

6.7 HYPOTHESES TESTING RESULTS

In the following sections, each of the research hypotheses are re-stated. The hypotheses are stated in the alternative form, although the null hypothesis was tested. The alternative hypotheses are stated in order to simplify the discussion.

6.7.1 The existence of distinct life cycle phases

6.7.1.1 Proposition 1

P₁ = There are distinctive phases in the relationship between franchisees and the franchisor that follows a typical life cycle format

A detailed discussion of this proposition (and its outcomes) were done in section 5.4.1 (vide page 118) and section 6.5 (vide page 193). A brief summary is offered in the following paragraphs.

A correspondence analysis was performed on the duration of the franchisee relationship and the phases of Nathan's (1993) disenchantment curve to determine if a good "fit" could be obtained. A less than satisfactory "fit" was obtained and the phases of Nathan's disenchantment curve were re-grouped and re-classified. Another correspondence analysis was then performed on the new re-classified stages (called the FLC) and a very satisfactory fit of data was obtained.

Based on the correspondence analyses (Figure 6.3) shown previously, a qualitative judgement can be made that there are distinctive phases in the relationship between franchisees and the franchisor that follow a typical life cycle format. (A test of significance cannot be performed when using correspondence analysis as discussed on page 118 and this is the reason for making a qualitative judgement).



The correspondence map of the relationship duration and the FLC clearly indicate that there are four distinct life cycle phases corresponding with relationship durations of 1 year, 2 year, 3 years, 4 years and 5 or more years.

6.7.1.2 Implications of the existence of distinct life cycle phases

The fact that there are distinctive life cycle phase has implications on various levels:

Firstly, it has modelling implications. The fact that there are distinct phases means that franchisees can be classified into distinct phases. These phases can however not be modelled and monitored unless other characteristics, influencing factors, parameters and factors that determine progression through the phases are investigated and scientifically tested.

Secondly, it has implications for management of franchisee-franchisor relationships, because it means that franchisees in different life cycle phases would have different needs and would therefore require different management approaches.

Thirdly, it has industry implications because franchisors would be able to manage their franchisees more effectively and efficiently based on the specific life cycle phase that a franchisee is situated in. Franchisors could therefore use the knowledge or franchisee life cycles to better manage the relationship between themselves and franchisees.

6.7.2 Significant differences between life cycle phases

6.7.2.1 Hypothesis 1

H₁ = There are significant differences in the commitment-trust dimensions representing the franchisee-franchisor relationship between each life cycle phase.



Table 6.25 - Data Used For Hypothesis 1

Dimension	Variable name	Courting- Phase	"We"- Phase	"Me"- Phase	Rebel- Phase
Communication	COMG	88.5	76.6	72.9	63.7
Commitment	COMTG	87.4	81.8	76.2	69.3
Lack of Opportunistic behavior*	OPPBEG	72.3	64.8	59.8	50.9
Trust	TRUSTG	89.9	78.7	70.1	54.6
Acquiescence Bias	ACQUI1	90.5	82.4	75.0	60.0
Relational benefits	RELBENG	83.7	71.4	65.1	56.7
Functional conflict	FCONFL1	78.3	71.5	69.4	60.0
Lack of Uncertainty*	UNCERTG	85.0	74.3	68.8	66.4
Cooperation	COOPG	86.7	72.8	69.4	55.4
Propensity to Leave measured as Retention Index*	PTL	79.6	73.7	65.9	47.4

Table 6.26 - MANOVA Test For Hypothesis 1

Wilks' Lambda	df 1	df 2	p-level
0.796	30	1873	0.000

Table 6.27 – Dimensional Significance (Mean Effects Test) For Hypothesis 1

Dimension	Variable name	Mean sqr Effect	Mean sqr Error	F(df1,2) 3,647	p-level
Communication	COMG	7236.9	392.7	18.4	0.000
Commitment	COMTG	3765.0	345.5	10.9	0.000
Lack of Opportunistic behavior*	OPPBEG	4829.5	616.8	7.8	0.000
Trust	TRUSTG	12855.5	368.5	34.9	0.000
Acquiescence Bias	ACQUI1	9046.8	353.9	25.6	0.000
Relational benefits	RELBENG	9156.1	302.9	30.2	0.000
Functional conflict	FCONFL1	3073.5	522.4	5.9	0.001
Lack of Uncertainty*	UNCERTG	5998.2	353.5	17.0	0.000
Cooperation	COOPG	10116.1	447.3	22.6	0.000
Propensity to Leave measured as Retention Index*	PTL	9464.4	934.6	10.1	0.000

The Wilk's Lambda test (Table 6.26) provided a p-level, which indicates that there are significant differences between the commitment-trust dimensions of



the franchisee life cycle stages. The null hypothesis can therefore be rejected and the alternative hypothesis (as stated above) can be "accepted".

A further analysis was done to determine which dimensions showed significant differences and as shown in Table 6.27, all the dimensions have a p-value of below 0.05 indicating significant differences.

6.7.2.2 Hypothesis 2

H₂ = There are significant differences in the relationship quality index levels representing the franchisee-franchisor relationship between each life cycle phase.

Table 6.28 - Data Used For Hypothesis 2

Dimension	Variable name	Courting- Phase	"We"- Phase	"Me"- Phase	Rebel- Phase
Relationship Quality Index	RELQUALI	85.0	74.3	TO STORY IN THE STORY	The state of the s

Table 6.29 - ANOVA Test For Hypothesis 2

Variable name	F	- p
RELQUALI	38.6	0.000

A statistical significant p-value was obtained indicating that there are significant differences in the relationship quality index levels representing the franchisor-franchisee relationship between each life cycle phase. The alternative hypothesis can therefore be accepted.

6.7.2.3 Hypothesis 3

H₃ = Franchisees in the first life cycle phase will have significantly higher commitment–trust dimension scores than franchisees in the successive life cycle phases.



A visual comparison of the data used in hypothesis 1 was done in order to determine whether the commitment-trust dimension scores in the first life cycle stage were lower or higher than the scores in the other stages. A Scheffè test was then performed to determine whether the differences were significant. The results of the Scheffè test are shown in Table 6.30.

Table 6.30 - Scheffe Test For Hypothesis 3

Dimension	Dimension Variable		Stage 1 vs. Stage 2		Stage 1 vs. Stage 3		1 vs. je 4
Dimension	name	Higher/ Lower	p-value	Higher/ Lower	p-value	Higher/ Lower	p-value
Communication	COMG	Higher	0.000	Higher	0.000	Higher	0.000
Commitment	COMTG	Higher	0.049	Higher	0.000	Higher	0.000
Lack of Opportunistic behavior*	OPPBEG	Higher	0.047	Higher	0.002	Higher	0.001
Trust	TRUSTG	Higher	0.000	Higher	0.000	Higher	0.000
Acquiescence Bias	ACQUI1	Higher	0.001	Higher	0.000	Higher	0.000
Relational benefits	RELBENG	Higher	0.000	Higher	0.000	Higher	0.000
Functional conflict	FCONFL1	Higher	0.052	Higher	0.033	Higher	0.003
Lack of Uncertainty*	UNCERTG	Higher	0.000	Higher	0.000	Higher	0.000
Cooperation	COOPG	Higher	0.000	Higher	0.000	Higher	0.000
Propensity to Leave measured as Retention Index*	PTL	Higher	0.365	Higher	0.009	Higher	0.000

Although the commitment-trust dimension scores are higher (visual comparison) in the first life cycle stage than in all other stages across all the dimension scores, not all of the differences are significant.

Only two dimensions have p-values that are not significant namely the propensity to leave dimension (PTL) and the functional conflict dimension (FCONFL1).



It was decided not to reject the alternative hypothesis (although purists would state that the alternative should be rejected and the null accepted) based on two non-significant p-values. What is important, is the fact that only **two** out of **thirty** p-values indicated non-significance.

The alternative hypothesis is therefore accepted which means that the first life cycle phase has significantly higher commitment-trust dimensions scores than the following life cycle phases. The only exception is the propensity to leave dimension (PTL) and functional conflict dimensions (FCONFL1), which did not show significant differences between life cycle stage 1 and life cycle stage 2, although they did show significant differences between stages 1 and 3, and 1 and 4.

6.7.2.4 Hypothesis 4

H₄ = Franchisees in the first life cycle phase will have significantly higher relationship quality index levels than franchisees in the successive life cycle phases.

A visual comparison of the data used in hypothesis 2 was done (to determine whether the relationship quality index levels in the first life cycle stage are lower or higher than the scores in the other stages). A Scheffè test was then performed to determine whether the differences were significant.

Table 6.31 - Scheffè Test For Hypothesis 4

Dimension	Variable	Stage 1 vs. Stage 2		Stage 1 vs. Stage 3		Stage 1 vs. Stage 4	
	name	Higher/ Lower	p-value	Higher /Lower	p-value	Higher/ Lower	p-value
Relationship Quality Index	Relqual	Higher	0.000	Higher	0.000	Higher	0.000

The p-values indicate statistically significant differences between the life cycle stages and the visual comparison indicated that franchisees in the first life cycle



stage have higher "relationship quality" index levels than those in the following stages. The alternative hypothesis is therefore accepted.

6.7.2.5 Implications of significant differences between life cycle phases

All four of the hypotheses relating to significant differences between life cycle phases were accepted (although hypothesis 3 was accepted with exclusions).

It was found that there are significant differences between the commitment - trust dimensions and the relationship quality index levels for the different FLC stages. It was also determined that the first FLC stage has higher relationship quality levels and higher commitment - trust dimension scores (with the exception of PTL and FCONFL1) than all of the following life cycle stages.

These findings hold important implications.

Firstly, the fact that commitment-trust dimensions and relationship quality index levels are significantly different and significantly higher in the first life cycle stage than the following stages implies that the changes can be modelled and a curve representing, for example relationship quality, can be drawn across the distinct life cycle phases. (This curve could actually be called a "concept" because it is an aggregate of observations and complies with the operational definition given to a concept as discussed in section 3.3.1 vide page 46).

Secondly, the fact that a life cycle concept can be modelled, means that a clearer indication of the different characteristics of the life cycle stages can be obtained and therefore a specific management style and philosophy can be determined for each life cycle stage.

Thirdly, franchisors should realize that the relationship between themselves and franchisees goes through various stages and that the franchisee satisfaction levels decrease in a constant manner from the first stage to the last stage of the life cycle. Franchisors should be aware of the stages that each of their franchisees are currently in, and have a specific strategy to manage franchisees



based on the life cycle stage of the franchisee. This is comparable to parents realizing that their daughter is entering her teenage years and that her needs and motivations are about to change. If these parents want to effectively manage their relationship with their daughter, they must change the way in which they communicate (as an example). The franchisor should therefore have a specific strategy or plan of action for franchisees in specific stages of the life cycle.

6.7.3 Varying speed of movement through life cycle phases

6.7.3.1 Hypothesis 5

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

Table 6.32 - Data Used For Hypothesis 5

Dimension	Variable name	Lagged Fit	Exact Fit	Pre-Mature Fit
Communication	COMG	75.8	81.7	74.5
Commitment	COMTG	82.8	82.1	75.3
Lack of Opportunistic behavior*	OPPBEG	65.1	66.6	60.2
Trust	TRUSTG	78.3	81.8	71.4
Acquiescence Bias	ACQUI1	80.9	84.0	79.1
Relational benefits	RELBENG	71.2	75.2	67.7
Functional conflict	FCONFL1	72.5	72.3	69.7
Lack of Uncertainty*	UNCERTG	75.7	77.3	69.1
Cooperation	COOPG	74.3	76.6	68.5
Propensity to Leave measured as Retention Index*	PTL	72.5	75.0	67.4

Table 6.33 – MANOVA Test For Hypothesis 5

Wilks' Lambda	df 1	df 2	p-level
0.924	20	1222	0.000



Table 6.34 – Dimensional Significance (Mean Effects Test) For Hypothesis 5

Dimension	Variable name	Mean sqr Effect	Mean sqr Error	F(df1,2) 2,620	p-level
Communication	COMG	2510.1	418.3	6.0	0.003
Commitment	COMTG	2815.4	360.2	7.8	0.000
Lack of Opportunistic behavior*	OPPBEG	1696.0	623.6	2.7	0.067
Trust	TRUSTG	4187.0	413.2	10.1	0.000
Acquiescence Bias	ACQUI1	959.0	395.0	2.4	0.089
Relational benefits	RELBENG	2160.4	335.8	6.4	0.002
Functional conflict	FCONFL1	402.0	536.3	0.7	0.473
Lack of Uncertainty*	UNCERTG	2914.6	372.0	7.8	0.000
Cooperation	COOPG	2637.4	481.0	5.5	0.004
Propensity to Leave measured as Retention Index*	RELRECON	2259.5	978.7	2.3	0.100

The Wilk's Lambda test showed a significant p-value, indicating that there are significant differences in the commitment-trust dimensions of the life cycle fit categories. The alternative hypothesis is therefore accepted.

A further test was also done to determine which specific dimensions showed significant differences and these results are shown in Table 6.34. Six of the ten dimensions showed significant differences across the life cycle fit categories. Propensity to leave (PTL), functional conflict (FCONFL1), acquiescence bias (ACQUI1) and lack of opportunistic behaviour (OPPBEG) did not show significant differences across the different fit categories.

6.7.3.2 Hypothesis 6

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

Table 6.35 – Data Used For Hypothesis 6

Dimension	Variable name	Lagged Fit	Exact Fit	Pre-Mature Fit
Relationship Quality Index	RELQUALI	74.4	77.3	69.5



Table 6.36 - ANOVA Test For Hypothesis 6

	Sum of Squares	df	Mean Square	F	p-level
Effect	4581.0	2	2290.5	9.4	0.000
Error	150562.1	620	242.8		

The results show a statistically significant p-value, indicating that the alternative hypothesis can be accepted. The results therefore show that there are significant differences in the relationship quality index levels between each life cycle fit category.

6.7.3.3 Hypothesis 7

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.

The data used in **hypothesis 6** were visually compared and then statistically analysed. The results are shown in the Table 6.37.

Table 6.37 - Scheffe Test For Hypothesis 7

Dimension	Variable name	Fit 1 vs.Fit 2		Fit 2 vs. Fit 3	
		Higher/ Lower	p-level	Higher/ Lower	p-level
Relationship Quality Index	RELQUALI	Lower	0.163	Higher	0.009

Fit category 2 are the franchisees that moved through the life cycle in the expected time (exact fit). In the visual comparison of data, it was shown that franchisees in fit category 1 received lower index values than those in fit category 2 and franchisees in fit category 2 received higher index values than those in fit category 3.

The p-values shown in the previous table indicate that there are no significant differences between the relationship quality levels of **fit category 1** and **fit category 2**, but there are significant differences between **fit category 2** and **3's** relationship quality levels. Franchisees that move through the life cycle stages



in the expected time would therefore have higher relationship quality index levels than those that move through the stages faster than expected.

The alternative hypothesis can therefore not be accepted and is rejected in favour of the null hypothesis.

6.7.3.4 Implications of varying speed of movement through life cycle phases

There are significant differences between the index scores for: communication, commitment, trust, relationship benefits, lack of uncertainty, co-operation and relationship quality between the different life cycle fit categories.

Franchisees that move through the life cycle faster than expected have significantly lower relationship quality levels than those that move through the life cycle at the expected speed. Franchisors should therefore manage franchisees in such a manner that they will move through the life cycle stages at the expected speed. Franchisors can do this by focusing on aspects such as those identified in the testing of **hypothesis 5**. It is clear from the results obtained in the hypotheses testing that aspects such as communication with franchisees and the relationship benefits received by franchisees should be a priority aspect for franchisors to increase the commitment, trust and satisfaction of franchisees. This in turn will lead to an increase in relationship quality. These aspects all deal with management techniques and aspects that franchisors should give attention to.

It is also important that franchisors screen potential franchisees very thoroughly to ensure that unsuitable franchisees (those that do not fit in with the culture of the franchise group) are not appointed, because an unsuitable franchisee would in all likelihood progress through the life cycle stages faster than the expected speed of movement.

The speed of movement through the life cycle can be used by franchisors to determine how effectively they manage their franchisees. Franchisors can



model each of their franchisees' progression through the different life cycle stages by comparing individual relationship quality levels and the duration of the relationship of each franchisee. If all of a franchisor's franchisees go through the life cycle much faster than expected, it might be a sign of ineffective management techniques, which the franchisor should then correct as a matter of urgency.

6.8 CONCLUSIONS

6.8.1 The Franchisee Life Cycle Concept (FLC)

Based on the findings of the correspondence analysis and the results of the hypothesis testing, a model for managing the relationship with franchisees is proposed with four distinctive life cycle phases. The model is illustrated in Figure 6.4.

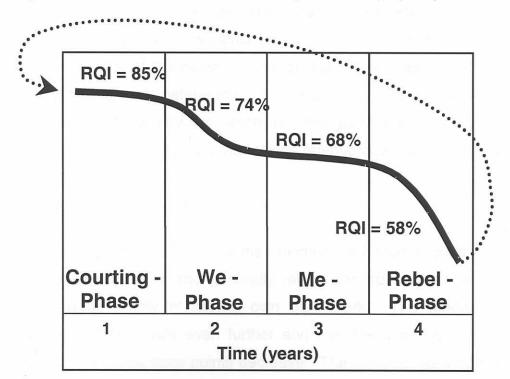


Figure 6.4 – The Franchisee Life Cycle Concept (FLC)

RQI Relationship Quality Index Copyright: Consulta Research



A most exciting correlation was found within the domain of the management of the franchisor/ franchisee relationship, which shows strong deteriorating levels of franchisee satisfaction and relationship quality as the franchisee progresses through four life cycle phases. The phases are called the following:

6.8.1.1 Phase 1: The Courting Phase

The first phase in the franchisee life cycle is like the honeymoon period for a couple that has courted each other and just got married. It is exciting; both parties are very happy with the relationship and are excited about the future. The typical duration of this phase is about one year. The highest levels of franchisee commitment, trust, satisfaction and relationship quality are recorded in this phase. The average likelihood of franchisee retention in this stage is 80%.

6.8.1.2 Phase 2: The "We"-Phase

In the second year of the franchisees' existence the "We"-phase will be entered and will typically last for another year. During this phase the franchisee will still value the co-operative relationship with the franchisor and will work hard to make the most of the business relationship. It is evident that the franchisee satisfaction already deteriorates, due to possible doubts, relationship conflict, restrictions enforced by the franchisor amongst others. It is significant to note that the average likelihood of franchisee retention decreased to 73%.

6.8.1.3 Phase 3: The "Me"-Phase

After approximately 24 months the franchisee will start to question the reasons for royalty payments and generally regard the success achieved up to that stage to be purely of his/her own hard work. The relationship with the franchisor deteriorates even further and franchisee relationship quality takes another few percentage points decrease. The average likelihood of franchisee retention now stands on a very low level of 66%.



6.8.1.4 Phase 4: The Rebel Phase

In year four of the franchisee life cycle, the **Rebel** phase, is characterized by further questioning of the restrictions placed on them by the franchisor and a need for more independence. A more entrepreneurial franchisee will end up in this phase much quicker than he/she is supposed to and most likely start his "own thing" (approximately 5% of franchisee will definitely end the relationship). If the progress to Phase 4 is on its natural duration, the average likelihood of franchisee retention now decreases to the lowest level of 47%. Most franchisees that made it after four years are now preparing for contract renewal in year five, where the courtship of contract renewal will again take the relationship back to Phase 1 of the FLC.

6.9 RECOMMENDATIONS AND MANAGERIAL IMPLICATIONS

A strong relationship exists between high levels of relationship quality and resisting attractive short-term alternatives in favor of the expected long-term benefits of staying with existing franchisors.

Franchisors should take note of the important role of commitment and trust in the franchisor / franchisee relationship.

Strong support has been found for antecedents that drive franchisee commitment and trust to the franchisor, i.e. clear relationship benefits, effective two-way communication, etc. Pro-active management of these antecedents will result in positive outcomes in relationship quality and subsequently a prolonged and successful franchisee-franchisor relationship.

Higher levels of relationship commitment, trust and relationship quality lead to a lower propensity-to-leave (PTL), increased co-operation and less uncertainty.

Various authors (Crosby, Kenneth, Cowles 1990; Bejou, Wray, Ingram 1996; Bejou, Ennew and Palmer 1998) have researched the impact of relationship



duration on relationship quality and satisfaction and have found differing results. The current study found that there is a direct link between the relationship duration and the relationship quality. This study has shown that the relationship quality of franchisees decreases in a constant manner with respect to the relationship duration.

The relationship quality between franchisees and franchisors decreases as the relationship duration increases. Therefore:

- Specific management techniques and approaches should be used in each of the life cycle stages.
- Franchisors should pay more attention to the management of the antecedents of commitment and trust.

6.10 LIMITATIONS OF THE STUDY

In any research there are limitations and these are discussed in this section. The limitations in the literature review as well as the empirical investigation are discussed separately.

6.10.1 Limitations in the literature review

Although the researcher conducted an extensive literature search (with the aim of including all relevant literature on the topics discussed in this study), it is possible that some of the relevant literature may have been excluded.

The researcher also attempted to find the original sources of all literature used, but in some cases this was impossible to do and references had to be taken from the "secondary source". For example the article by Liljander and Strandvik could not be obtained in South Africa and so they were quoted from the work of Ewing (1996).



There is a definite lack of empirical research information regarding the relationship between franchisees and franchisors which, will hopefully be addressed in the future.

6.10.2 Limitations in the empirical investigation

Limited interview time is available for telephonic interviews. Respondents are becoming more reluctant to spend time on questionnaires and research. Questionnaires must therefore be kept as short as possible to motivate respondents to participate.

The length of the questionnaire used for this study was very long. The interview duration ranged from about 25 - 35 minutes and respondent fatigue could have had a negative effect on the research.

The lack of a comprehensive database of industry contact details was another limitation of the research. Considerable effort and time was invested into building a database of franchisor and franchisee details. The lack of such a database complicates the research and sampling process to a considerable degree.

In the second week of the data collection process, an investigative journalism programme broadcast a story about a specific franchise group in South Africa. The story had a very negative content relating to the fact that it was alleged that the franchisor had not fulfilled his role and was "ripping off" the franchisees. This had a negative effect on the data collection process because the franchisees's first reaction when they were contacted for a telephonic interview was: "Are you from Carte Blanche?" The franchisees were however provided with the name of the individual at their franchisor head-office that gave permission for the research to take place. In some instances, franchisees asked to be contacted at a later stage in order to verify that the research was in fact legitimate. This meant that additional calls had to be made which had cost implications.



6.11 FUTURE RESEARCH AREAS

The following are possible areas for future research:

A similar study focusing on specific industries (franchising) in South Africa to determine if the results are similar across all franchising industries.

A similar study in another country to determine if the results are comparable across different countries.

Longitudinal tracking studies should be undertaken to see the effects of time duration on relationship life cycles and to investigate the life cycle development after the first five years to determine if the same progression is followed.

A causal model of behavior / relationship management model should be investigated (i.e. combination of life cycle stages, commitment-trust, satisfaction measures, relationship quality)

6.12 RESEARCH CONSIDERATIONS

The criticisms mentioned on the PLC (vide page 56) would also apply when the franchisee life cycle concept is researched. The problematic issues can be restated (in terms of the current study) and would read as follows:

- How should the franchisee-market be defined for the purpose of life cycle analysis? Should the whole franchising industry be considered or only a specific category of franchises (such as fast food) or should only franchisees of a specific franchise group be used as the basic aggregation level.
- 2. What are the factors that determine the progress of the franchisee through the stages of the life cycle?
- 3. Can the present life cycle position of the franchisee be unambiguously established?



- 4. What is the potential for forecasting the key parameters, including the duration of the stages and the shape of the curve?
- 5. What role should the franchisee life cycle concept play in the formulation of competitive strategy and relationship management?

Although all of the issues might not be addressed in this study, their importance cannot be ignored and future research on these issues is suggested.

6.13 FINAL COMMENTS

This final chapter brought the literature and research methodology together as a unified whole. Many important conclusions and recommendations for future research and the management of relationships between franchisees and franchisors were made. The research results obtained are very satisfactory and the research goals were met in all cases.

I would like to conclude this study with the following:

According to Adizes (1988:3) the function of leadership is to manage the organization in such a way that it is able to move to the next stage of the life cycle. Success in management is therefore not to eliminate all problems, but to focus on current problems in the present life cycle stage in order for the organization to grow and deal with problems of the following stages.

It should be remembered that all companies have problems, but there is a difference between normal and abnormal problems. Adizes (1988:5) uses the example of an individual that cries a lot, sleeps a lot and drinks a lot of milk and asks if this individual has a problem. If the individual is a baby, the behaviour is obviously not a problem, but if the individual is a 45-year-old executive, the answer will be totally different. Therefore, whether behavioural patterns are a problem or not depends on whether the behaviour is normal or abnormal for that particular stage in the life cycle.