضيافة اللياقة أخرى
٣. عدد الموظفين:
 ١٥-٥١ ١٠٠-١٠١ ١٥٠-١٠١ أكثر من ١٥٠
٤. ما عدد متلقي الامتياز التي تمتلكها:
 ١ ٢ ٣ ٤ أخرى.....
٥. جنسية متلقي الامتياز:.....
٦. مدة عقد الامتياز الخاص بي العالي هي:
 سنتان
 ٥ سنوات
 ١٠ سنوات
 أكثر من ١٠ سنوات
٧. عند تجديد العقد لكل مرة يلزم دفع:
 ٥٠,٠٠٠-١٠٠,٠٠٠ دولار
 ١٠٠,٠٠٠-١٥٠,٠٠٠ دولار
 ١٥٠,٠٠٠-٢٠٠,٠٠٠ دولار
 أكثر من ٢٠٠,٠٠٠ دولار
- إلى مانح الامتياز بمثابة رسوم الامتياز
٨. متى قمت بفتح هذا الامتياز؟.....

يرجى وضع دائرة حول الإجابة المناسبة

٩. هل سبق وقمت بتشغيل امتياز من قبل؟ نعم/لا
١٠. هل تمتلك أكثر من امتياز في الوقت الحالي؟ نعم/لا

القسم ب: معلومات أساسية عن مانح الامتياز

١١. من هو مانح الامتياز؟ يمكنك عدم الإجابة للحفاظ على السريته.....
١٢. ما مدى كبر شأن مانح الامتياز؟ كبير متوسط صغير
١٣. ماهي جنسية مانح الامتياز؟
 أمريكي فرنساوي سعودي استرالي إنجليزي أخرى
١٤. هل هناك من حصل أيضا على الامتياز (بخلافك) في المنطقة المحلية؟ نعم/لا
١٥. إذا كان الجواب نعم: فكم عددهم؟ ١ ٢ ٣ ٤ ٥ ٦

١٦. ففكر بواحد من امتيازاتك الحالية كما يرجى قراءة البيانات أدناه ومعرفة إذا كنت متفق معها أم لا. اختر واحد من المربعات التالية: ١٠- تدل على أنك لا توافق بشدة و٧- تدل على أنك توافق بشدة

أوافق بشدة		لا أوافق بشدة					١- بنود العقد
٧	٦	٥	٤	٣	٢	١	
							يُدرج مانحي الامتياز الخاصين بي بنود عقد صعوبت فيم يتعلق بالتدريب
							يُدرج مانحي الامتياز الخاصين بي بنود عقد صعوبت فيم يتعلق بالدعم
							مانحي الالتزام لدي صارمين جدا مع بنود ترتيبات البيع ذات الصلة
							يقوم مانحي الالتزام بزيادة رسوم الالتزام بالعقد
							يقوم مانحي الالتزام بفرض بنود عقد لمدة أقصر
							يُدرج مانحي الالتزام بنود خروج استثنائية أكثر صرامة ضد صاحب الامتياز
							يقوم مانحي الالتزام لدي بفرض بنود الحصرية الإقليمية صارمة
							يقوم مانحي الالتزام لدي بفرض بنود إنهاء التعاقد أكثر صرامة
٢- سمعة العلامة التجارية							
							العلامة التجارية لمنح الامتياز طيبة السمعة
							العلامة التجارية لمنح الالتزام تحظى بكثير من الاحترام
							العلامة التجارية لمنح الالتزام جديدة بالثقة
							العلامة التجارية لمنح الالتزام طيبة السمعة
							العلامة التجارية لمنح الامتياز لها مردود صادق
							العلامة التجارية معروفة بعلاقتها الجيدة مع متلقي الامتياز
٣- دعم مانح الامتياز							
							الخدمة الجارية التي يقدمها مانح الامتياز جيدة جدا
							المساعدة الترويجية والإعلانات جيدة جدا
							يقوم مانح الامتياز بالممثل بزيارة متجري بانتظام
							علاوة على متطلبات الامتياز، يقوم مانح الامتياز باستثمار وقته في زيارتنا أو مقابلتنا للتدريب
							علاوة على متطلبات الامتياز، يقوم مانح الامتياز بتوفير تحليل للعمل لنا بشكل منتظم
							مانح الامتياز يدعم المتجر في أعمال الصيانة للمنشأة
٤- التدريب							
							التدريب الذي قدمه مانح الامتياز كان مفيدا للغاية
							عادة ما يقوم مانح الامتياز الخاص بنا بتثقيف وتدريب

المشرفين للمساعدة في عملياتنا							
٧	٦	٥	٤	٣	٢	١	يقدم لنا مانح الامتياز الفرص الكافية لتعلم المهارات العملية
٧	٦	٥	٤	٣	٢	١	يوفر مانح الامتياز كتيبات التشغيل
٧	٦	٥	٤	٣	٢	١	يقوم مانح الامتياز بإرشادنا حول كيفية استخدام كتيبات التشغيل
٧	٦	٥	٤	٣	٢	١	يقدم مانح الامتياز الدورات التدريبية المحدثة
٥. التدريبية التقنية							
٧	٦	٥	٤	٣	٢	١	يمتلك مانح الامتياز مجموعة محددة من الإجراءات التي ينبغي علينا اتباعها بدقة
٧	٦	٥	٤	٣	٢	١	يتبع موظفينا إجراءات موحدة يقدمها مانح الامتياز
٧	٦	٥	٤	٣	٢	١	يتبع موظفينا إجراءات العمل اليومية وقوائم المراجعة الموضوعية من خلال مانح الامتياز
٦. التواصل التعاوني							
٧	٦	٥	٤	٣	٢	١	يناقش مانح الامتياز الاستراتيجية الشاملة للعملية فقط دون الإلاء بتصريحات محددة حول ما يتطلبه من القيام به تحديداً (مقياس عكسي)
٧	٦	٥	٤	٣	٢	١	يخبرني مانح الامتياز عندما أعمل بشكل جيد
٧	٦	٥	٤	٣	٢	١	يؤكد مانح الامتياز على الاتصال التفاعلي
٧	٦	٥	٤	٣	٢	١	تعد المعلومات التي يوفرها مانح الامتياز مفيدة جداً في حل مشاكل متجرونا
٧	٦	٥	٤	٣	٢	١	إذا قمنا باقتراح أي أسئلة واقتراحات، فإن مانح الامتياز يتعامل مع الأسئلة والاقتراحات فوراً
٧	٦	٥	٤	٣	٢	١	يعمل مانح الامتياز بجد للتأكد من أن هناك الكثير من الاتصالات من الطرفين بيننا وبينهم
٧. المعرفة بالسوق المحلية							
٧	٦	٥	٤	٣	٢	١	مانح الامتياز المحتمل لديه خبرة سابقة في السوق المحلية باعتبارها معيارها للاختيار
٧	٦	٥	٤	٣	٢	١	مانح الامتياز لديه خبرة بالسوق المحلية بشكل مسبق
٧	٦	٥	٤	٣	٢	١	مانح الامتياز لديه معرفة جيدة عن ثقافتنا
٧	٦	٥	٤	٣	٢	١	مانح الامتياز لديه معرفة حول المنافسة المحلية
٨. الرسوم							
٧	٦	٥	٤	٣	٢	١	تعد رسوم الامتياز المفروضة من مانح الامتياز معقولة
٧	٦	٥	٤	٣	٢	١	مبلغ رسوم الإتاوة التي يتقاضاها مانح الامتياز لم تكن عالية
٩. الأداء							
٧	٦	٥	٤	٣	٢	١	بالمقارنة مع متلقي الامتياز المائلين الآخرين بمنظمة، الامتياز هذه فإن أدائها عال جداً من حيث حصتها بالسوق
٧	٦	٥	٤	٣	٢	١	بالمقارنة مع متلقي الامتياز المائلين الآخرين بمنظمة، الامتياز هذه فإن أدائها عال جداً من حيث الربحية

نؤكد بان الترجمة صادقة وصحيحة للنص العربي
We certify that this is a fair and accurate translation of the attached text

نصادق على صحة الترجمة
We certify that this is a fair and accurate translation of the attached text

Interview Questions

To what extent does the strength of franchisor's brand and the reputation of franchisor affect your franchisor selection decision? Would you consider the length of time the franchisor brand been established?

What factors would you say are most relevant when selecting a franchisor? Would the franchise fee affect you and the training provided by franchisor?

Would you decline a franchisor based on the level of competition? For example would you be adversely affected if there are other franchisors in the territory offering the same products and services?

How important is collaborative communication in selecting the franchisor? Describe the extent do you feel it would affect your commitment to the franchise arrangement?

To what extent do territory clauses and termination clauses likely to affect the franchise agreement?

Would you sacrifice franchisor flexibility in favour of the strength of the franchisor's brand? For example would you select a global brand although it does not permit you to adapt the menu or use halal meat in Islamic territories?

Would you select a franchisor that is already well known in your territory or would you select an unknown franchisor and build the business?

Selecting a well-known franchisor is expensive. Would that affect your choice as many franchisors require royalty payments linked to profitability?

Describe the extent to which you would select a franchisor whose products and services you are interested in rather than select a franchisor that is a global brand.

How important is the integrity of the franchisor in the selection process compared to the strength of the franchisor's brand?

Describe the importance of contract duration in selection of the franchisor particularly as many modern day franchisors seek the flexibility of altering the terms of the contract periodically.

What is your market share?

How long have you been in the market?

Did the government in any way, provide methods that aided in developing your business when you first established yourself as a franchisee? If yes, what were those methods?

Why did you select franchising as opposed to your own business?

Was there a standardized site selection procedure you followed? What was the extent of involvement of the franchisor in the site selection?

What are your objectives for selecting franchising as method of doing business?

Did you consider other franchisors before selecting your current brand?

What is the acceptable percentage of retaining of investment you would consider?

What is the effect on your business when the franchisor restructures his own business?

Would you consider becoming a master franchisee or becoming a multi-unit franchisee?

To what extent would national and corporate cultural differences between you and the franchisor affect your selection?



Find Someone

407

Options



ethics approval

↳ **Natasha Slutskaya**



Actions

To: [Alawiah Alzawawi](#)

Inbox

24 July 2014 14:22

Dear Alawiah

The school's research ethics committee has considered the forms recently submitted by you. Acting under delegated authority, the committee is satisfied that there is no objection on ethical grounds to the proposed study. Approval is given on the understanding that you will adhere to the terms agreed with participants and to inform the committee of any change of plans in relations to the information provided in the application form.

Best regards
Dr Natasha Slutskaya

Name	Company	Brand	Country
Mr. Christopher Reyes	Shamel Food Company	Subway	Saudi Arabia
Mr. Syed Anwar	London Business Group	London Fish	Saudi Arabia
Mr. Ramesh Kumar	Alawi Enterprises	Noodel House	Oman
Mr. Ismail Davids	Primi World Resturant	Primi World Resturant	Saudi Arabia
Mr. Ahmed Al Jalis	Olyan Company	Burger King	Saudi Arabia
Mr. Faisal Satwat	Innovative food	Shawarmar	Saudi Arabia
Mr. Yogesh Shah	Khimji Ramdas Group	Pizza Hut	Oman
Ms. Mashael Fairouz	Fat Burger	Fat Burger	Oman
Mr. Adil Al lawati	Amlaak Al Qurum Group	RICHOUX Café	Oman
Mrs. Mona Almowaina	400 café	400 café	Saudi Arabia
Ms. Shaima Alzawawi	O Sole Mio Resturent	O Sole Mio Resturent	Oman



College of Business, Arts and Social Sciences Research Ethics Committee
 Brunel University London
 Kingston Lane
 Uxbridge
 UB8 3PH
 United Kingdom
 www.brunel.ac.uk

10 May 2016

LETTER OF APPROVAL

Applicant: miss alawiah alzawawi

Project Title: Entrepreneurship and franchisee performance

Reference: 2768-A-May/2016- 2992-1

Dear miss alawiah alzawawi

The Research Ethics Committee has considered the above application recently submitted by you.

The Chair, acting under delegated authority has agreed that there is no objection on ethical grounds to the proposed study. Approval is given on the understanding that the conditions of approval set out below are followed:

- The agreed protocol must be followed. Any changes to the protocol will require prior approval from the Committee by way of an application for an amendment.

Please note that:

- Research Participant Information Sheets and (where relevant) flyers, posters, and consent forms should include a clear statement that research ethics approval has been obtained from the relevant Research Ethics Committee.
- The Research Participant Information Sheets should include a clear statement that queries should be directed, in the first instance, to the Supervisor (where relevant), or the researcher. Complaints, on the other hand, should be directed, in the first instance, to the Chair of the relevant Research Ethics Committee.
- Approval to proceed with the study is granted subject to receipt by the Committee of satisfactory responses to any conditions that may appear above, in addition to any subsequent changes to the protocol.
- The Research Ethics Committee reserves the right to sample and review documentation, including raw data, relevant to the study.
- You may not undertake any research activity if you are not a registered student of Brunel University or if you cease to become registered, including abeyance or temporary withdrawal. As a deregistered student you would not be insured to undertake research activity. Research activity includes the recruitment of participants, undertaking consent procedures and collection of data. Breach of this requirement constitutes research misconduct and is a disciplinary offence.

Professor James Knowles

Chair

College of Business, Arts and Social Sciences Research Ethics Committee
 Brunel University London