

CHAPTER 5

RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

This chapter aims to systematically describe the procedures and methodology used to achieve the goals and research objectives that were established for this study. The research objectives and hypotheses are first considered, followed by a description of the research design and the measures used, sample design, data collection and statistical analysis of the research results.

5.2 DEFINITION OF RESEARCH PROBLEM AND RESEARCH OBJECTIVES

The research problem, objectives and hypotheses were briefly discussed in chapter one and will be discussed in more detail in this chapter.

5.2.1 Research problem definition

Although numerous research studies in the franchising domain have been completed (as discussed in chapter 1), very few studies have focused on the relationship between franchisees and franchisors. A number of authors have speculated about the relationship between franchisees and franchisors and some authors have even proposed life cycles (although these weren't empirically tested) as shown in chapter 3.

The need for research on this aspect is very clear and authors such as Elango and Fried (1997: 68-82) have stated that future research should examine the stability of the franchisee-franchisor relationship and more particularly: "*changes in the relationship between the franchisee and the franchisor have been largely ignored by researchers.*" The comments of Elango and Fried, combined with

the fact that no empirical research could be found on the franchisee-franchisor relationship life cycle inspired the research in question.

This research explores the relationship between franchisees and franchisors with the objective to model the franchisee life cycle. This will be done by determining the correlation between the life cycle stages of a franchisee and the effective management of the franchisee–franchisor relationship as operationalised by the commitment-trust model of Morgan and Hunt (1994).

5.2.2 Research objectives

In order to obtain satisfactory answers to the research problem, the following research objectives were stated. In order to do so, it will be necessary to determine:

- which aspects influence the relationship quality between franchisees and their franchisors.
- the commitment-trust scores for franchisees
- franchisee satisfaction levels
- the relationship quality index levels of franchisees.
- the evolution of a typical franchisee relationship (life cycle).
- the franchisee life cycle stages.
- the duration of the relationship between a franchisee and a franchisor.
- how the relationship quality of a franchisee differs between different life cycle stages.

5.3 HYPOTHESIS TESTING THEORY

According to Gay and Diehl (1992:72) “*a hypothesis is a tentative explanation for certain behaviours, phenomena, or events that have occurred or will occur.*” There are two approaches towards hypothesis testing namely classical statistics and Bayesian statistics. Classical statistics have a more objective view of probability than Bayesian statistics and rely solely on the analysis of available sampling data to make a decision. Bayesian statistics also use available sampling data, but would go a step further and consider all other available information in order to make a decision (Cooper and Schindler 1998:467).

In classical statistics, where sampling data alone is used to make a decision, the question of statistical significance becomes very important. Because a sample will almost always vary from the population from which it was drawn, the researcher needs to determine if the differences are significant or insignificant. “*A difference has statistical significance if there is good reason to believe the difference does not represent random sampling fluctuations only*” (Cooper and Schindler 1995:467).

Two kinds of hypotheses are used in classical tests of significance namely the “null hypothesis” and an “alternative hypothesis”. The null hypothesis states that no differences exist between the parameter and the statistic being compared to it, while the alternative hypothesis is the opposite of the null hypothesis (Cooper and Schindler 1995:468). Alternative hypotheses can be **non-directional** or **directional**. Non-directional hypotheses indicate that a relationship exist, while directional hypotheses indicate the nature of the relationship or difference. Both directional and non-directional hypotheses were stated for this particular study (Gay and Diehl 1992:72).

It is argued that a null hypothesis can never be proved and can therefore never be accepted. It can only be rejected (or **not** accepted). Statistical tests therefore only give a chance to disprove (reject) or fail to reject a hypothesis. If

a null hypothesis is rejected, then the alternative hypothesis is therefore “accepted” (Cooper and Schindler 1995:470).

5.3.1 Statistical testing procedures

Cooper and Emory (1995:441) suggests the following procedure for statistical significance tests:

- State the null hypothesis (the null hypothesis is always used for statistical testing)
- Choose an appropriate statistical test (based on the criteria of power efficiency, the sample, the nature of the population and type of measurement scale)
- Select the desired level of significance
- Compute the calculated difference value by using the formula of the appropriate test
- Obtain the critical test value from the appropriate table
- Make the decision to reject the null hypothesis and to support the alternative hypothesis.

5.3.2 Tests of significance

There are two classes of significance tests namely parametric tests and nonparametric tests. Parametric tests derive their data from interval and ratio data and are therefore more powerful (although they also have more stringent assumptions). Nonparametric tests have fewer and less stringent assumptions and can be used on nominal and ordinal data. Cooper en Schindler (1998:477) state that nonparametric tests can also be used for interval and ratio data.

Table 5.1 contains the recommended statistical techniques:

Table 5.1 – Recommended Statistical Techniques

Tests of significance	Measurement level	One-Sample Case	Two-Sample Case		k-Sample Case	
			Related Samples	Independent Samples	Related Samples	Independent Samples
Non-parametric	Nominal	Binomial χ^2 one-sample	McNemar	Fisher exact test χ^2 two-sample	Cochran Q	χ^2 for k samples
	Ordinal	Kolmogorov-Smirnov one-sample test Runs test	Sign test Wilcoxon matched pairs	Median test Mann-Whitney U test Kolmogorov-Smirnov Wald-Wolfowitz	Friedman two-way ANOVA	Median extension Kruskal-Wallis one-way ANOVA
Parametric	Interval and ratio	t test Z test	t test Z test	t test Z test	ANOVA	One-way ANOVA

Adapted from: Cooper DR, Schindler PS. 1998. Business Research Methods. Sixth Edition. Irwin: USA, p 480.

5.4 RESEARCH HYPOTHESES FORMULATION

In the next few paragraphs a detailed discussion regarding the formulation of the different research hypotheses as well as the research proposition will be given. The six hypotheses, the one research proposition, as well as the reasons for using a “proposition” instead of a hypothesis are discussed in detail in this section.

5.4.1 The existence of distinct life cycle phases

5.4.1.1 Motivation behind the research proposition

Proposition 1 = There are distinctive phases in the relationship between franchisees and the franchisor that follows a typical life cycle format.

Please note that a proposition was stated instead of a hypothesis. The reason for this is the fact that correspondence analysis was used to determine the existence of distinct life cycle phases (vide page 153). Correspondence analysis is best suited for exploratory data analysis and is not appropriate for hypothesis testing (Hair et al 1995:516). (For more information on correspondence analysis vide page 163).

The question might then be asked why a different statistical technique was not used, perhaps one suitable for hypothesis testing. The reason is that it is later hypothesised that franchisees can move through the life cycle stages at different speeds (see section 5.4.3 vide page 122). This would mean that although franchisees are classified into a specific life cycle stage that usually corresponds with a specific number of years (the duration of their relationship), there might be exceptions where franchisees have moved slower (lagged) or quicker (pre-mature) through the life cycle, i.e. a franchisee might be classified as being in the “Courting” phase, but have been in the relationship for 4 years. If a test is done to determine whether there are significant differences between the different franchisee life cycle concept (FLC) stages and the relationship duration, no significant differences would be calculated because of the issue just mentioned.

The life cycle stages are however later tested for significant differences with dependent variables such as commitment, trust, communication etc and the hypotheses relating to this issue will be discussed in the following section.

Before continuing, the motivation behind the formulation of the research proposition is discussed.

It has been suggested by Adizes (vide page 45) that all living organisms (plants, animals, people) are subject to a phenomenon called life cycles. Numerous references to life cycles were found in literature related to the biological sciences, natural sciences, economic sciences and even in a theological context. This indicates that any “living organism” (including companies, markets, plants, animals and relationships) go through a series of events that repeat themselves in the same order. Most of the discussions pertaining to life cycles had one thing in common namely, the fact that time played a role in the evolution of the life cycle and that time could be used to determine in which part of the life cycle a “organism” was.

Various authors have speculated on the different stages that a relationship between a franchisee and franchisor undergoes. Only a few authors (Nathan and Hall and Dixon) however sketched a typical franchisee-franchisor life cycle, which was discussed in detail in chapter 3 (vide page 73 - 77). These authors suggest specific life cycle stages in the relationship between franchisees and franchisors, each with unique, distinct phases that evolve over time. These authors did not complete empirical research to substantiate their suggestions that distinct phases exist in the relationship between franchisees and franchisors and various other authors have stated that this issue is in need of research (vide page 73).

It is therefore the belief of the researcher (based on the speculations made by other researchers) that the development of the relationship between franchisees and the franchisor has distinctive phases that follow a predictable pattern (cycle). Identification of these distinct phases will have a significant effect on the management of franchisee-franchisor relationships based on the different needs of franchisees in the differing phases. These facts therefore lead to the formulation of the research proposition as stated in the beginning of this section.

Before continuing to the discussion on the motivation of the research hypotheses it is necessary to clarify some of the terms used in this section and to define some operational definitions:

- **Distinctive life cycle phase:**

A phase in the existence of a franchisee's business that has significant differences with other phases with regards to the **relationship duration**.

- **Typical life cycle format:**

A predictable / characteristic series of events that is regularly repeated in the same order. In this case, used with specific reference to the relationship between franchisees and franchisors.

5.4.2 Significant differences between life cycle phases

5.4.2.1 Motivation of hypotheses 1 – 4

H_1 = There are significant differences in the commitment-trust dimensions representing the franchisee-franchisor relationship between each life cycle phase.

H_2 = There are significant differences in the relationship quality index levels representing the franchisee-franchisor relationship between each life cycle phase.

H_3 = Franchisees in the first life cycle phase will have significantly higher commitment-trust dimension scores than franchisees in the successive life cycle phases.

H_4 = Franchisees in the first life cycle phase will have significantly higher relationship quality index levels than franchisees in the successive life cycle phases.

Numerous authors have described the changes that occur in the relationship between franchisees and franchisors as time passes. Kirkham and McGowan (1993) describe the stages in the franchisor–franchisee relationship from the recruitment and selection of the franchisee, where the “misunderstanding” begins, to the point where the long-standing relationship has deteriorated to an adversarial situation devoid of commitment and trust.

Maitland (1991) describes the franchisor-franchisee relationship as evolving along familiar and destructive lines and likens the relationship to that of a parent and child. The relationship is described as progressing from being very “dependent” to being very “independent” in nature as franchisees become more self-reliant and self-confident. This move from dependence to independence leads to franchisees becoming more rebellious over time because they feel that they can manage their own business and that they have learned what it takes to be successful. This is in line with the suggestions made by Hall and Dixon (1988) and Nathan (1993), as well as other authors mentioned (vide page 74).

Franchisees are therefore not seeing the importance of the franchisor, and this could lead to a deterioration in the “commitment trust” levels and the “relationship quality” levels. It is therefore suggested that each of the identified (distinct) life cycle phases will yield significantly different “commitment-trust” dimension as well as “relationship quality” index scores based on the progress of the relationship.

It is suggested that the “commitment-trust” dimension scores will be the most positive in the beginning of the life cycle with a decrease in the dimension scores as the relationship continues.

5.4.3 Varying speed of movement through life cycle phases

5.4.3.1 Motivation of hypotheses 5 – 7

H₅ = There are significant differences in the commitment-trust dimensions of each life cycle fit category.

H₆ = There are significant differences in the relationship quality index levels between each life cycle fit category.

H₇ = Franchisees that move through the life cycle phases in the expected time (exact fit) will have significantly higher relationship quality levels than those that move slower or faster.

In the previous paragraphs it was hypothesized that there are distinct life cycle phases (with a specific duration) and varying levels of commitment, trust and relationship quality in the franchisee-franchisor relationship life cycle.

It is however suggested that due to various factors, franchisees can move through the life cycle phases at different speeds. A franchisee might not be suited to a specific franchise, or franchisors might manage franchisees in inappropriate or ineffective ways and franchisees will therefore become dissatisfied very quickly. A franchisor might also be very lenient and just keep giving franchisees more and more and this might cause franchisees to stay in a state of happiness much longer than “normal”.

Franchisees can therefore move through the life cycle phases slower than expected (lagged fit), faster than expected (pre-mature fit) or at an expected rate (exact fit). The speed of movement will have a significant effect on the commitment trust levels and relationship quality levels. It is suggested that franchisees that move through the life cycle at the expected rate will have the highest relationship quality levels.

- **Operationalisation of expected speed of movement**

The “expected” speed of movement through “life cycle stages” were ascertained through the modelling of the research results. It was found that the expected duration of a phase (or speed of movement through the phase) is approximately one year.

Table 5.2 – Summary of Research Hypotheses

- P_1 = There are distinctive phases in the relationship between franchisees and the franchisor that follow a typical life cycle format.
- H_1 = There are significant differences in the commitment-trust dimensions representing the franchisee-franchisor relationship between each life cycle phase.
- H_2 = There are significant differences in the relationship quality index levels representing the franchisee-franchisor relationship between each life cycle phase.
- H_3 = Franchisees in the first life cycle phase will have significantly higher commitment–trust dimension scores than franchisees in the successive life cycle phases.
- H_4 = Franchisees in the first life cycle phase will have significantly higher relationship quality index levels than franchisees in the successive life cycle phases.
- H_5 = There are significant differences in the commitment-trust dimensions of each life cycle fit category.
- H_6 = There are significant differences in the relationship quality index levels between each life cycle fit category.
- H_7 = Franchisees that move through the life cycle phases in the expected time (exact fit) will have significantly higher relationship quality levels than those that move slower or faster.

5.5 RESEARCH DESIGN

Cooper and Schindler (1998:130) state that the research design should explain exactly what will be done in a specific study in technical terms. They state that *“research design is the plan and structure of investigation so conceived as to obtain answers to research questions.”*

Research design is therefore said to be:

- *“A plan for selecting the sources and types of information used to answer the research questions*
- *A framework to specify the relationships among the study’s variables*
- *A blueprint that outlines each procedure from the hypotheses to the analysis of data”* (Cooper and Schindler 1998:130).

The following sections attempt to explain the procedures, techniques and methods chosen and the reasons why they were chosen.

The research process was executed in two broad phases namely an exploratory phase and an empirical phase. The phases will now be discussed in detail.

5.5.1 Exploratory Phase

The aim of this phase was to uncover all the relevant information regarding the subject in question.

Dillon et al (1990:98) writes that *“the examination of available secondary data is a prerequisite to the collection of primary data; indeed, it can help the researcher to define the parameters of the primary research.”* The first step in the process was therefore a literature study (desk research on secondary data) on the theories and information available on franchising, relationships, relationship marketing and life cycles (Chapter 2 - 4 gives a summary of the relevant information that was obtained during the desk research process). The information that was obtained (and the information gaps that were identified)

was used as an input into the design of an exploratory questionnaire (In-depth discussion guideline).

The second step of the exploratory phase of the research was the completion of in-depth personal interviews with franchising consultants, opinion leaders in the franchising industry as well as selected franchisors. In-depth interviews were chosen as the qualitative interviewing method (rather than focusgroups) because of the following:

- The schedules of the individuals that needed to complete the interview are nearly impossible to co-ordinate. The individuals in question are all very busy and finding a date and time that would suite everybody for a focusgroup discussion would be difficult (Dillon et al 1990:161).
- Focusgroups would be more costly because individuals would have to be recruited (and incentivised / compensated), a focusgroup venue would have to be arranged including light snacks and drinks.

The information obtained from the desk research and in-depth interviews was used to design the research instrument (questionnaire). (The questionnaire design will be discussed in more detail later in this chapter). This questionnaire was re-submitted to the client that commissioned the research (franchising consultant with expert knowledge) and suggested changes were made. The instrument was then pre-tested with franchisees and further changes were made in order to avoid any confusion or misinterpretation.

The exploratory phase of the research also involved the sourcing of franchisor and franchisee information. No comprehensive South African franchise database was available, although various separate databases seemed to exist. All available databases and information of franchisor information was collected and combined into one comprehensive database. Various sources were used such as the Franchising Association of Southern Africa's members list, a Deloitte and Touche Franchising Database as well as published information in printed media such as magazines and newspapers. The franchise groups that were chosen to participate in the research (see discussion of sampling

procedures later in this chapter) were contacted to obtain lists of their franchisee contact details and a franchisee database was then constructed.

After completion of the exploratory phase the next step of the research process, namely the empirical phase, was undertaken. This phase will now be discussed.

5.5.2 Descriptive Empirical Phase

Dillon et al (1990) state that various data collection methods are available to researchers including mail surveys, mail panels, telephone surveys, personal in-home surveys, mall-intercept interviewing and new technology approaches (such as computer assisted telephone interviewing, self-administered computer interviewing and web-based research). They state that the choice of data collection method is dependant on the following criteria:

- Complexity and versatility (the degree to which the data collection format must be simple / straightforward and the degree to which different question formats can be used).
- Quantity of data that can be collected (the amount of information that can be collected with a particular data collection method).
- Sample control (the degree to which an individual in the target population can be identified and persuaded to respond to the research).
- Quality of data (the accuracy of the data collection method).
- Response rate (the percentage of people contacted that cooperate in the research).
- Speed (the time it takes to complete the data collection process).
- Cost (the expenditure required to collect the information).
- Uses (the type of study necessitates a certain type of data collection method).

Table 5.3 – Comparison of Major Data Collection Methods

Criteria	Direct / Cold Mailing	Mail Panels	Telephone	Personal In-home	Mail Intercept
Complexity and versatility	Not much	Not much	Substantial but complex or lengthy scales difficult to use	High flexibility	Most flexible
Quantity of data	Substantial	Substantial	Short, lasting typically between 15 and 30 minutes	Greatest quantity	Limited 25 minutes or less
Sample control	Little	Substantial, but representativeness may be a question	Good, but non-listed households can be a problem	In theory, provides greatest control	Can be problematic; representativeness may be questionable
Quality of data	Better for sensitive or embarrassing questions, no interviewer present to clarify what is being asked	Better for sensitive or embarrassing questions, no interviewer present to clarify what is being asked	Positive side, interview can clear up an ambiguities – negative side, may lead to socially accepted answers	There is a chance of cheating	Unnatural testing environment can lead to bias
Response rate	In general, low (as low as 10%)	70% – 80%	60% - 80%	Greater than 80%	As high as 80%
Speed	Several weeks	Several weeks with no follow up mailings, longer with follow-up mailings	Large studies can be completed in 3 to 4 weeks	Faster than mail but typically slower than telephone surveys	Large studies can be completed in a few days
Cost	Inexpensive	Lowest	Not as low as mail; depends on incidence rate and length of questionnaire	Can be relatively expensive, but considerable variability	Less expensive than in-home, but higher than telephone
Uses	Executive, industrial, medical and readership studies	All areas of marketing research	Particularly effective in studies that require national sample	Still prevalent in product testing and other studies that require visual cues or product prototypes	Prevalent concept tests, name tests, package tests, copy tests

Adapted from: Dillon WR, Madden TJ, and Firtle NH. 1990. Marketing Research in a Marketing Environment. Second Edition. Irwin: USA, p 200.

Mail panels were immediately discarded as a choice of data collection method because no franchisee mail panel exists in South Africa. Mall intercepts were also not considered because a very specific group of individuals (franchisees) were targeted for this research. Personal in-home (or in store) interviews would have been very difficult and costly because interviewers would have to drive to different locations across the country to complete interviews with franchisees. They would first have to schedule interviews with franchisees because these individuals would typically be very busy running their franchise business. The logistics surrounding this would have been tremendous.

The only two real options were mail or telephonic interviews. The low response rates associated with mail questionnaires and the low control with respect to sampling made telephonic interviewing the best method of data collection for this project.

Computer Aided Telephonic Interviewing (CATI) was used as the data collection method. The benefits of this method include all those obtained by telephonic interviewing with added benefits such as the fact that skipping instructions are programmed into the computer-based questionnaire, which minimizes mistakes. The data is also available for analysis much quicker because the information provided by respondents are captured in an electronic format (and no further coding is therefore necessary).

5.6 QUESTIONNAIRE DESIGN

Many authors suggest that the research problem be translated into research objectives before even considering how questions should be asked (Dillon et al 1990; Cooper et al 1998). Once the research objectives had been identified, the considerations shown in Table 5.4 were taken into consideration when designing the questionnaire.

The guidelines given by Dillon et al (1990) were used in the design and finalisation of the questionnaire and the last column in Table 5.4 indicates the way in which these guidelines were used.

Table 5.4 – Questionnaire Design Considerations

Aspect	Design Considerations	Incorporation of Design Considerations
Preliminary considerations	<ul style="list-style-type: none"> * What information is required? * Who are the target respondents? * What data collection method will be used to survey these respondents? 	<ul style="list-style-type: none"> * The information required is derived from the management problem, the research problem and is summarised in the formulation of the research objectives (page 2) * The target respondents were identified as franchisees within South Africa * Telephonic interviews were chosen as the data collection method (as discussed in section 5.5.2)
Asking questions	<ul style="list-style-type: none"> * Why am I asking this question? * Be clear and concise. * Response choices should not overlap. * Use natural and familiar language. * Do not use words or phrases that show bias. * Avoid double-barrelled questions. * State explicit alternatives. * Questions should be reliable and valued. 	<ul style="list-style-type: none"> * Each of the questions included in the instrument were tested against these guidelines. * Questions were worded in clear, concise english and the terms used were put in familiar language that would be easily understandable for franchisees. * Various standardised instruments were used in this study and a degree of customisation was necessary to make the instrument relevant to the target respondents
Constructing the questionnaire	<ul style="list-style-type: none"> * Decide whether a question should be couched in terms of an open-ended or closed-ended format. * If closed-ended, decide on the appropriate number of response categories and category descriptions. * The questionnaire should flow from evaluative questions to diagnostic questions to finally classification-type questions. * The questionnaire should be designed so as to avoid confusion and minimizing recording errors. 	<ul style="list-style-type: none"> * It was decided that most of the questions should have a close-ended format, which would minimize errors and very long responses (that would make the duration of the questionnaire even longer). * The questionnaire was structured in such a way the evaluative questions were asked first and classification type questions last. * The CATI questionnaire design was done in such a manner that interviewers could not continue if a question was not answered or an illegal response was captured in the software.

Aspect	Design Considerations	Incorporation of Design Considerations
Pre-testing the questionnaire	<ul style="list-style-type: none"> * All aspects of the questionnaire should be pre-tested. * The pre-test should be conducted in an environment and content identical to the one that will be used in the final survey. * A debriefing procedure should be used. 	<ul style="list-style-type: none"> * The questionnaires were pre-tested with franchisees as well as franchising consultants with expert knowledge. * All changes and suggestions were incorporated into the questionnaire.

Adapted from: Dillon WR, Madden TJ, and Firtle NH. 1990. Marketing Research in a Marketing Environment. Second Edition. Irwin: USA, p 378.

A closer look will now be taken at the questionnaire / measurement instrument.

5.7 THE MEASUREMENT INSTRUMENT - OPERATIONALIZING THE MEASUREMENT CONSTRUCTS

A structured questionnaire consisting of nine sections (relating to different models) was constructed. The complete questionnaire will not be discussed because some of the sections fall outside the scope of this study - only the relevant sections are discussed in detail.

5.7.1 The measurement of relationships

Three approaches were used to measure relationships between franchisees and franchisors. These approaches, their scientific basis and the way in which they were customised for this study, will be discussed in the following paragraphs.

5.7.1.1 Section B of questionnaire – Commitment - trust model (KMV-Model)

The foundation of this section is the relationship between franchisees and the franchisor. The KMV-model of relationship marketing (Morgan and Hunt 1994) was used to determine commitment and trust levels of different franchisees. (The KMV - Model was discussed in chapter 4).

This model was used because it is scientifically founded and has been tested for reliability and validity. The KMV-model was analysed for validity and reliability according to Anderson and Gerbing's, as well as Joreskog and Sorbom's, guidelines. The resulting measurement model $\chi^2(406)$ was 588.33 ($p=.000$) (Morgan and Hunt 1994:28). Twelve of the thirteen hypothesized paths of the model were also supported by the results and the comparative fit index (CFI) of the model was 0.890, which is a good fit. Morgan and Hunt (1994:30) further found a total coefficient of the determination for the structural equations of 0.810. Reliability scores (Cronbach alpha) are also shown for termination cost (0.893), shared values (0.868), commitment (0.895) and trust (.947).

Morgan and Hunt (1994: 28 - 29) consulted the works of various other published scientists when designing the measurement instrument. They used items from scales developed by Meyer and Allen (1984), Mowday, Steers and Porter (1997) to measure relationship commitment. Trust was measured by adapting a scale developed by Larzelere and Houston (1980). The scales used for the measurement of relationship commitment and trust, were adapted from the works of the following authors: **termination cost** (Meyer and Allen 1984); **relationship benefits** (Anderson and Narus 1990), **communication** (Anderson, Lodish and Weitz 1987), **opportunistic behaviour** (John 1984), **shared values** (Enz's 1988). The consequences of relationship commitment and trust were measured by adapting scales developed by the following authors: **co-operation** (Brown 1979), **propensity to leave** (Bluedorn 1982) and **uncertainty** (Achrol and Stern 1988).

The constructs and a sample of items used in the KMV model are briefly summarised in Table 5.5.

Table 5.5 – KMV Measures Used By Morgan and Hunt (1994)

Construct	Number of items	Sample items	Anchors 7-Point scale
Acquiescence	1	In the future, my firm will likely comply with the policies that this supplier establishes for the marketing of its products by its distributors	Strongly agree / Strongly disagree
Communication	4	In our relationship, my major supplier... 1. ...keeps us informed of new developments	Strongly agree / Strongly disagree
Co-operation	5	How would you characterize the cooperation between you and your supplier regarding the following activities? 1. Local / regional cooperative advertising	Not at all cooperative / very cooperative
Functional conflict	2	In the future, differences of opinion between my supplier and me will probably be viewed as "just a part of doing business" and will likely results in benefits to both of us.	Strongly agree / Strongly disagree
Opportunistic behaviour	3	To accomplish his own objectives, sometimes my supplier.... 1. ...alters the facts slightly	Strongly agree / Strongly disagree
Propensity to leave	3	What do you think are the chances of your firm terminating this relationship.... 1. ...within the next six months?	Very high / very low
Relationship benefits	4	If you could not buy your stock from your present major supplier, you would likely be purchasing from some other major supplier. Please compare your major supplier with this alternate supplier concerning the following items: 1. Gross profit provided by a product line common to both suppliers	Presents supplier is much better / much worse
Relationship commitment	7	The relationship that my firm has with my major supplier... 1. ...is something we are very committed to	Strongly agree / Strongly disagree
Relationship termination cost	5		Strongly agree / Strongly disagree
Shared values	5	Please indicate the degree to which you believe that (1) your supplier would agree with the following statements, and (2) you would agree with the following statements: 1. To succeed in this business, it is often necessary to compromise one's ethics	Strongly agree / Strongly disagree
Trust	7	In our relationship, my major supplier... 1. ...cannot be trusted at times	Strongly agree / Strongly disagree
Uncertainty	10	To what extent do you now have adequate information for making future decisions regarding ... 1. ...the amount you should spend on local sales promotions and advertising?	Information is very adequate / information is very inadequate

Adapted from: Morgan RM and Hunt SD. 1994. *The Commitment-Trust Theory of Relationship Marketing*. Journal of Marketing, July 58:34 - 35.

The KMV - model was customised for the franchising industry amongst others by changing any references of “suppliers” and “firms” to “franchisor” and “franchise”. The “original relationship benefits statements” were also completely changed to more appropriate benefits for franchisees (such as support, co-operative advertising, group buying power, training and motivation).

The co-operation statements were also changed to more appropriate statements for the franchising industry and an 11 - point scale with the anchors being “not co-operative at all” to “very co-operative” were used for these statements.

An 11 - point interval scale (ranging from 0-10) were used for all the remaining statements with these statements having “do not agree at all” and “strongly agree” as anchors.

The number of statements used in the research were reduced from 56 to 36 due to time constraints (some statements were discarded and others were combined).

The “shared value statements” had two questions per statement namely the degree to which the franchisor would agree or disagree with the statement and the extent to which the franchisee would agree or disagree with the statement (similar to the original KMV model of Morgan and Hunt).

The changes that were made to the KMV – model are detailed in Table 5.6.

Table 5.6 – Statements Used In This Study (Adapted KMV –Model)

Construct	Number of items	Items	Anchors 11-Point scale
Acquiescence	1	ACQUI1: In the future, my franchise will comply with the policies that the franchisor establishes	Do not agree at all / Strongly agree
Communication	2	COMM1: My franchisor always keeps me informed of any new developments – new products, new prices, etc. COMM2: My franchisor communicates his expectations well for my franchises performance	Do not agree at all / Strongly agree
Co-operation	2	To what extent is your franchisor co-operative with regard to ... COOP1: ...the swift settlement of enquiries. COOP2: ...the swift settlement of problems / disputes	Not at all cooperative / Very cooperative
Functional conflict	2	FCONFL1: In the future, differences of opinion between my franchisor and me will be viewed as “just a part of doing business” FCONFL2: In the future, differences of opinion between my franchisor and me will result in benefits to both of us.	Do not agree at all / Strongly agree
Opportunistic behaviour	2	OPPBE1: My franchisor never promises to do things without actually doing them. OPPBE2: My franchisor never alters the facts to accomplish his own objectives.	Do not agree at all / Strongly agree

Construct	Number of items	Items	Anchors 11-Point scale
Relationship benefits	11	<p>REL BEN1: My franchisor goes out of its way to serve my needs (will do anything to satisfy my needs) rather than focusing on short term profits</p> <p>REL BEN2: My franchisor and its personnel are proactive – they often identify and correct faults even before I notice them.</p> <p>REL BEN3: The trust between myself and my franchisor is the result of my previous experience with my franchisor.</p> <p>REL BEN4: I receive personal attention from my franchisor – they care about me as an individual.</p> <p>REL BEN5: My franchisor delivers consistent service that meets and even exceeds my expectations.</p> <p>REL BEN6: My franchisor gives enough franchise set-up support (site selection, store design)</p> <p>REL BEN7: My franchisor does enough co-operative advertising and marketing (high marketing spend, strong brand, name recognition)</p> <p>REL BEN8: My franchisor uses group buying power to it's fullest potential to the benefit of franchisees</p> <p>REL BEN9: My franchisor has a strong focus on training</p> <p>REL BEN10: My franchisor has operations manuals for all procedures and standards of my business</p> <p>REL BEN11: My franchisor has a strong focus on motivation of franchisees (creating of supportive networks, giving recognition and respect and acceptance)</p>	Do not agree at all / Strongly agree
Relationship Commitment	2	<p>COM T1: I am committed to the relationship between myself and my franchisor.</p> <p>COM T1: The relationship between myself and my franchisor is something that deserves maximum effort to maintain indefinitely</p>	Do not agree at all / Strongly agree

Construct	Number of items	Items	Anchors 11-Point scale
Shared Values	3	<p>Please indicate the degree to which you believe that (1) your franchisor would agree with the following statement and (2) you would agree with the statement ...</p> <p>SV1: To succeed in this business, it is often necessary to compromise one's ethics</p> <p>SV2: If any of the franchisees or their personnel compromises the integrity of the brand, they should be reprimanded</p> <p>SV3: In order to be successful in the franchising industry, it is sometimes necessary to make compromises in terms of standards</p>	Do not agree at all / Strongly agree
Termination cost	1	TCOST1: The costs of terminating the franchising relationship are too high to consider terminating the relationship	Do not agree at all / Strongly agree
Trust	3	<p>TRUST1: All transactions between me and my franchisor are conducted with a high degree of integrity.</p> <p>TRUST2: I receive enough information from my franchisor to feel secure with my current franchising position.</p> <p>TRUST3: I fully trust my franchisor to do what is right.</p>	Do not agree at all / Strongly agree
Uncertainty	3	<p>UNCERT1: I have <u>adequate information</u> to make informed decisions about the spending on local sales promotions and advertising</p> <p>UNCERT2: I have <u>adequate information</u> to make informed decisions about the managing of my franchise</p> <p>UNCERT3: I am <u>confident</u> enough to make informed decisions on what products or brands to carry in stock</p>	Do not agree at all / Strongly agree

5.7.1.2 Section C of questionnaire – Relationship issues

The statements used in this section of the questionnaire are shown in Table 5.7. The first question in this section replaced the “propensity to leave” statements that are normally part of the KMV model. This statement was therefore used to determine the “propensity to leave” construct and will further be referred to as “PTL”. The anchors for these statements were “not likely at all” and “extremely likely” and were measured on an 11-point scale ranging from 0 to 10. (All these questions were however not used for analysis for the study in question).

Table 5.7 – Relationship Statements Used In This Study

Items
How likely ...
... would you be to continue your relationship with your franchisor, if you were in the situation to reconsider your relationship with them? (PTL)
... are you to continue using your franchisor's services that you are currently using?
... would you be to use additional services from your franchisor in the future?
... would you be to recommend your franchisor to a friend, colleague, acquaintance or potential new franchisee?

5.7.1.3 Section D of questionnaire – Overall relationship satisfaction levels

A number of items were measured in this section of the questionnaire as shown in Table 5.8. This section of the questionnaire was asked in order to evaluate the overall relationship satisfaction levels between franchisees and their franchisors. The anchors for the statements were “not satisfied at all / completely satisfied” and was measured on an 11- point scale (0 to 10).

Table 5.8 – Relationship Satisfaction Statements Used In This Study

Items
How would you rate your overall satisfaction with the ...
... quality of the relationship between you and your franchisor?
... service quality you receive from your franchisor?
... products supplied to you by the franchisor (quality, value for money)?
... personnel working for the franchisor?
... franchising agreement between you and your franchisor?
... franchisor organization in total?

5.7.1.4 Combination of section B, C and D of questionnaire – Relationship quality index levels

The questions discussed in section 5.7.1 were included in the questionnaire in order to measure the relationship quality between franchisees and franchisors. If the section on relationship quality and satisfaction (vide page 93 - 105) are

studied again, it will become clear that the dimensions of the “commitment-trust” model along with other aspects such as “satisfaction with personnel”, “service quality”, “satisfaction with core product” and “satisfaction with the organisation in total” are all aspects that influence the relationship quality between parties.

The satisfaction statements (in section 5.7.1.3 vide page 137) are however not mutually exclusive and therefore all of the statements cannot be used in a single relationship quality index due to their possible multicollinearity. *“Multicolliniartiy is the extent to which a variable can be explained by the other variables in the analysis”* (Hair et al 1995: 2). Hair et al (1995:276) state that *“the dependent variables should not have high multicollinearity, because this indicates only redundant dependent measures and decreases statistical efficiency.”*

It was decided not to include all the satisfaction statements in a relationship quality index score (along with the KMV model statements), but to only include the first five statements. The question pertaining to “satisfaction with the franchisor organisation in total”, was not included because this question encapsulates the rest of the questions already included. Only the KMV statements that were not discarded due to low reliability and validity were included in the calculation of the relationship quality index (the statements that were discarded due to reliability and validity issues are shown in section 6.2.2 to section 6.2.3 (vide page 177 - 179). The specified statements in sections 5.7.1.1 - 5.7.1.3 (vide page 130 - 137) were therefore combined into one relationship quality index score for analysis purposes.

5.7.2 The measurement of franchisee life cycles

5.7.2.1 Section F of questionnaire – The measurement of franchisee life cycles

A scientifically proven instrument could not be obtained (as discussed in chapter 3 page 73 - 80) and the Disenchantment Curve (Nathan 1993) was therefore used (after modification) to measure the franchisee life cycle stage /

phase. Descriptors of different stages were presented to franchisees and they were then required to indicate the stage that best described their relationship with their franchisor. The descriptors of the different stages are shown in Table 5.9.

Table 5.9 – Life Cycle Stage Items

Original labels	Items
Glee	I am <u>very happy</u> with the relationship between myself and the franchisor, The franchisor cares about my success, I am <u>excited</u> about my new franchise
Fee	The royalty payments are taking the cream off the top
Me	My franchise success is the result of my hard work, I could probably be just as successful without the franchisor
Free	I don't like all the restrictions that the franchisor places on the way I run my franchise, I <u>feel frustrated</u> at the constant interference of the franchisor, I want to be able to do my own thing, I want to express my own ideas
See	I can see the importance of following the rules of the system (franchisor), I can see the value of the standards placed on me by the franchisor
We	We (franchisor and franchisee) need to work together to make the most of our business relationship, I need specific assistance in certain areas to develop my business, I have ideas that I want the franchisor to consider

5.7.2.2 Section I of questionnaire – Classification questions

Various classification questions were asked to respondents. The most important classification question asked to respondents for the purposes of this study referred to the years that the respondents have been operating the franchise business. This was an open question and respondents were asked to indicate the number of years that they have been operating the franchise business.

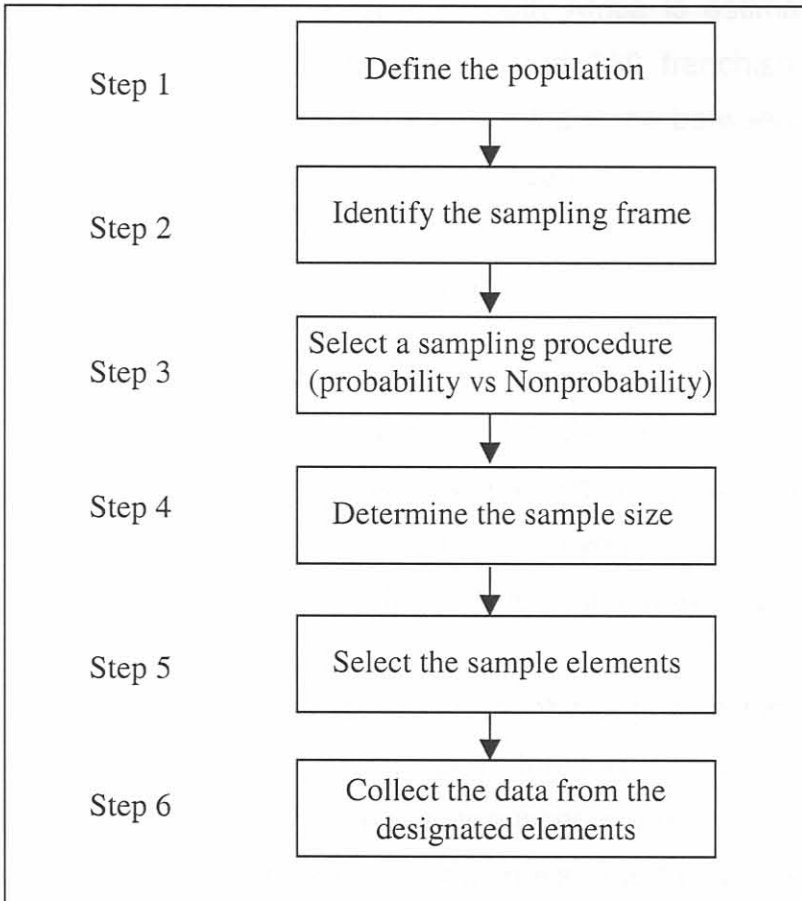
5.8 SAMPLING METHOD, SAMPLE SIZE AND DATA COLLECTION

Gay and Diehl (1992:126) define sampling as *“the process of selecting a number of units for a study in such a way that the units represent the larger group from which they were selected with the purpose to gain information*

about a population.” Individuals who are selected form the “sample”, while the larger group, from which they were selected, form the population.

Gilbert and Churchill (1995: 575) suggest the following six steps when drawing a sample:

Figure 5.1 – Six-Step Procedure for Drawing a Sample



Adapted from: Gilbert A, Churchill Jr. 1995. Marketing Research: Methodological Foundations, sixth edition. The Dryden Press: USA. p 575.

5.8.1 Define the population

The first step in sampling is the definition of the population. A “target population” is the population that the researcher would like to generalize to, while the “accessible population” is the population from which the researcher can realistically select (Gay and Diehl 1992:126).

In this study the target population can be defined as “all franchisees within South Africa.” Owing to the fact that a franchisee list was not readily available, a sample was first drawn from franchise systems and this can therefore be considered as the “accessible population.” Once the franchisee information was received from the selected franchisors, the franchisee information became the “accessible population”.

The total franchisor base for South Africa is estimated to be between 442 franchisors (Consulta Database) and 358 franchisors (Gordon 1998-1999), while the franchisee base is estimated to be between 18 442 franchisees and 20 885 franchisees (Gordon 1998-1999).

5.8.2 Identify the sampling frame

Identifying the sample frame was the second step in the sampling process. A sampling frame is the listing of the elements from which the sample will be drawn (i.e. telephone book, customer list etc). Gilbert and Churchill (1995) state that one of the researcher’s more creative tasks is developing a sampling frame when such a list of population elements is not available.

No comprehensive database of franchises or franchisees exists in South Africa and a process of sourcing both franchisor and franchisee information was therefore embarked upon (as discussed in previous chapters). The reason for first sourcing franchisor information was the fact that only the franchisor would hold a detailed and comprehensive list of all franchisees in the franchise system. The sampling procedures used, were chosen based on the fact that franchisor details were first sourced, and the implications of this are discussed in the next paragraph.

5.8.3 Select a sampling procedure and select the sample elements

There are two main categories of sampling procedures namely probability and nonprobability procedures.

In probability samples, each element of the population has a “*known, nonzero chance*” of being included in the sample. In nonprobability samples there is no way of determining the likelihood that any population element will be included in the sample. There is therefore no way of ensuring that the sample is representative of the population. In a nonprobability sample there is no way of evaluating the adequacy of the sample (Gilbert and Churchill 1995:578).

Each of these sampling procedure categories have different types or methods of sampling which are shown in Table 5.10.

Table 5.10 – Classification of Sampling Techniques

Sampling Techniques	
Nonprobability samples	Probability samples
Convenience	Simple random
Judgmental	Systematic
Quota	Stratified (Proportionate or disproportionate)
Snowball	Cluster sampling (Systematic or Area)

Adapted from: Malhotra NK. 1996. Marketing Research: An Applied Orientation, Second Edition. Prentice Hall International: USA. p 365.

5.8.3.1 The sampling procedure used in this study

Owing to the fact that no single, complete sampling frame for franchisees exist in South Africa, a more complex sampling approach had to be followed in order to reach a representative spread of franchisees in South Africa. This entailed the use of various sampling procedures and a multi-stage sampling procedure was therefore employed.

As a first level of sampling, proportionate stratified probability sampling was chosen. According to Gilbert and Churchill (1995: 603) this sampling procedure produces sample statistics that are more precise and that have smaller sampling errors than simple random samples. Another benefit of stratified sampling is that this method allows the investigation of characteristics of

specific subgroups. Stratified probability sampling has a two-step process that must be followed:

- The population must be divided into mutually exclusive and exhaustive subsets (also called strata) and
- A simple random sample of elements is then chosen from each subset (strata)

The first stage of the sampling process entailed the compilation of a list of franchise systems in South Africa (for more details on this process refer to the exploratory phase of the research starting from page 124). The franchise systems on the list were numbered and classified according to their FASA membership status (FASA members vs. Non-FASA members). The information pertaining to FASA membership status was obtained from the Franchising Association of Southern Africa's members list.

Franchise systems were then classified into small, medium and large based on the number of outlets that a specific franchise system had. Franchise systems with less than 40 outlets were classified as small systems, medium systems were those that had between 41 and 80 outlets and large systems would be those having more than 81 outlets. The decision on the number of outlets that would signify a small, medium and large system were based on a subjective judgment made after consultation with various specialist, franchising consultants. Owing to the fact that information on outlet numbers for all the franchising systems was not available, a process of subjectively classifying systems into small, medium and large categories was done in consultation with franchising consultants (as a starting position). In a few cases the income generated by a franchise system or association with a group would have been used as a size qualifier, rather than the number of outlets. The reason for this was the fact that certain franchises such as MacMunch (which only have 8 franchisees) form part of a group named Pleasure foods and classifying them as small would not be appropriate because their relationship with their franchisor would be the same as the relationship that larger franchises would have with their franchisor.

After categorizing and classifying the franchise systems, a calculation was made to determine the proportional split between FASA and Non-FASA members. As shown in Table 5.11 it was calculated that 56.8% of franchise systems were Non FASA members and only 43.2% were FASA members. It was therefore determined that if a sample size of 800 was used, 346 interviews should be completed with franchisees (FASA members) and the franchisees should represent at least 12 different franchise systems.

Table 5.11 – Sampling Stage 1 (Proportional split between FASA and Non-FASA members - before database cleaning)

	N outlets	Relative %	N franchisees (Proportional)	N - franchisors
FASA	7976	43.2%	346	12
NON FASA	10466	56.8%	454	15
Total	18442	100.0%	800	27

The proportional split was then further re-fined to include the size classifications as shown in Table 5.12. This table therefore suggests the completion of (for example) 56 interviews with “small FASA member” franchisees representing 2 different systems.

Table 5.12 – Sampling Stage 1 (Proportional split between FASA and Non-FASA members and size - before database cleaning)

	N outlets	Relative %	N franchisees (Proportional)	N- franchisors
FASA - Small	1296	16.2%	56	2
FASA - Medium	1820	22.8%	79	3
FASA - Large	4860	60.9%	211	7
Total	7976	100%	346	12
NON FASA - Small	3728	35.6%	162	5
NON FASA - Medium	1716	16.4%	74	3
NON FASA - Large	5022	48.0%	218	7
Total	10466	100%	454	15

A simple random sample of franchise systems was then drawn (based on the calculations as described in the previous paragraphs) from each of the different sub-sets / strata. Therefore, 2 franchise systems classified as small FASA

members, 3 classified as medium FASA and 7 classified as large FASA were drawn using a random number generator.

Each of the randomly selected franchise systems was telephonically contacted in order to obtain their support for the process as well as their franchisee contact names and telephone numbers. Franchisors were also asked to verify the number of outlets in their franchise system. This led to the discovery that many of the franchise systems were classified incorrectly in terms of their size. A substantial percentage of franchise systems thought to be large, were in fact medium sized and a number of systems thought to be medium were in fact small. Many of the “franchise systems” contacted were not franchising anymore or had never franchised and this information was substituted back into the database. All incorrect information was corrected and companies that did not belong on the franchise database were deleted.

Owing to the large number of changes and mistakes on the database, it was decided to re-calculate the sampling based on the new, correct information that was obtained. The same process discussed in the previous section was repeated (Sampling stage 2). The sampling (after database cleaning) is shown in Table 5.13 - Table 5.15.

Table 5.13 – Sampling Stage 2 (Number of Franchise Systems- After database cleaning)

	Small	Medium	Large	Total
FASA	76	31	40	147
Non-FASA	118	19	13	150
Total	194	50	53	

* Average number of outlets per small franchises = 16, medium = 52 and large=162

If the number of franchise systems is multiplied with the average number of outlets in each of the size categories, an estimation of the number of outlets can be made as shown in Table 5.14. A proportional split now indicated that 521 FASA franchisees (representing 17 franchise systems) and 279 Non FASA members representing 9 franchise systems had to be included in the study,

which is significantly different from the first round of sampling. The number of franchise systems included in the research was determined by dividing the number of franchisees by 30 (which was calculated as the average number of outlets per system).

Table 5.14 – Sampling Stage 2 (Number of Outlets- After database cleaning)

	Small	Medium	Large	Total	Percentage	N franchisees	N franchisors
FASA	1216	1612	6480	9308	65.1%	521	17
Non-FASA	1888	988	2106	4982	34.9%	279	9
Total	3104	2600	8586	14290	100.0%	800	26

The following table gives a breakdown of the sampling for each of the size categories.

Table 5.15 – Sampling Stage 2 (Number of Outlets, Franchisees and Franchisors - After database cleaning)

	N Outlets	Percentage	N franchisees	Suggested N franchisors
FASA - Small	1216	13.1%	68	2
FASA - Medium	1612	17.3%	90	3
FASA - Large	6480	69.6%	363	12
Total	9308	100%	521	17
NON FASA - Small	1888	37.9%	106	3
NON FASA - Medium	988	19.8%	55	2
NON FASA - Large	2106	42.3%	118	4
Total	4982	100%	279	9

The suggested number of FASA (17) and Non FASA (9) franchisors were randomly selected for inclusion in the study. Franchisors that agreed to participate in the study, forwarded their franchisee information to the researcher and all information was captured in electronic format to make the data collection process easier. The contact lists provided by franchisors were cleaned so that a franchisee's name would appear on the contact list only once (even if a franchisee owned multiple outlets). This was done to ensure that a franchisee would not be contacted more than once for an interview.

Stage 1 and 2 of the sampling process was based on the number of franchise systems as well as the number of outlets. The fact that some franchisees owned multiple outlets (but could only be interviewed once because they could only have one relationship with their franchisor irrespective of the number of outlets that they own) necessitated another sampling calculation. The third sampling stage could now be completed.

The sampling per franchise system was now done based on the number of franchisees in order to meet minimum cell size criteria as shown in Table 5.16. For example, the Non-FASA medium category consists of two franchise systems, which have 84 franchisees in total (42 franchisees each). The 84 franchisees make up 3.9% of the total population and would only receive 25 interviews if a proportional split were done. A minimum cell size of 30 was however suggested so that the results could be reported to the client for each of the different categories. Therefore, a total of 15 interviews per each of these franchises were suggested for completion. A simple random sampling procedure was used in selecting the 15 respondents from the 42. (In most cases all franchisees of a specific group were contacted in order to fill the proposed sample quotas. Many franchisees were not available and/or not interested and therefore, the next franchisee on the list was contacted, until such time as the list was totally exhausted. The fact that many franchisees were not available or not interested led to the fact that some of the quotas for the different franchise systems could not be filled as shown in Table 5.17. Substitutions were made where possible with franchisees from another franchise group in the same category in order to meet the 650 sample size).