

## CHAPTER 6

### RESEARCH RESULTS / FINDINGS

#### 6.1 INTRODUCTION

This chapter can be seen as the “grand finale” because it is the culmination of all the information that was reported and discussed in the previous chapters. The results shown in this chapter are based on the theoretical foundations that were built in chapters 2 – 4 and the methodological foundation that was built in chapter 5.

This chapter presents the response rates, research validation, descriptive results and cross tabulated research findings, as well as the results of the hypothesis testing. The limitations of the research, possible areas of future research as well as suggestions and recommendations are also given in this chapter.

#### 6.2 GENERAL RESEARCH FINDINGS

##### 6.2.1 Response rates

The following table presents the proposed sample sizes for each of the participating franchise groups as well as the number of interviews that were completed. In the last column the response rate is expressed as a percentage. The very satisfactory response rate of 99% that was obtained, can be ascribed to the data collection method used namely telephonic interviews. Some of the response rates exceed 100% due to substitution that took place when it was found that the quotas for some of the franchise groups could not be filled.

**Table 6.1 – Proposed Sample Sizes per Franchise System and the Corresponding Response Rates per Franchise System**

| No. | Franchise group            | Proposed sample | Realised Interviews | Response rate |
|-----|----------------------------|-----------------|---------------------|---------------|
|     | <b>FASA - small</b>        | <b>30</b>       | <b>26</b>           | <b>86.7%</b>  |
| 1   | Beaux Arts                 | 11              | 8                   | 72.7%         |
| 2   | Shine master               | 7               | 6                   | 85.7%         |
| 3   | Trappers franchising cc    | 12              | 12                  | 100.0%        |
|     | <b>FASA - medium</b>       | <b>83</b>       | <b>69</b>           | <b>83.1%</b>  |
| 1   | Coastal tool hire network  | 13              | 13                  | 100.0%        |
| 2   | Master Maths               | 16              | 16                  | 100.0%        |
| 3   | Re/max of Southern Africa  | 18              | 14                  | 77.8%         |
| 4   | Something fishy            | 36              | 26                  | 72.2%         |
|     | <b>FASA - large</b>        | <b>370</b>      | <b>383</b>          | <b>103.5%</b> |
| 1   | 7 Eleven Suprettes (Cape)  | 44              | 44                  | 100.0%        |
| 2   | Battery Centre             | 35              | 36                  | 102.9%        |
| 3   | Mr Exhaust Mr Tyre         | 21              | 21                  | 100.0%        |
| 4   | Pleasure foods (Mac Munch) | 8               | 8                   | 100.0%        |
| 5   | Pleasure foods (Wimpy)     | 62              | 64                  | 103.2%        |
| 6   | Postnet SA                 | 34              | 34                  | 100.0%        |
| 7   | Silverton radiators        | 31              | 31                  | 100.0%        |
| 8   | Spec-savers SA             | 23              | 23                  | 100.0%        |
| 9   | Spur                       | 31              | 31                  | 100.0%        |
| 10  | Steers                     | 33              | 41                  | 124.2%        |
| 11  | Supa-Quick                 | 48              | 50                  | 104.2%        |
|     | <b>NON-FASA - small</b>    | <b>50</b>       | <b>39</b>           | <b>78.0%</b>  |
| 1   | Annique                    | 14              | 4                   | 28.6%         |
| 2   | Barotti Stationers         | 9               | 9                   | 100.0%        |
| 3   | Gino's                     | 5               | 5                   | 100.0%        |
| 4   | Lumber city                | 12              | 13                  | 108.3%        |
| 5   | Trellidor                  | 10              | 8                   | 80.0%         |
|     | <b>NON-FASA - medium</b>   | <b>30</b>       | <b>29</b>           | <b>96.7%</b>  |
| 1   | Dream nails                | 15              | 14                  | 93.3%         |
| 2   | Harvey World Travel        | 15              | 15                  | 100.0%        |
|     | <b>NON-FASA - large</b>    | <b>94</b>       | <b>106</b>          | <b>112.8%</b> |
| 1   | King Pie                   | 59              | 63                  | 106.8%        |
| 2   | Mica Hardware              | 35              | 43                  | 122.9%        |
|     | <b>TOTAL</b>               | <b>657</b>      | <b>652</b>          | <b>99.2%</b>  |

## 6.2.2 Reliability Analysis

### 6.2.2.1 Commitment – trust instrument reliability analysis

The Cronbach Alpha-coefficient was used to perform a reliability analysis on the adapted commitment-trust relationship instrument (including all the dimensions discussed on page 130 and the propensity to leave statement). The reliability analysis resulted in a coefficient of 0.938 (before statement deletion), which is highly satisfactory compared to statistical benchmarks of 0.70 given in the literature. Gay and Diehl (1992:170) state that a coefficient of over 0.90 is acceptable for any instrument, while a researcher can be very satisfied with reliability levels in the 0.80's and levels in the 0.70's can also be accepted.

Owing to the high Cronbach Alpha coefficient obtained in the first round of testing, it was decided not to delete any statements that would lead to an increase in the Cronbach Alpha coefficient, because the deletion of these statements would only lead to a marginal improvement. The “item-to-total” correlations were however checked and statements with low item-to-total correlations (below 0.3) were deleted due to their lack of stability. (The shared value dimension and termination cost dimension were deleted and will therefore not be included in any of the descriptive or statistical analysis in the rest of this research / dissertation).

The reliability scores for the commitment-trust instrument are shown in Table 6.2.

**Table 6.2 – Cronbach Alpha Reliability Coefficients for the Commitment-Trust Instrument**

| Cronbach Alpha-coefficient (before statement deletion) | Statements deleted (due to low item-to-total correlations) | Cronbach Alpha-coefficient (after statement deletion) |
|--|--|---|
| 0.938  | 24, 28 –33   | 0.945   |

**Table 6.3 – Item-Total Correlations of the Commitment-Trust Instrument**

| Statement no            | Variable | Item-total correlation | Alpha if deleted |
|-------------------------|----------|------------------------|------------------|
| 1                       | COMM1    | 0.587                  | 0.944            |
| 2                       | COMM2    | 0.730                  | 0.942            |
| 3                       | COMT1    | 0.620                  | 0.944            |
| 4                       | COMT2    | 0.387                  | 0.946            |
| 5                       | OPPBE1   | 0.564                  | 0.944            |
| 6                       | OPPBE2   | 0.340                  | 0.947            |
| 7                       | TRUST1   | 0.678                  | 0.943            |
| 8                       | TRUST2   | 0.787                  | 0.942            |
| 9                       | TRUST3   | 0.782                  | 0.942            |
| 10                      | ACQUI1   | 0.601                  | 0.944            |
| 11                      | RELBEN1  | 0.773                  | 0.942            |
| 12                      | RELBEN2  | 0.691                  | 0.943            |
| 13                      | RELBEN3  | 0.472                  | 0.945            |
| 14                      | RELBEN4  | 0.758                  | 0.942            |
| 15                      | RELBEN5  | 0.787                  | 0.942            |
| 16                      | RELBEN6  | 0.700                  | 0.942            |
| 17                      | RELBEN7  | 0.608                  | 0.944            |
| 18                      | RELBEN8  | 0.598                  | 0.944            |
| 19                      | RELBEN9  | 0.600                  | 0.944            |
| 20                      | RELBEN10 | 0.512                  | 0.945            |
| 21                      | RELBEN11 | 0.718                  | 0.942            |
| 22                      | FCONFL1  | 0.405                  | 0.945            |
| 25                      | UNCERT1  | 0.595                  | 0.944            |
| 26                      | UNCERT2  | 0.597                  | 0.944            |
| 27                      | UNCERT3  | 0.477                  | 0.945            |
| 34                      | COOP1    | 0.657                  | 0.943            |
| 35                      | COOP2    | 0.688                  | 0.943            |
| 36                      | PTL      | 0.393                  | 0.947            |
| Cronbach's Alpha: 0.945 |          |                        |                  |

The previous table (Table 6.3) shows the item-to-total correlations and Cronbach Alpha if deleted for all of the statements that were not discarded in the reliability analysis.

### 6.2.2.2 Commitment – trust instrument dimension reliability analysis

The Cronbach Alpha-coefficient was also used to perform a reliability analysis on some of the dimensions of the adapted commitment-trust relationship

instrument. The Cronbach Alpha coefficients obtained for the dimensions are shown in Table 6.4.

**Table 6.4 – Cronbach Alpha Reliability Coefficients for Commitment-Trust Instrument Dimensions**

| Dimension             | Cronbach Alpha-coefficient |
|-----------------------|----------------------------|
| Relationship benefits | 0.906                      |
| Trust                 | 0.855                      |
| Uncertainty           | 0.735                      |

The coefficients obtained are within the accepted norms and the relationship benefit and trust dimensions received very satisfactory Cronbach's Alpha coefficients.

### 6.2.3 Validity analysis

As part of the statistical validation of the findings a principal component factor analysis was performed on the commitment-trust statements. Please remember that the shared value dimension and the termination cost dimension are not included, because these dimensions were discarded in the reliability analysis process. The "commitment statements" and "trust statements" are also not included because they are the key mediating variables and have an influence or are influenced by all the other variables in the instrument.

A satisfactory factor solution resulted in an cumulative explained variance of 61.2% - which means that the instrument developed to measure the relationship between franchisors and franchisees explains nearly 62% of all variability between different relationships. The Eigenvalue for this analysis was dropped slightly below the normal guideline of "1.00" and factors with an Eigenvalue of above "0.97" were included.

The explained cumulative variance, factor loadings and correlation matrix of the factor analysis is shown in Table 6.5 - Table 6.7.

**Table 6.5 – Factor Analysis Results**

| Factor | Eigenvalue | % Total variance | Cumulative Eigenvalue | Cumulative % variance |
|--------|------------|------------------|-----------------------|-----------------------|
| 1      | 9.804      | 42.6%            | 9.804                 | 42.6%                 |
| 2      | 1.247      | 5.4%             | 11.051                | 48.1%                 |
| 3      | 1.071      | 4.7%             | 12.122                | 52.7%                 |
| 4      | 0.992      | 4.3%             | 13.115                | 57.0%                 |
| 5      | 0.970      | 4.2%             | 14.085                | 61.2%                 |

**Table 6.6 – Factor Loadings**

| St no | Variable  | Factor 1<br>(Relationship benefits and communication) | Factor 2<br>(Co-operation) | Factor 3<br>(Opportunistic behaviour) | Factor 4<br>(Acquiescence) | Factor 5<br>(Uncertainty) |
|-------|-----------|---|----------------------------|---------------------------------------|----------------------------|---------------------------|
| 19    | REL BEN9  | 0.727   |                            |                                       |                            |                           |
| 20    | REL BEN10 | 0.708   |                            |                                       |                            |                           |
| 2     | COMM2     | 0.703   |                            |                                       |                            |                           |
| 21    | REL BEN11 | 0.682   |                            |                                       |                            |                           |
| 1     | COMM1     | 0.634   |                            |                                       | 0.416                      |                           |
| 16    | REL BEN6  | 0.573   |                            |                                       |                            |                           |
| 12    | REL BEN2  | 0.538   |                            |                                       |                            |                           |
| 15    | REL BEN5  | 0.531   | 0.401                      |                                       | 0.422                      |                           |
| 17    | REL BEN7  | 0.529   |                            |                                       |                            |                           |
| 11    | REL BEN1  | 0.488   | 0.432                      |                                       | 0.518                      |                           |
| 14    | REL BEN4  | 0.480   |                            |                                       | 0.467                      |                           |
| 26    | UNCERT2   | 0.432   |                            |                                       |                            | 0.713                     |
| 34    | COOP1     |   | 0.755                      |                                       |                            |                           |
| 35    | COOP2     |   | 0.751                      |                                       |                            |                           |
| 36    | PTL       | 0.620   |                            |                                       |                            |                           |
| 18    | REL BEN8  |   | 0.501                      |                                       |                            |                           |
| 6     | OPPBE2    |   |                            | 0.899                                 |                            |                           |
| 5     | OPPBE1    |   |                            | 0.573                                 |                            |                           |
| 13    | REL BEN3  |   |                            |                                       | 0.745                      |                           |
| 10    | ACQUI1    |   |                            |                                       | 0.555                      |                           |
| 22    | FCONFL1   |   |                            |                                       | 0.417                      |                           |
| 27    | UNCERT3   |   |                            |                                       |                            | 0.708                     |
| 25    | UNCERT1   |   |                            |                                       |                            | 0.639                     |

The coefficients and the statements on which the coefficients loaded, were used as the basis for naming the various factors. Factor 1 for example received the highest loadings on statements relating to relationship benefits and

communication. Some of the statements however received a number of cross loadings that complicated the process. Factor 4, for example, was very troublesome because it received two high coefficients for statements regarding relationship benefits. Owing to the fact that a relationship benefit factor had already been named, the next highest statement loading (which was acquiescence) was used to name the factor. (The naming process is therefore subjective).

The large amount of cross loadings in Table 6.6 indicates that there are correlations amongst the different variables. A correlation matrix was calculated to give a clearer indication of the correlations that exist between the variables in question and is shown in Table 6.7.

**Table 6.7 – Correlation Matrix of Dimension Averages**

|                         | Communication   | Opportunistic behaviour | Acquiescence    | Relationship benefits | Functional conflict | Uncertainty     | Co-operation    | PTL         |
|-------------------------|-----------------|-------------------------|-----------------|-----------------------|---------------------|-----------------|-----------------|-------------|
| Communication           | 1<br>p= ---     |                         |                 |                       |                     |                 |                 |             |
| Opportunistic behaviour | 0.384<br>p=.000 | 1<br>p= ---             |                 |                       |                     |                 |                 |             |
| Acquiescence            | 0.482<br>p=0.00 | 0.337<br>p=.000         | 1<br>p= ---     |                       |                     |                 |                 |             |
| Relationship benefits   | 0.726<br>p=0.00 | 0.487<br>p=0.00         | 0.541<br>p=0.00 | 1<br>p= ---           |                     |                 |                 |             |
| Functional conflict     | 0.271<br>p=.000 | 0.233<br>p=.000         | 0.263<br>p=.000 | 0.369<br>p=.000       | 1<br>p= ---         |                 |                 |             |
| Uncertainty             | 0.529<br>p=.000 | 0.355<br>p=.000         | 0.397<br>p=.000 | 0.665<br>p=0.00       | 0.302<br>p=.000     | 1<br>p= ---     |                 |             |
| Co-operation            | 0.462<br>p=0.00 | 0.413<br>p=.000         | 0.416<br>p=.000 | 0.667<br>p=0.00       | 0.303<br>p=.000     | 0.481<br>p=0.00 | 1<br>p= ---     |             |
| PTL                     | 0.235<br>p=.000 | 0.197<br>p=.000         | 0.254<br>p=.000 | 0.373<br>p=.000       | 0.160<br>p=.000     | 0.298<br>p=.000 | 0.348<br>p=.000 | 1<br>p= --- |

The correlation matrix (Table 6.7) shows that the dimensions are not entirely independent and that they are correlated in some way. The relationship benefits dimension is shown to correlate with the communication dimension, the opportunistic behaviour dimension as well as the acquiescence dimension. The

uncertainty dimension is correlated with the communication dimension and the relationship benefits dimension to highlight but a few.

#### **6.2.4 Sampling error estimation**

Dillon, Madden and Firtle's (1990:289) sample size calculator was used to determine the sampling error. A sample size of 652 was specified, with a 10% favourable response rate (calculated by dividing the number of calls that had to be made in order to complete 652 interviews). With the inputs just mentioned, a 3.5% percent sampling error in favourable responses was obtained at a 99.7% confidence level.

According to Sudman and Blair's (1998) sample calculator, with a sample size of 652, the researcher can be 95% confident of getting a sample result that fall within 1.257 of the actual population figure (this calculation is based on means) or within .038 of the actual population figure (calculation based on proportions).

### **6.3 DESCRIPTIVE STATISTICS**

In this section, the general descriptive results will be presented and discussed. The statistical significance testing of the results follows in later sections of this chapter.

#### **6.3.1 Explanation of tables**

The format of discussion, used for the results, is shown in Table 6.8. The index value will always be shown in the first column, followed by the confidence interval, the standard deviation and lastly the two top box scores.



**Table 6.8 – Explanation of tables**

**Index:**  
Indicates the average score expressed as an index out of 100

|  | Index | Conf. Interv. | Std. Dev | Two top box |
|--|-------|---------------|----------|-------------|
| 1. My franchisor keeps me informed   | 75.6  | 78.8-82.3     | 22.8     | 61.9%       |
| 2. My franchisor communicates his expectations well for my franchise performance | 51.6  | 72.5-76.0     | 23.0     | 36.2%       |
| 3. I am committed to the relationship between myself and my franchisor           | 81.4  | 79.8-82.7     | 19.0     | 60.7%       |

**Confidence Interval:**  
An estimation is made of the probable limits within which a population mean would fall

**Standard Deviation:**  
This is an index of variability (distribution) of data. A small standard deviation indicates that scores are close together and a large standard deviation indicates that the scores are more spread out.

**Two Top Box:**  
Indicates the percentage of respondents who indicated the two most upper scale points. Therefore, on a 10-point scale, it would indicate the % of those that said 9 and 10 (where 10 is strongly agree).

**6.3.2 The commitment-trust relationship instrument (Section B of instrument)**

**Table 6.9 – The Commitment-Trust Relationship Instrument**

|   | Index | Conf. Interv. | Std. Dev. | Two top box |
|---|-------|---------------|-----------|-------------|
| <b>Communication</b>  | 77.4  | 75.8-79.0     | 20.6      |             |
| My franchisor always keeps me informed of any new developments – new products, new prices, etc.                       | 80.5  | 78.8-82.3     | 22.8      | 52.1%       |
| My franchisor communicates his expectations well for my franchises performance  | 74.3  | 72.5-76.0     | 23.0      | 36.2%       |
| <b>Commitment</b>   | 81.4  | 79.8-82.7     | 19.0      |             |
| I am committed to the relationship between myself and my franchisor.  | 85.0  | 83.4-86.5     | 19.8      | 60.7%       |
| The relationship between my franchisor and myself is something that deserves maximum effort to maintain indefinitely. | 77.9  | 76.0-79.8     | 24.9      | 48.3%       |
| <b>Opportunistic behaviour</b>  | 64.8  | 62.7-66.5     | 25.2      |             |
| My franchisor never promises to do things without actually doing them.  | 68.0  | 65.8-70.2     | 28.7      | 33.3%       |

|  | Index       | Conf. Interv.    | Std. Dev.   | Two top box |
|--|-------------|------------------|-------------|-------------|
| My franchisor never alters the facts to accomplish their own objectives.   | 61.6        | 59.2-64.0        | 31.3        | 27.2%       |
| <b>Trust</b>   | <b>78.2</b> | <b>76.5-79.6</b> | <b>20.6</b> |             |
| All transactions between my franchisor and me are conducted with a high degree of integrity.   | 81.7        | 80.0-83.3        | 21.4        | 51.5%       |
| I receive enough information from my franchisor to feel secure with my current franchising position.   | 75.9        | 74.1-77.7        | 23.6        | 41.7%       |
| I fully trust my franchisor to do what is right.   | 76.9        | 75.0-78.8        | 24.9        | 46.6%       |
| <b>Acquiescence</b>  | <b>81.5</b> | <b>80.0-83.0</b> | <b>19.8</b> |             |
| In the future, my franchise will comply with the policies that the franchisor establishes  | 81.5        | 80.0-83.0        | 19.8        | 50.3%       |
| <b>Relationship benefits</b>   | <b>71.8</b> | <b>70.3-73.2</b> | <b>18.5</b> |             |
| My franchisor go out of its way to serve my needs (will do anything to satisfy my needs) rather than focusing on short term profits            | 71.4        | 69.5-73.2        | 24.1        | 32.4%       |
| My franchisor and its personnel are proactive – they often identify and correct faults even before I notice them.                              | 70.5        | 68.5-72.4        | 25.8        | 34.2%       |
| The trust between my franchisor and myself is the result of my previous experience with my franchisor.   | 73.2        | 71.2-75.2        | 26.2        | 38.3%       |
| I receive personal attention from my franchisor – they care about me as an individual.   | 71.0        | 69.0-73.0        | 25.9        | 33.7%       |
| My franchisor delivers consistent service that meets and even exceeds my expectations.   | 70.2        | 68.4-72.0        | 23.4        | 26.5%       |
| My franchisor gives enough franchise set-up support (site selection, store design)   | 71.2        | 69.1-73.2        | 26.1        | 34.2%       |
| My franchisor does enough co-operative advertising and marketing (high marketing spend, strong brand, name recognition)                        | 70.6        | 68.5-72.7        | 27.6        | 36.5%       |
| My franchisor uses group buying power to it's fullest potential to the benefit of franchisees  | 67.9        | 65.8-70.1        | 28.5        | 32.8%       |
| My franchisor has a strong focus on training   | 73.2        | 71.2-75.2        | 25.9        | 36.8%       |
| My franchisor has operations manuals for all procedures and standards of my business   | 78.1        | 76.0-80.1        | 26.4        | 52.2%       |
| My franchisor has a strong focus on motivation of franchisees (creating of supportive networks, giving recognition and respect and acceptance) | 72.6        | 70.8-74.5        | 24.2        | 33.4%       |
| <b>Functional conflict</b>   | <b>71.8</b> | <b>70.0-73.6</b> | <b>23.1</b> |             |
| In the future, differences of opinion between my franchisor and me will be viewed as “just a part of doing business”                           | 71.8        | 70.0-73.6        | 23.1        | 29.1%       |
| <b>Uncertainty</b>   | <b>74.8</b> | <b>73.3-76.2</b> | <b>19.5</b> |             |
| I have <u>adequate</u> information to make informed decisions about the spending on local sales promotions and advertising                     | 67.5        | 65.4-69.6        | 27.0        | 28.1%       |
| I have <u>adequate</u> information to make informed decisions about the managing of my franchise   | 76.0        | 74.2-77.8        | 23.6        | 41.8%       |
| I am <u>confident</u> enough to make informed decisions on what products or brands to carry in stock   | 80.9        | 79.2-82.5        | 21.4        | 49.4%       |

- On average, most of the index values are relatively high with only a few of the statements (and dimensions) receiving values below 70. This indicates

that franchisees are relatively satisfied with these aspects with regards to their franchisor.

- Commitment and Acquiescence received the highest dimension index scores of above 81.0 for this section, indicating that these are the two aspects that franchisees are most satisfied with.
- The lowest index values, were obtained by the opportunistic behaviour dimension (with both of the statements in this dimension receiving relatively low index scores). The other lowest scoring items were the statement pertaining to the group buying power of franchisors and the adequacy of information to make informed decisions on local sales promotions and advertising.
- The standard deviations are relatively large for these questions, which are to be expected because franchisees from different franchises, from different industries, across the country where questioned about their specific relationship with their franchisor. It is expected that the range of answers would therefore vary considerably from franchisee to franchisee.

**Table 6.10 – The Commitment-Trust Relationship Instrument (Co-operation)**

|  | Index | Conf. Interv. | Std. Dev. | Two top box |
|--|-------|---------------|-----------|-------------|
| Co-operative                                   | 74.0  | 72.2-75.6     | 22.2      |             |
| ... the swift settlement of enquiries.         | 74.8  | 73.0-76.5     | 22.9      | 37.7%       |
| ... the swift settlement of problems/ disputes | 73.2  | 71.4-75.0     | 23.7      | 35.7%       |

- Franchisees perceive franchisors to be slightly more co-operative with regards to enquiries than with the settlement of problems / disputes.
- 37.7% of franchisees see their franchisors as being very co-operative with regards to the settlement of enquiries, while 35.7% of franchisees see their franchisors as being very co-operative with regards to settlement of problems.

### 6.3.3 Relationship issues (Section C of instrument)

**Table 6.11 – Relationship Issues**

|  | Index | Conf. Interv. | Std. Dev. | Two top box |
|--|-------|---------------|-----------|-------------|
| ... would you be to continue your relationship with your franchisor, if you were in the situation to reconsider your relationship with them? | 72.2  | 69.8-74.6     | 31.2      | 44.9%       |
| ... are you to continue using your franchisor's services that you are currently using?   | 81.3  | 79.4-83.1     | 24.0      | 54.9%       |
| ... would you be to use additional services from your franchisor in the future?  | 78.5  | 76.5-80.5     | 25.1      | 47.7%       |
| ... would you be to recommend your franchisor to a friend, colleague, acquaintance or potential new franchisee?                              | 77.6  | 75.6-80.0     | 28.2      | 52.6%       |

- The index scores for this section are relatively good.
- More than half of the respondents (52.6%) would be extremely likely to recommend their franchisor to others, while an even bigger percentage (54.9%) of franchisees are extremely likely to “continue using the services of their franchisor that they are currently using”.

### 6.3.4 Overall satisfaction levels (Section D of instrument)

**Table 6.12 – Overall Satisfaction Levels**

|   | Index | Conf. Interv. | Std. Dev. | Two top box |
|---|-------|---------------|-----------|-------------|
| ... quality of the relationship between you and your franchisor           | 76.4  | 74.8-78.2     | 22.1      | 41.2%       |
| ... service quality you receive from your franchisor                      | 76.7  | 75.2-78.3     | 20.0      | 38.3%       |
| ... products supplied to you by the franchisor (quality, value for money) | 78.9  | 77.5-80.7     | 20.5      | 44.4%       |
| ... personnel working for the franchisor                                  | 77.8  | 76.4-79.4     | 19.6      | 40.9%       |
| ... franchising agreement between you and your franchisor                 | 72.8  | 71.0-74.7     | 24.1      | 34.3%       |
| ... franchisor organisation in total                                      | 78.3  | 76.8-79.9     | 19.9      | 42.5%       |

- The overall satisfaction levels are fairly good, but none of the statements have an exceptionally high index score (above 80).
- The highest satisfaction index score was obtained by the statement regarding the products supplied to franchisees by their franchisors, which received an index score of 78.9.
- The franchising agreement received the lowest index score (72.8) indicating that this is the aspect that franchisees are least satisfied with. It also received the lowest two top box score in this section, indicating that only 34.3% of respondents were completely satisfied with their agreement.

### 6.3.5 Relationship quality index (Combination of specified parts in Section A, C and D of instrument)

**Table 6.13 – Relationship Quality Index**

|                            | Index | Conf. Interv. | Std. Dev. |
|----------------------------|-------|---------------|-----------|
| Relationship quality index | 74.3  | 73.1 - 75.5   | 15.8      |

- This index was calculated by using the commitment-trust dimensions (all except termination cost and shared values) and the overall satisfaction levels (all except the statement pertaining to the franchisor organisation in total) as discussed in the previous chapter (vide page 137).
- The relationship quality index is fairly good, with a relatively low standard deviation when compared to the previous tables.

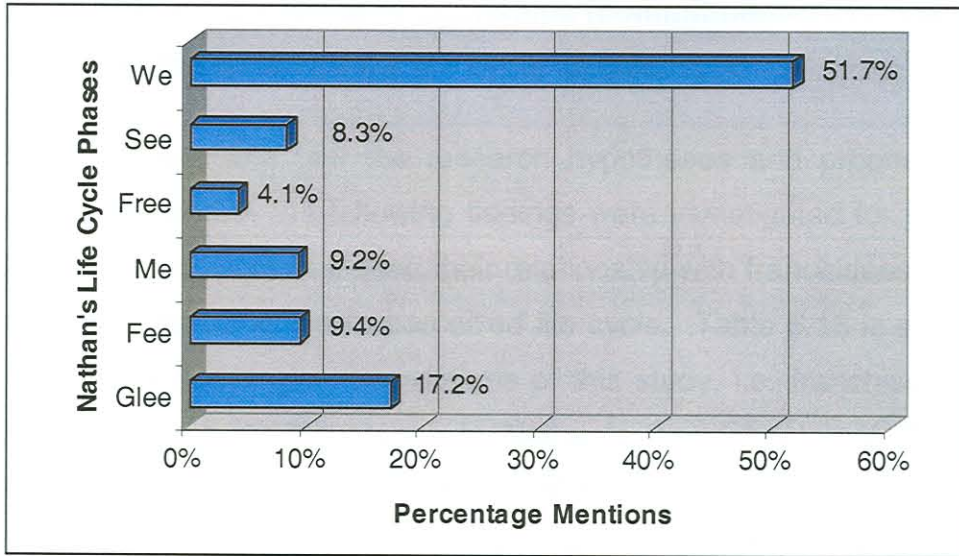
### 6.3.6 Franchisee life cycle (Section F of instrument)

**Table 6.14 – Franchisee Life Cycle**

| Phase | Phase name | Description  | N   | Percentage mentions |
|-------|------------|--|-----|---------------------|
| 1     | Glee       | I am <u>very happy</u> with the relationship between myself and the franchisor, I am <u>excited</u> about my new franchise | 112 | 17.2%               |
| 2     | Fee        | The royalty payments are taking the cream off the top  | 61  | 9.4%                |
| 3     | Me         | My franchise success is the result of my hard work, I could probably be just as successful without the franchisor          | 60  | 9.2%                |
| 4     | Free       | I don't like all the restrictions that the franchisor places on the way I run my franchise                                 | 27  | 4.1%                |
| 5     | See        | I can see the importance of following the rules of the system and the franchisor   | 54  | 8.3%                |
| 6     | We         | We (franchisor and franchisee) need to work together to make the most of our business relationship                         | 337 | 51.7%               |
|       |            | Non Response   | 1   | 0.2%                |
|       |            | Total  | 652 | 100.0%              |

- The largest percentage (51.7%) of franchisees classified themselves into phase 6 (We-phase) of their life cycle.
- The second largest percentage (17.2%) of franchisees considers themselves to be in phase 1 (Glee) of the life cycle.
- Figure 6.1 gives a graphical representation of Table 6.14.

**Figure 6.1 - Franchisee Life Cycle**



**6.3.7 Years operating as a franchise business (Section I of instrument)**

**Table 6.15 – Age of franchise (years operating as a franchise)**

|               | N   | Percentage Mentions |
|---------------|-----|---------------------|
| 1 year        | 144 | 23.1%               |
| 2 years       | 99  | 15.9%               |
| 3 years       | 67  | 10.7%               |
| 4 years       | 61  | 9.8%                |
| 5 years       | 48  | 7.7%                |
| 6 - 10 years  | 116 | 18.6%               |
| 11 - 15 years | 50  | 8.0%                |
| 16 - 20 years | 23  | 3.7%                |
| 21 - 25 years | 6   | 1.0%                |
| 26 - 30 years | 3   | 0.5%                |
| 31 - 35 years | 1   | 0.2%                |
| 36 - 40 years | 4   | 0.6%                |
| 41 - 45 years | 0   | 0.0%                |
| 46 - 50 years | 1   | 0.2%                |
| 51 - 55 years | 1   | 0.2%                |
| Non Response  | 28  | -                   |
| Total         | 652 | 100%                |

- A fairly good spread of franchisees with different relationship durations was obtained.

## 6.4 CROSS TABULATION STATISTICS

### 6.4.1 The integration of relationships (commitment-trust model) and Nathan's franchisee life cycle stages

To investigate and test the research hypotheses and propositions stated in chapters 1 and 5, the following findings were investigated for potential links in the way franchisors managed their relationship with franchisees and the current stages of the franchisee's perceived life cycle. Table 6.16 is a combination of the two methodological foundations of this study, i.e. franchisee life cycle (as operationalized by the stages in Nathan's Disenchantment Curve - E-factor 1993) and the different dimensions of the Morgan-Hunt (1994) commitment-trust theory. The index scores are an expression of the degree of satisfaction with the relationship.

**Table 6.16 – Index Scores on Commitment – Trust Dimensions with Nathan's E-Factor**

|  | Glee | Fee  | Me   | Free | See  | We   |
|--|------|------|------|------|------|------|
| Commitment                                       | 87.4 | 76.4 | 76.1 | 69.3 | 79.2 | 82.2 |
| Trust  | 89.9 | 70.7 | 69.4 | 54.6 | 80.6 | 78.4 |
| Relational benefits                              | 83.7 | 66.6 | 63.6 | 56.7 | 71.3 | 71.4 |
| Communication                                    | 88.5 | 72.0 | 73.7 | 63.7 | 75.7 | 76.7 |
| Lack of Opportunistic behavior*                  | 72.3 | 61.1 | 58.6 | 50.9 | 63.9 | 64.9 |
| Acquiescence Bias                                | 90.5 | 76.2 | 73.7 | 60.0 | 80.6 | 82.7 |
| Propensity to Leave measured as Retention Index* | 79.6 | 66.9 | 64.8 | 47.4 | 78.3 | 73.0 |
| Cooperation                                      | 86.7 | 69.7 | 69.2 | 55.4 | 72.9 | 72.8 |
| Functional conflict                              | 78.3 | 71.1 | 67.7 | 60.0 | 72.4 | 71.3 |
| Lack of Uncertainty*                             | 85.0 | 70.1 | 67.5 | 66.4 | 75.1 | 74.1 |

\*In the commitment trust model of Morgan and Hunt (1994: 22) these items were negatively worded and therefore had negative relationships with commitment and trust. These items were however positively worded (or reverse-scored) in this study and the relationships would therefore be positive. The dimension names have also been adapted to reflect the changes made.

- Franchisees in the Glee phase scored the highest index values across all dimensions indicating that this group is the most satisfied with their relationship.



- Franchisees in the fourth life cycle phase (**Free**) are the most unhappy with their relationship and the commitment-trust dimensions are consistently very low across all the dimensions.
- The index values for the **Fee** and **Me** stages were very similar for all dimensions, while the **See** and **We** stages' index values were very similar to one another for the different dimensions.

#### 6.4.2 The integration of relationship issues and Nathan's franchisee life cycle stages

A similar cross-tabulation (as in the previous section) was also done with Nathan's life cycle stages and the different statements in section C of the questionnaire which deals with various relationship issues such as recommendation rates, likelihood of use of additional services etc. The results of this cross tabulation are shown in Table 6.17.

**Table 6.17 – Index Scores on Relationship Issue Statements with Nathan's E-Factor**

|  | Glee | Fee  | Me   | Free | See  | We   |
|--|------|------|------|------|------|------|
| ... would you be to continue your relationship with your franchisor, if you were in the situation to reconsider your relationship with them? | 79.6 | 66.9 | 64.8 | 47.4 | 78.3 | 73.0 |
| ... are you to continue using your franchisor's services that you are currently using?   | 91.8 | 74.4 | 73.7 | 58.9 | 83.1 | 81.9 |
| ... would you be to use additional services from your franchisor in the future?  | 88.3 | 67.5 | 73.5 | 60.4 | 78.7 | 79.4 |
| ... would you be to recommend your franchisor to a friend, colleague, acquaintance or potential new franchisee?                              | 90.6 | 65.7 | 66.5 | 44.4 | 82.8 | 79.2 |

- The same trend as in the previous section is also visible. Franchisees in the **Glee** phase are the most positive, while franchisees in the **Free** stage are the most negative. There are great similarities between the **Fee** and **Me** stage and the **See** and **We** stage.

### 6.4.3 The integration of overall satisfaction levels and Nathan's franchisee life cycle stages

A cross tabulation between the overall satisfaction levels as well as the relationship quality index and the life cycle stages were also done and is shown in tables Table 6.18 - Table 6.19.

**Table 6.18 – Index Scores on Overall Satisfaction Level Statements with Nathan's E-Factor**

|   | Glee | Fee  | Me   | Free | See  | We   |
|---|------|------|------|------|------|------|
| ... quality of the relationship between you and your franchisor           | 89.8 | 67.0 | 66.3 | 54.4 | 79.8 | 76.6 |
| ... service quality you receive from your franchisor                      | 87.5 | 68.7 | 67.0 | 61.2 | 79.6 | 77.0 |
| ... products supplied to you by the franchisor (quality, value for money) | 86.5 | 75.1 | 71.0 | 62.8 | 78.9 | 79.7 |
| ... personnel working for the franchisor                                  | 86.7 | 73.5 | 69.5 | 65.6 | 78.9 | 77.9 |
| ... franchising agreement between you and your franchisor                 | 86.3 | 62.1 | 63.3 | 47.2 | 75.4 | 73.5 |
| ... franchisor organization in total                                      | 89.6 | 71.0 | 71.8 | 57.2 | 77.8 | 78.7 |

**Table 6.19 – Index Scores of Relationship Quality Index with Nathan's E-Factor**

|                            | Glee | Fee  | Me   | Free | See  | We   |
|----------------------------|------|------|------|------|------|------|
| Relationship Quality Index | 85.0 | 69.0 | 67.0 | 58.3 | 74.5 | 74.2 |

Owing to the similarities between the **Fee** and **Me** Stages as well as the **See** and **We** Stages (as seen in the previous three cross tabulations), it was necessary to focus on the apparent similarities that existed between the different stages in Nathan's Disenchantment Curve (e-factor). The similarities or differences were found by fitting the Disenchantment Curve stages (Nathan's E-factor) to the duration of franchisee relationships. A multivariate tool was required to assist in investigating the correlation between relationship length of the franchisee relationship and Nathan's Disenchantment Curve stages. It was decided to perform a correspondence analysis in order to determine if a "fit"

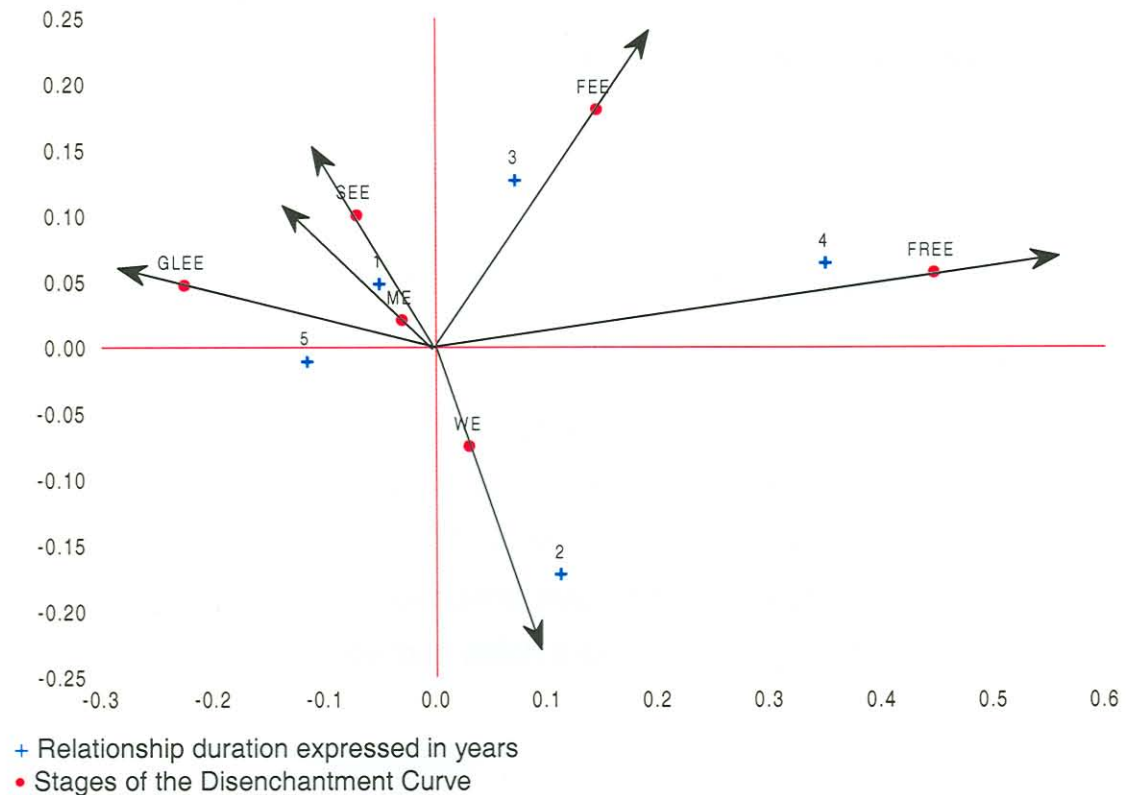
could be found between length of relationship and life cycles measured with Nathan’s Disenchantment Stages. The first correspondence solution is illustrated in Figure 6.2.

## 6.5 CORRESPONDENCE ANALYSIS

### 6.5.1 Correspondence map of Nathan’s disenchantment curve and relationship duration

It is clear from Figure 6.2 that some stages are very similar, whilst others are clearly different, which consequently did not represent a satisfactory fit. Also note that 89.17% of the total inertia was explained by this two dimension correspondence analysis, which at first glance would seem to be very satisfactory, but when compared to the second correspondence analysis is less than satisfactory.

**Figure 6.2 – Correspondence Map of the Disenchantment Curve (Nathan’s E Factor) and Relationship Duration**



Horizontal Inertia = 65.52% and Vertical Inertia = 23.65%

The life cycle stages as classified by Nathan were subsequently re-grouped and combined in order to test whether a clearer picture could be obtained. The “**Fee**” and “**Me**” phases (of Nathan’s E-factor / Disenchantment Curve) were grouped and named the “**Me**” phase”, while the “**See**” and “**We**” phases were grouped and classified as the “**We**” phase. The first (“**Glee**”) and fourth (“**Free**”) phases were also re-named to the “**Courting**” phase and “**Rebel**” phase respectively. These changes are shown in the following table.

**Table 6.20 – Re-Classification of Nathans Life Cycle Stages**

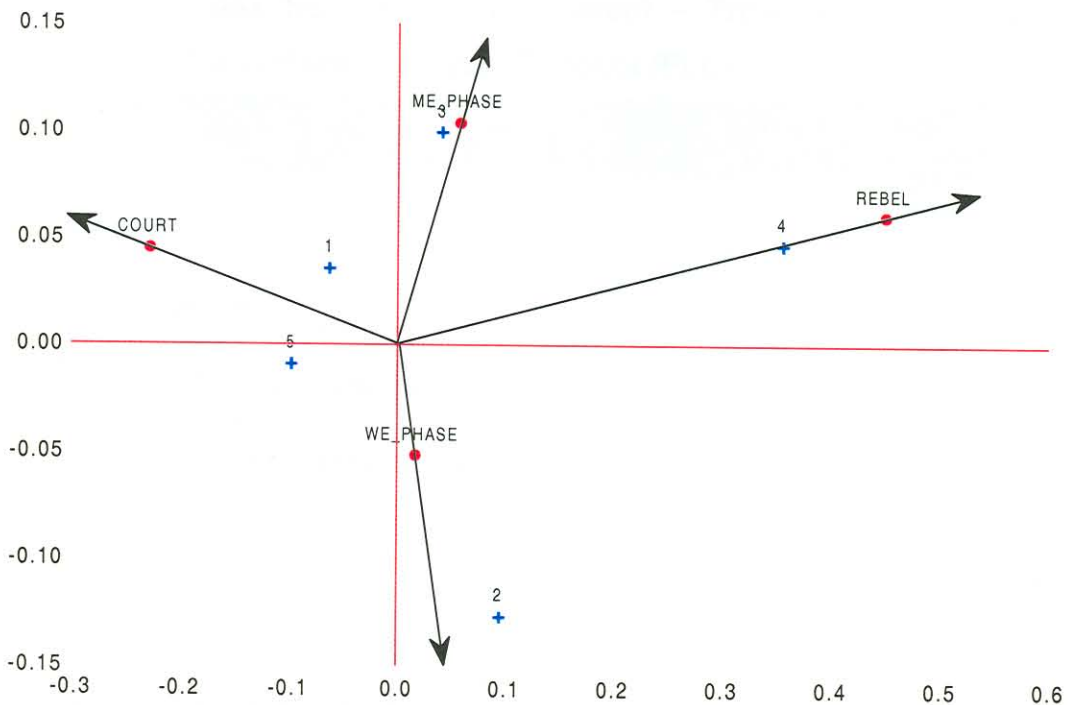
| Nathan’s Original Life Cycle Stages | Re-Classified Life Cycle Stages (FLC) |
|-------------------------------------|---------------------------------------|
| Glee                                | Courting                              |
| Fee                                 | Me                                    |
| Me                                  |                                       |
| Free                                | Rebel                                 |
| See                                 | We                                    |
| We                                  |                                       |

A correspondence analysis was then performed on the new proposed life cycle stages with the four stages called **Courting-Phase**, **We-Phase**, **Me-Phase** and **Rebel-Phase**. This new classification model will be referred to as the Franchisee Life Cycle Concept (FLC) from now on.

### 6.5.2 Correspondence map of Franchisee Life Cycle Concept and relationship duration

The new correspondence map is shown in Figure 6.3 and shows a better fit between the duration of the relationship and identification of franchisee life cycle stages than in Figure 6.2. Also note that more than 96% of the inertia is explained by this correspondence map, which is significantly more than the previous correspondence map which explained 89.17% of the total inertia.

**Figure 6.3 – Correspondence Map of Franchisee Life Cycle Concept (New Life Cycle Stages) and Duration of Relationship**



+ Relationship duration expressed in years

• New Life Cycle Stages (Franchisee Life Cycle Concept – FLC)

Horizontal Inertia = 78.84% and Vertical Inertia = 17.48%

## 6.6 FRANCHISEE LIFE CYCLE CONCEPT CROSS TABULATION STATISTICS

### 6.6.1 The integration of relationships (commitment-trust model) and the Franchisee Life Cycle Concept (FLC)

Hypotheses 2 to 4 stated that there would be significant differences in the commitment-trust dimensions and the relationship quality levels of each of the life cycle phases. In Table 6.21 - Table 6.24 these hypotheses are investigated by cross tabulating the commitment-trust dimension scores, the overall satisfaction levels and the relationship quality levels for each of the FLC phases. The deteriorating trend across all of the FLC phases is clearly evident (in all of the commitment-trust dimensions as well as the other dependent

variables used for cross tabulation purposes), and the significance of these differences will later be tested (hypothesis testing).

the FLC

**Table 6.21 – Index Scores of Commitment – Trust Statements with the Franchisee Life cycle Concept (FLC)**

|  | Courting-Phase | “We”-Phase | “Me”-Phase | Rebel-Phase |
|--|----------------|------------|------------|-------------|
| N  | 112            | 121        | 27         | 391         |
| Commitment                                       | 87.4           | 81.8       | 76.2       | 69.3        |
| Trust  | 89.9           | 78.7       | 70.1       | 54.6        |
| Relational benefits                              | 83.7           | 71.4       | 65.1       | 56.7        |
| Communication                                    | 88.5           | 76.6       | 72.9       | 63.7        |
| Lack of Opportunistic behavior*                  | 72.3           | 64.8       | 59.8       | 50.9        |
| Acquiescence Bias                                | 90.5           | 82.4       | 75.0       | 60.0        |
| Propensity to Leave measured as Retention Index* | 79.6           | 73.7       | 65.9       | 47.4        |
| Cooperation                                      | 86.7           | 72.8       | 69.4       | 55.4        |
| Functional conflict                              | 78.3           | 71.5       | 69.4       | 60.0        |
| Lack of Uncertainty*                             | 85.0           | 74.3       | 68.8       | 66.4        |

\*In the commitment trust model of Morgan and Hunt (1994: 22) these items were negatively worded and therefore had negative relationships with commitment and trust. These items were however positively worded (or reverse-scored) in this study and the relationships would therefore be positive.

**Table 6.22 – Index Scores on Relationship Issue Statements with the FLC**

|  | Courting-Phase | “We”-Phase | “Me”-Phase | Rebel-Phase |
|--|----------------|------------|------------|-------------|
| ... would you be to continue your relationship with your franchisor, if you were in the situation to reconsider your relationship with them? | 79.6           | 73.7       | 65.9       | 47.4        |
| ... are you to continue using your franchisor’s services that you are currently using?   | 91.8           | 82.1       | 74.0       | 58.9        |
| ... would you be to use additional services from your franchisor in the future?  | 88.3           | 79.3       | 70.5       | 60.4        |
| ... would you be to recommend your franchisor to a friend, colleague, acquaintance or potential new franchisee?                              | 90.6           | 79.7       | 66.1       | 44.4        |

**Table 6.23 – Index Scores on Overall Satisfaction Level Statements with the FLC**

|   | Courting-Phase | “We”-Phase | “Me”-Phase | Rebel-Phase |
|---|----------------|------------|------------|-------------|
| ... quality of the relationship between you and your franchisor           | 89.8           | 77.0       | 66.7       | 54.4        |
| ... service quality you receive from your franchisor                      | 87.5           | 77.3       | 67.9       | 61.2        |
| ... products supplied to you by the franchisor (quality, value for money) | 86.5           | 79.6       | 73.1       | 62.8        |
| ... personnel working for the franchisor                                  | 86.7           | 78.0       | 71.5       | 65.6        |
| ... franchising agreement between you and your franchisor                 | 86.3           | 73.7       | 62.7       | 47.2        |
| ... franchisor organization in total                                      | 89.6           | 78.5       | 71.4       | 57.2        |

**6.6.2 The integration of relationship quality index levels and the Franchisee Life Cycle Concept (FLC)**

**Table 6.24 – Index Scores of Relationship Quality Index with the FLC**

|                            | Courting-Phase | “We”-Phase | “Me”-Phase | Rebel-Phase |
|----------------------------|----------------|------------|------------|-------------|
| Relationship quality index | 85.0           | 74.3       | 68.0       | 58.3        |

In the previous four tables the trend is consistently the same. The courting phase consistently has the highest index values and the index values decrease for each consecutive phase thereafter. In the next section each of the hypotheses are statistically tested to ascertain whether the differences are statistically significant.