

ENTREPRENEURIAL ORIENTATION IN A FRANCHISED HOME ENTERTAINMENT SYSTEM

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Abstract

This paper fills the gap in the research undertaken into the entrepreneurial orientation of franchisees. The study identifies entrepreneurial orientation within a defined franchise system, using the entrepreneurial character theme matrix developed by Thompson (2002). Research methodology comprises the survey approach, using electronic media and Surveypro analysis (Dillman, 2000). Hypothesis tests highlight the absence of statistically significant entrepreneurial orientation in the franchise system, despite a significant orientation in a multiple-outlet proposition analysis. Conclusions and recommendations include mobilising and communicating the action factors associated with entrepreneurial orientation, involving all franchisees within the system. Managerial implications include the motivation of developing multiple-outlet franchise systems. Future research involves broadening the data set across industries and borders.

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1 Introduction

The aim of this paper is to evaluate the entrepreneurial orientation of franchisees in a defined home entertainment franchise system. The purpose is to recommend initiatives to enhance entrepreneurial orientation within the system. Managerial implications include the motivation to increase multiple-outlet franchising, thereby enhancing entrepreneurial orientation. The study commences with an overview of franchising, followed by a literature review on multiple-outlet franchising. Entrepreneurial orientation (EO) is then discussed, with the emphasis on EO in franchise systems. The empirical study is described, followed by conclusions and recommendations.

The global contribution and growth of the franchised system has been the subject of much research; however, the research exploring entrepreneurial orientation in these systems is scant (Lindsay & McStay, 2004). Bolton and Thompson (2004) refer to EO as the dimensions

whereby an organisation's strategic posture is represented by its risk-taking propensity, tendency to act in a competitively aggressive, proactive manner and reliance on frequent innovation. Franchising is seen as an entrepreneurial option enabling the creation and development of new ventures (Deakins & Freel, 2003), and entrepreneurial orientation is stated as being a possible motive for sequential owners' involvement as multiple-outlet franchisees (Grunhagen & Mittelstaedt, 2001).

The study is undertaken in a franchise system in the South African home entertainment industry. Due to the innovative and technological nature of the industry, it is deemed to be appropriate for an entrepreneurial study. The defined franchise system is the market leader in the industry on the African continent and commands a dominant market position of creativity, innovation and growth. It is also the largest home entertainment franchise chain on the continent, besides being the fastest-growing participant in the industry.

2 Entrepreneurial orientation in franchise systems literature

2.1 Franchising overview

From an entrepreneurial perspective, franchising is seen as an entrepreneurial route towards starting and expanding new ventures (Deakins & Freel, 2003). Franchising literature is, however, dominant in the areas of franchise system relationships (Mendelsohn, 2003; Amos & James, 2003); franchise system functioning and objectives (Sherman & Dewis, 2003; Nieman & Pretorius, 2004) and the development of franchising in an international arena (Dhir & Bruno, 2004). Limited literature is, however, available regarding entrepreneurial orientation of franchisees (Lindsay & McStay, 2004).

Altinay and Roper (2005) identify the influence of organisational structure on entrepreneurial orientation and expansion performance. Such organisational structure may be identified as franchisees within a franchise system, consisting of single- and multiple-outlet franchisees. Multiple-outlet franchisees are those franchisees owning or managing two or more franchised outlets in a franchise system. Grunhagen and Mittestaedt (2001) list reasons why franchisees open multiple outlets, citing entrepreneurship as dominant motivation. Their findings also represent that the greater the proportion of a system's multiple-outlet franchisees, the faster it grows compared with traditional franchise systems.

2.2 Entrepreneurial orientation overview

Entrepreneurial orientation from the franchisor's point of view is not disputed (Sherman & Dewis, 2003); however, this orientation is questioned from a franchisee's point of view (Hisrich *et al.*, 2004; Kuratko & Hodgetts, 2004). Franchisees are contractually obliged to not deviate from the operational plans of the franchisor, inhibiting their creativity and proactivity (Newton, 2003).

Deakins and Freel (2003), however, believe that despite the appeal of reduced risk, elements of entrepreneurial activity in a franchise system are motivators for prospective franchisees. They believe franchising is a way of becoming an entrepreneur with a built-in market and proven formula. It is the objective of this study to empirically demonstrate the entrepreneurial orientation of franchisees, with the opinion that franchisees do exhibit an entrepreneurial orientation in certain situations. This will not, however, apply to all franchisees in all franchise systems, but is largely dependent on character themes (Thompson, 2002).

Comparisons of entrepreneurial behaviour between the entrepreneur, intrapreneur and traditional manager also affect franchisee involvement in entrepreneurial activity (Hisrich *et al.*, 2004). Nieman *et al.* (2003) define an entrepreneur as an individual who establishes and manages a business for the main purpose of profit and growth, characterised by innovative and strategic behaviour. Pivotal to the definition is the creation of incremental wealth (Hisrich *et al.*, 2004). Intrapreneurship, in turn, is entrepreneurial activity within an organisational context, receiving sanctions and resource commitment for the purpose of innovative results (Kuratko & Hodgetts, 2004). An assumption is made not to distinguish between entrepreneur and intrapreneur in the franchise context, as both involve entrepreneurial activity.

Notwithstanding this assumption, it must, however, be highlighted that franchisees may well be intrapreneurs, particularly when commanding senior positions on franchise councils and advisory associations (Bloom, 2003). Franchisors may well delegate the necessary authority to relevant franchisees for the purpose of innovative results in the franchise system (Kuratko & Hodgetts, 2004). The franchisor may well motivate an intrapreneurial environment, including the encouragement of new ideas, limited opportunity parameters, resource availability and accessibility and operations on the frontiers of technology (Hisrich *et al.*, 2004).

Contingent on environmental and organisational factors, various studies demonstrate a positive EO relationship in entrepreneurial

firms (Altinay and Roper, 2005). Research in the area of the franchise system lacks consensus of EO of franchisees in the system. While the merits of the franchising system are primarily focussed on risk reduction (Mendelsohn, 2003; Deakins & Freel, 2003), this somewhat negates the risk facet of the entrepreneur (Bolton and Thompson, 2003). They identify the demerits of the franchise system as also being indicative of minimising entrepreneurial creative and innovative talent.

While many similarities are evident in the intrapreneur and franchisee relationship, the talent, temperament and technique (Bolton & Thompson, 2004) of all individuals differ. The empirical research in this study analyses these individual traits. Characteristics of entrepreneurial orientation include passionately seeking new opportunities, staying alert and profiting from change, pursuing opportunities with enormous discipline and acting on these opportunities, pursuing only the very best opportunities and avoiding exhausting themselves and their organisation by chasing after every option, being ruthlessly disciplined, focusing on execution - specifically adaptive execution, exploiting real opportunities and engaging the energies of everyone in their domain, relationship management in pursuit of their opportunities (Bolton & Thompson, 2004).

Additional studies linking franchising and entrepreneurship have been investigated by Maritz (2005) and Maritz and Nieman (2005). These included a link between GEM entrepreneurs and the franchise system, with the entrepreneurial link to small business facilitated by franchising. Findings were also indicative of franchise system entrepreneurs being significantly prone to e-commerce capability. Both studies identified an entrepreneurial orientation (albeit limited) within the franchised system, together with franchising being an entrepreneurial option towards creating and developing ventures.

Lindsay and McStay (2004) relate that from the franchise system perspective, benefits from maintaining system integrity may be achieved by constraining franchisee entrepreneurial behaviour. However, they advise that this will be costly to both franchisor and franchisee from

a performance perspective. Those organisations demonstrating entrepreneurial activities contingent upon environmental and organisational factors, experience improved performance (Grunhagen & Mittelstaedt, 2001). Various authors concur on EO measures (Bolton & Thompson, 2004), regarding EO measures as including proactiveness, innovativeness and risk-taking.

Proactiveness is seen as an opportunity-seeking and forward-looking perspective in anticipating future demand (Kuratko & Hodgetts, 2004). They consider proactiveness as being concerned with implementation, with taking responsibility and doing whatever is necessary to bring an entrepreneurial concept to fruition. Innovativeness is viewed as the basic willingness to venture beyond current paradigms or state of the art, departing from existing technologies or practices (Lumpkin & Dess, 1996). Often associated with creativity, Nieman *et al.* (2003) add that something new and different is required. Kuratko and Hodgetts (2004) mention that innovation is concerned with combinations of resources that make existing methods or products obsolete. Risk-taking is a tendency to unfold bold, yet calculated dynamism to achieve goals. Such activities include venturing into new and unknown markets and entering into ventures with uncertain outcomes (Lumpkin & Dess, 1996).

Empirically evaluating these three dimensions, Lindsay and McStay (2004) developed hypotheses to research EO within the franchise system. They state that franchisees will need to be proactive in scanning the environment to highlight opportunity areas for franchisor approval or implementation. Franchisors are protective of their intellectual property, not allowing franchisees the opportunity to innovate franchisor capital. Although innovations may originate from the franchisee, Lindsay and McStay (2004) believe innovation will only be implemented with franchisor approval. Despite the risk reduction elements of the franchise system (Mendelsohn, 2004), franchisees will still need to engage in risk-taking activities within their environments in the pursuit of profits (Lindsay & McStay, 2004).

Lindsay and McStay (2004) state that results demonstrate that franchisee organisations are capable of demonstrating an EO, in spite of the constraints of the franchise system. Depending on specific surrounds and context, the entrepreneurial dimensions can vary independently. The results provided support that proactiveness and risk taking are inherent dimensions within the franchise system (Mendelsohn, 2003), while innovation is primarily at the hand of the franchisor. Both proactiveness and risk taking were found to drive franchisee performance. Managerial implications highlight the need for entrepreneurial freedom so that franchisees may respond to uncertainty, change and complexity. The research examined the EO construct and EO performance relationship

with respect to franchisees. Research findings are indicative that franchisees may not be dissimilar to entrepreneurs (Deakins & Freel, 2003).

2.3 Entrepreneurial character themes

Toward profiling the entrepreneur, Bolton and Thompson (2003) developed entrepreneurial talent, temperament and technique facets. These three facets represented character themes identified by Thompson (2002). The character themes to evaluate entrepreneurial orientation are depicted in Table 1. These character themes complement the entrepreneurial orientation facets as identified by Lindsay and McStay (2004). Applicability identifies this instrument as a measuring tool of entrepreneurial orientation in the defined franchise system.

Table 1
Character themes to evaluate entrepreneurial orientation

Association	Character Theme	Definition
Inventor	Mastery	Basking in expertise others don't have
Inventor + Entrepreneur	Creativity	Constantly buzzing with ideas
Entrepreneur	Opportunity taking	Engaging and taking on perceived opportunities
Entrepreneur	Urgency	Real drive to get on with things now
Entrepreneur	Performance orientation	Setting milestones and measuring progress
Entrepreneur	Networking	Developing a set of potentially valuable contacts
Entrepreneur + Leader	Focus	Concentrating on the task in hand, staying on course
Entrepreneur + Leader	Time focus	Setting, engaging and meeting deadlines
Entrepreneur + Leader	Ego	Wanting to make a recognised difference
Entrepreneur + Leader	Courage	Determination in the face of setbacks
Entrepreneur + Leader	Team	Getting the right people together
Leader	Strategic	Seeing a clear route forward
Leader	Envisioning	Communicating a strategy to others
Leader	Empowering	Getting people to accept responsibility for things
Leader	Influencing	Getting people to take things on, to provide resources
Entrepreneur enabler	Developer	Seeing and encouraging potential in others
Non-entrepreneur	Systematic	Enjoying detail, systems and procedures
Non-entrepreneur	Disciplined	Enjoying structure and organisation
Non-entrepreneur	Woo	Winning others over and enjoying their approval
Non-entrepreneur	Relator	Preferring to work with trusted colleagues

Source: Thompson (2002:3)

3 Methodology

Research methodology comprises the survey approach within a defined franchise system, using electronic media and Surveypro analysis. Electronic survey methodology uses the Dillman (2000) approach, enabling appropriate response rates. This is facilitated by descriptive and inferential statistical techniques using SPSS version 11.0 data analysis. Inferential significance tests include the ANOVA Kruskal-Wallis hypothesis test based on the approximation of the chi-square distribution with $k-1$ degrees of freedom. Internal-consistency reliability is measured by the Cronbach's coefficient alpha, measuring overall inter-item correlation between the identified constructs. Exploratory research in the form of the literature review and previous empirical studies is used as background and facilitating data. The character themes to evaluate entrepreneurial orientation (Table 1) are used within the context of the defined franchise system, being the market leader in the franchised home entertainment industry on the African continent. The system consists of 110 franchisees, representing 162 outlets. As market leader, together with the fastest growing franchise system in the industry, the defined system is appropriate for the study on hand.

The empirical study is hypothesis led, postulating EO in a franchise system.

H1: Entrepreneurial orientation exists in a franchise system.

H0: Entrepreneurial orientation does not exist in a franchise system.

An additional proposition is also introduced:

P1: Entrepreneurial orientation exists in a multiple-outlet franchise system.

4 Research results

The analysis commences with realisation, response and representation of results.

The applied tailored design approach (Dillman, 2000) resulted in a favourable response rate from 93 franchisees, representing 141 outlets. A satisfactory representation across regions was elicited, and response and representation of the data was found appropriate for the research project at hand. What follows is the empirical evaluation of entrepreneurial orientation in the system.

4.1 Entrepreneurial score ratings

Item descriptive statistics are depicted in Table 2. The score rating column indicates item mean scores, with 1 indicative of the highest mean response, and 20 indicative of the lowest score rating across the ninety-three respondent franchisees. Factor mean scores combine the responses among factors of inventor, inventor + entrepreneur, entrepreneur, entrepreneur + leader, leader, entrepreneur enabler, and non-entrepreneur. Factor ratings identify dominant entrepreneurial orientation factors in order (1 representing the highest). The left-hand column (association) represents the twenty-question matrix (as represented in Table 1). Highlighted variables include directly associated entrepreneurial orientations.

4.2 Reliability analysis – scale Cronbach's Alpha

The Cronbach's Alpha and item-scale correlation by variable is depicted for the construct in Table 3. This measurement represents inter-item reliability. Alpha values exceeding 0.70 are acceptable for the project on hand (Nunnally & Bernstein, 1994). Each item's contribution to the alpha is shown by indicating what the alpha of the construct will be if that question is omitted from the construct. Many items are depicted in association with a theme, for example entrepreneur + leader. The + represents in addition to or in combination with, and is represented as + in the analyses.

Table 2
Entrepreneurial orientation scorecard

Association	Character theme	Score rating	Item mean	Standard deviation	Factor mean	Factor rating
Inventor	Mastery	19	3.06	1.144	3.06	7
Inventor + Entrepreneur	Creativity	13	3.33	1.101	3.33	5
Entrepreneur	Opportunity taking	20	3.03	1.137	3.41	3
Entrepreneur	Urgency	12	3.34	1.141		
Entrepreneur	Performance orient	6	3.55	1.132		
Entrepreneur	Networking	7	3.53	0.977		
Entrepreneur + Leader	Focus	9	3.48	0.943	3.26	6
Entrepreneur + Leader	Time focus	16	3.14	0.884		
Entrepreneur + Leader	Ego	17	3.12	1.115		
Entrepreneur + Leader	Courage	15	3.17	0.991		
Entrepreneur + Leader	Team	10	3.40	0.872		
Leader	Strategic	4	3.59	0.725	3.53	2
Leader	Envisioning	3	3.62	0.624		
Leader	Empowering	14	3.22	0.952		
Leader	Influencing	2	3.68	1.144		
Entrepreneur enabler	Developer	11	3.37	0.870	3.37	4
Non-entrepreneur	Systematic	8	3.52	0.826	3.54	1
Non-entrepreneur	Disciplined	18	3.12	1.495		
Non-entrepreneur	Woo	5	3.56	0.890		
Non-entrepreneur	Relator	1	3.97	0.873		
Construct descriptive	n = 93		3.39	0.995		

Table 3
Item analyses for entrepreneurial orientation character themes

Question number	Association	Character theme	Item-scale correlation deleted	Alpha if item
9	Inventor	Mastery	0.2648	0.7200
10	Inventor + Entrepreneur	Creativity	0.5105	0.6965
11	Entrepreneur	Opportunity taking	0.3384	0.7130
12	Entrepreneur	Urgency	0.3690	0.7101
13	Entrepreneur	Performance orient	0.4835	0.6985
14	Entrepreneur	Networking	0.5113	0.6989
15	Entrepreneur + Leader	Focus	0.5722	0.6942
16	Entrepreneur + Leader	Time focus	0.5001	0.7018
17	Entrepreneur + Leader	Ego	0.2927	0.7173

18	Entrepreneur + Leader	Courage	0.4442	0.7045
19	Entrepreneur + Leader	Team	0.3272	0.7149
20	Leader	Strategic	0.5369	0.7032
21	Leader	Envisioning	0.5729	0.7039
22	Leader	Empowering	0.1114	0.7312
23	Leader	Influencing	0.1733	0.7287
24	Entrepreneur enabler	Developer	0.1972	0.7245
25	Non-entrepreneur	Systematic	0.0842	0.7322
26	Non-entrepreneur	Disciplined	-0.3669	0.7921
27	Non-entrepreneur	Woo	0.1405	0.7288
28	Non-entrepreneur	Relator	0.4117	0.7082
Reliability coefficients		20 items		
Cronbach's Alpha for the construct = 0.7277				

4.3 Entrepreneurial orientation in the system

The inventor-associated character theme of mastery ranked second to last of all items in the analysis, with sixty-three per cent of respondents not agreeing with association of the inventor. The respondents identified the lack of “basking in expertise” that others do not have. As far as the inventor is evaluated as a factor, it ranks seventh (last) of all entrepreneurial associations. The factor ratings for the research project on hand are depicted in the last column of Table 2. Construct reliability is only marginally affected (Cronbach's Alpha) if the item is deleted, indicative of appropriate inter-item reliability.

The associated inventor + entrepreneur character theme of creativity ranked thirteenth of all items; with fifty-three per cent of respondents not agreeing with the association of creativity. The respondents identified the lack of “constantly buzzing with ideas”. A mean score of 3.33 is mirrored by a relatively high standard deviation and variance (1.213), confirmed by forty-one per cent of franchisees in agreement with the item. As far as the inventor + entrepreneur are evaluated as a factor, it ranks third-last (fifth overall) of all entrepreneurial associations.

The entrepreneur associations are directly related to entrepreneurial orientation, consisting of four character themes:

- Opportunity taking: ranking last in responses, and is linked to entrepreneurial uncertainty and risk. It involves engaging in and taking on perceived opportunities. This item is not in agreement with a risk-taking orientation of franchisees (Lindsay & McStay, 2004). Franchisees in this system responded negatively to an uncertain and risk-taking orientation, characterised by a mean score of 3.03. Sixty-three per cent of respondents were not in agreement with the opportunity-taking variable. The variable is significantly associated with other entrepreneur character themes, including urgency (0.660 at 0.01 level) and performance orientation (0.583 at 0.01 level). The opportunity variable is also significantly correlated to the entrepreneur + leader variable of courage (0.583 at 0.01 level).
- Urgency: ranking twelfth out of the twenty items, with a mean score of 3.34. The response to the real drive to get things done now received a fifty-six per cent response rate not in favour of this variable. A neutral response of thirty-one per cent, however, renders the variable difficult to evaluate, characterised by a negative kurtosis. This in turn represents a flatter than normal distribution around the mean. Sixty-nine per cent of responses were actually not in

disagreement (inclusive of neutral responses). Significant correlations include ego (0.619 at 0.01 level) and discipline (-0.625 at 0.01 level).

- Performance orientation: ranking sixth, with a direct correlation to proactivity. Lindsay and McStay (2004) favourably evaluated a proactive orientation in franchisees, amplified in this research project. Performance orientation involves setting milestones and measuring progress, most often an integral part of the franchise agreement and operational procedures (Mendelsohn, 2003). A mean score of 3.55 is supported by a majority response agreeing to the variable. Seventy-seven per cent of respondents were either in agreement or neutral in their response. Similar to performance orientation, negative kurtosis in this variable is associated with a flat distribution around the agreement prompt. The variable is significantly correlated to networking (0.634 at 0.01 level) and focus (0.571 at 0.01 level).
- Networking: ranking seventh, just below performance orientation. This variable includes developing a set of valuable contacts, and received a sixty-three per cent favourable response. Only seventeen per cent of respondents disagreed with the variable. The scale "agree" received a high response from fifty-two per cent of respondents. The relatively low standard deviation and variance (0.955), coupled with negative kurtosis, is testament to this. Networking is significantly correlated to performance and focus variables (previously identified).

The entrepreneur factor ranks third (of seven factors), with a mean score of 3.41. Construct inter-item reliability is, however, marginally decreased should any of the items be deleted, highlighting appropriate reliability of each item. An overriding characteristic of the first three factors (inventor, inventor + entrepreneur and entrepreneur) is their relatively large standard deviation. When compared to the other factors (mostly below 1.00), the three factors in question require investigation into the wide range of

responses. This will be evaluated in the sections involving cross tabulations with multiple-outlets.

The entrepreneur + leader association includes the five variables represented in questions fifteen to nineteen of the questionnaire. These items include an entrepreneurial orientation, combined with leadership traits (Bolton & Thompson, 2003):

- Focus: ranking ninth of all variables, involves concentrating on the task in hand, staying on course. Eighty-five per cent of respondents were in agreement (or neutral), with only three per cent in strong disagreement
- Time focus: ranking sixteenth, related to setting, engaging and meeting deadlines. The item had a large neutral response of forty-four per cent, highlighted in the low standard deviation and flat distribution around this scale.
- Ego: ranking one position lower than time focus, being fourth-last of all twenty variables. The ego theme supports "wanting to make a recognised difference". Favourable responses marginally exceeded unfavourable responses, with thirty per cent of respondents opting for the neutral scale.
- Courage: ranks fifteenth and represents "determination in the face of setbacks". The majority of responses were neutral (thirty-five per cent), with similar distributions either way. A marginal negative skew is characterised by a relatively flat distribution (negative kurtosis). Courage is significantly correlated with performance (0.567 at 0.01 level), linking determination and setting milestones.
- Team: ranking tenth, representing the final theme in the factor. The team theme centres on "getting the right people together", associated with the employment of full- and part-time employees.

The entrepreneur + leader factor ranks second-last (sixth) of all entrepreneurial orientation factors. It does not suggest a lack of entrepreneurship + leadership, but merely a ranking against the other factors. Standard deviation for

the factor is lower than the previous three factors, justified by the predominant grouping of responses between one or two scales. As such, the relatively flat distribution is not characterised by high variances in the first three factors. Inter-item reliability is only marginally affected if any of the items are excluded from the analysis, adding to the justification of appropriate reliability as depicted by the Cronbach's Alpha in Table 3.

The leader factor comprises four variables. These variables are mostly associated with corporate entrepreneurship (intrapreneurs) and traditional managers (Hisrich *et al.*, 2004). These range from strategic initiatives to operational planning:

- Strategic: ranking fourth, and representing "vision and seeing a clear route forward". The variable is characterised by a response of forty-seven per cent of franchisees in the agreement scale, together with a thirty-nine per cent response in the neutral scale.
- Envisioning: ranking third highest, and in response to question twenty-one. The variable includes communicating a strategy to others, highlighting an orientation to achieving objectives in a strategic manner. This variable received the second-highest response to a single scale (fifty-six per cent in agreement scale).
- Empowering: ranking fourteenth, representing "responsibility and getting people to accept responsibility for things". The distribution is relatively flat (negative kurtosis), characterised by ninety-two per cent of responses across the three middle scales.
- Influencing: ranking second highest of all variables, representing "the art of delegation, resource allocation and getting people to take things on". The variable is characterised by a thirty per cent response rate in the strongly agree scale, with only twenty per cent of respondents in disagreement. The standard deviation is larger than the preceding variables due to the range of responses between multiple-outlet franchisees. Nonetheless, a high

mean score of 3.68 substantiates overall agreement with the variable. The variable is significantly associated with the non-entrepreneur theme of woo (0.594 at 0.01 level), highlighting the involvement of others in ventures.

The leader factor is characterised by relatively low standard deviations (with the exception of influencing), together with negative kurtosis. Ranking second highest of all factors (factor mean of 3.53), franchising may be seen to be closely associated with intrapreneurship (Hisrich *et al.*, 2004). Inter-item reliability is marginally affected if any of the items are deleted. Reliability coefficients are depicted in Table 3, with Cronbach's Alpha readings in excess of the desired 0.7.

4.3.1 Entrepreneur enabler

The entrepreneur enabler describes the notion of seeing and encouraging potential in others. The related character theme is developer. Ranking eleventh of all variables (mean score of 3.37); the enabler is characterised by a high agreement response of forty-four per cent. As a reliability measure, Cronbach's Alpha is only marginally affected if the item is deleted, highlighting the appropriateness of inter-item reliability.

4.3.2 Non-entrepreneur

The non-entrepreneur factor is a combination of four associations. The variables are associated with traditional non-entrepreneurial themes, not characteristic of the nature and behaviour of the entrepreneur. Furthermore, the factor may be related to traditional management and leadership. Franchisees are evaluated against their responses to these themes:

- Systematic: ranking eighth out of the twenty items, related to question twenty-five. This variable evaluates the franchisee as enjoying detail, systems and procedures. Similar to the developer character theme (entrepreneur enabler), this variable has seventy-nine per cent of responses distributed around scales of agree and neutral.
- Disciplined: ranking third-last (eighteenth), clearly depicting the lack of

structure and organisation. A distinguishing characteristic of this variable is that while twenty per cent of respondents strongly disagree with the question, twenty-four per cent strongly agree.

- Woo: ranking fifth of all variables, this item includes “winning others over and enjoying their approval”. A modest fifty-six per cent of franchisees responded positively to the agree scale, with only one franchisee strongly disagreeing with the variable.
- Relator: ranking top of all the variables, weighted close to eight per cent above the second-highest variable (leader associated with influencing). The character theme of relator is “preferring to work with trusted colleagues”, and is significantly correlated to woo (0.594 at the 0.01 level) and leader association of influencing (0.583 at the 0.01 level). Relator experiences the highest response rates in agree and strongly agree scales (sixty-three and twenty-two per cent respectively). Eight per cent of franchisees, however, responded unfavourably to the variable, which is attributable to multiple-outlet franchisees. The strength of the domination of this variable (mean score of 3.97) is emphasised by its seventeen per cent advantage relative to the construct mean (3.39). This variable is also the only item within the construct, demonstrating a significant peakedness of distribution, with a kurtosis of 3.270.

The non-entrepreneurial factor dominates factor standings (mean score of 3.54) by a mere quarter per cent over the leader factor. A high factor standard deviation (1.021) correlates closely to the variances of the entrepreneur factor. Since they are opposites and contrast in entrepreneurial orientation, cross-tabulation is necessary to evaluate the variances. This is dealt with in the following section. Inter-item reliability is actually marginally enhanced if the systematic, disciplined and woo variables are excluded. For the purpose of this study, it was, however, decided to retain the variables, as the desired Cronbach’s Alpha depicts a reliability coefficient in excess of the desired 0.7. Similarly, the relator variable attains an appropriate inter-

item coefficient. While every item should have a positive item total correlation with scale scores of at least 0.3, cognizance is taken of measurement being on opposite scales (entrepreneurial orientation versus non-entrepreneurial orientation). Another reason for the variance is that multiple-outlet distribution affects the scale.

4.3.3 Entrepreneurial orientation significance

Table 2 depicts the factor mean scores and factor rankings. While factor means are all above three, no statistical significance exists between the factor associations. The non-entrepreneur association dominates, followed by leader associations. Using factor mean scores, it may thus be inferred that a non-entrepreneurial orientation exists within the franchise system (due to non-entrepreneurial mean score domination). Although the entrepreneur factor association is positive (factor mean score of 3.26), the non-entrepreneur association is four per cent stronger (factor mean score of 3.54). Taking all respondents within the defined franchise system into account, it may be concluded that there is no statistically significant variation between entrepreneurial orientation factors, despite non-entrepreneurial associations exhibiting more favourable responses.

The Kruskal-Wallis test is used to test the hypothesis of entrepreneurial orientation in a franchised system (H1). This non-parametric test produces P-values and measures significance of the statistical significance of entrepreneurial orientation. While no significant statistical difference was found in the mean score ratings, the Kruskal-Wallis significance test measures the value of the significance. The test significance evaluates the chi-square, degrees of freedom and asymp. significance.

	Test statistic a.b entrepreneurial orientation
Chi-Square	18.876
df	4
Asymp.Sig	0.01

c. Kruskal-Wallis test

d. Grouping variable: EO

Since the P-value of 0.01 is less than five per cent, we accept the alternate hypothesis: entrepreneurial orientation does not exist in a franchised system. The above conclusion is verified for the complete data set (ninety-three franchisee respondents), but cross-tabulations are indicative of multiple-outlet franchisees being responsible for scale variations. Since single-outlet franchisees dominate distribution of outlets (seventy-three per cent), responses are skewed towards single-outlet franchisees. A comparative analysis will now be evaluated between single- and multiple-outlet franchisees.

4.3.4 Multiple-outlet distribution

Responses from multiple-outlet franchisees differ significantly from single-outlet franchisees. Such variations will be analysed from an entrepreneurial orientation point of view. Weighted analysis is, however, applicable, since multiple-outlets represent only twenty-seven per cent of all franchisees in the franchise system. We evaluate the multiple outlets using mean scores; the highlighted areas depict

dominant responses. This is depicted in Table 4.

Descriptive statistics portray that as the number of outlets increase, so too does the percentage of entrepreneurial orientation. Single outlets portray close to forty per cent entrepreneurial orientation, whereas six plus outlet franchisees portray a ninety-three per cent entrepreneurial orientation. If the multiple-outlets are combined, a weighted agreement response to entrepreneurial orientation character themes of sixty-three per cent prevails. Multiple-outlet franchisees thus have a fifty-nine per cent higher entrepreneurial orientation than single-outlet franchisees.

Combining the factor associations (left-hand column in Table 4) facilitates analysis by entrepreneurial association. Each character theme is condensed into a related association factor, with cross-tabulation extrapolations being depicted in Table 5. The three to five outlet category dominates entrepreneurial orientation factor associations, while the single-category outlets dominate non-entrepreneurial associations.

Table 4
Mean scores per outlet distribution

Association	Character theme	Mean	Mean scores per outlet distribution			
			1 Outlet	2 Outlets	3-5 Outlets	6+ Outlets
Inventor	Mastery	3.06	2.82	3.50	3.67	5.00
Inventor + Entrep	Creativity	3.33	3.18	3.57	3.67	5.00
Entrepreneur	Opportunity	3.03	2.83	3.36	3.33	5.00
Entrepreneur	Urgency	3.34	3.15	3.36	4.22	5.00
Entrepreneur	Performance	3.55	3.36	3.71	4.22	5.00
Entrepreneur	Networking	3.53	3.38	3.79	3.78	4.50
Entrepreneur + Leader	Focus	3.48	3.41	3.46	3.67	4.50
Entrepreneur + Leader	Time focus	3.14	3.03	3.36	3.33	4.00
Entrepreneur + Leader	Ego	3.12	2.87	3.64	3.78	4.00
Entrepreneur + Leader	Courage	3.17	2.94	3.79	3.56	4.50
Entrepreneur + Leader	Team	3.40	3.54	3.07	3.11	3.50
Leader	Strategic	3.59	3.57	3.64	3.67	4.00
Leader	Envisioning	3.62	3.57	3.71	3.78	4.00
Leader	Empowering	3.22	3.33	3.14	2.78	2.00
Leader	Influencing	3.68	3.91	3.43	2.78	2.50

Entrepreneur Enabler	Developer	3.37	3.55	3.21	2.33	3.50
Non-entrepreneur	Systematic	3.52	3.63	3.57	2.89	3.00
Non-entrepreneur	Disciplined	3.12	3.39	2.79	2.11	1.50
Non-entrepreneur	Woo	3.56	3.74	3.21	2.89	2.50
Non-entrepreneur	Relator	3.97	4.09	3.64	3.44	4.00
N		93	68	14	9	2

Table 5

Factor associations by number of outlets (mean scores)

Association	Mean	Sd	Mean scores by number of outlets			
			1 Outlet	2 Outlets	3-5 Outlets	6+ Outlets
Inventor	3.06	1.144	2.82	3.50	3.67	5.00
Inventor + Entrepreneur	3.33	1.101	3.18	3.57	3.67	5.00
Entrepreneur	3.41	1.096	3.18	3.56	4.10	4.90
Entrepreneur + Leader	3.26	0.961	3.16	3.46	3.49	4.10
Leader	3.53	0.861	3.60	3.48	3.25	1.13
Entrepreneur Enabler	3.37	0.870	3.55	3.21	2.33	3.50
Non-entrepreneur	3.54	1.021	3.71	3.30	2.83	2.75
Construct Descriptives	3.39	0.995				

4.4 Entrepreneurial orientation significance in multiple outlets

Inferential statistics are now implemented to evaluate the entrepreneurial orientation of multiple-outlet franchisees. The hypothesis of entrepreneurial orientation in the franchise system has been rejected, but it is proposed that an entrepreneurial orientation exists in the multiple-outlet category of the franchise system. The multiple-outlet category excludes all single-outlet franchisees. The multiple-outlet system contains twenty-five franchisees, comprising sixty-three outlets (mean score of 2.52). Descriptive statistics of entrepreneurial associations by the segregated multiple-outlet categories are depicted in Table 4. The inferential analysis will comprise reliability tests (Cronbach's Alpha) and significance tests (Kruskal-Wallis). These measures will evaluate the following proposition:

Proposition 1: Entrepreneurial orientation exists in a multiple-outlet franchised system

The overall construct alpha for multiple outlets is significantly higher than when single outlets

were included in the analysis (refer to Table 3). Similarly, the inter-item alpha is significantly higher for multiple outlets. The significant construct alpha of 0.8533, coupled with alphas exceeding 0.8295 if any item is deleted, is appropriate for the multiple-outlet significance. The significance of the proposition may be tested using the ANOVA Kruskal-Wallis test. This test rejected entrepreneurial orientation in the total franchise system, but the proposed proposition of entrepreneurial orientation excluding single franchised outlets is now being tested.

Test statistic a.b

	Entrepreneurial orientation in multiple-outlets
Chi-Square	8.012
df	4
Asymp.Sig	0.191

- Kruskal-Wallis test
- Group variable EO

The P-value of 0.191 is greater than 0.05; therefore the proposition of entrepreneurial orientation in multiple outlets is not unlikely and the proposition (P1) is not rejected. It can therefore be concluded that a significant entrepreneurial orientation exists in a multiple-outlet franchise system. This investigation in no way negates entrepreneurial orientation in single-outlet franchise systems, but places emphasis on significant entrepreneurial associations in multiple-outlet franchise systems. Significance is also placed on the kurtosis of the multiple-outlet distribution (0.191). While relatively flat, it is not flatter than a normal distribution, as is characterised by the complete data set.

In summary, the null hypothesis of entrepreneurial orientation in a franchise system is rejected, whereas the proposition of entrepreneurial orientation in a multiple-outlet franchise system is accepted.

5

Conclusion and implications

The measurement instrument used to evaluate entrepreneurial orientation in the defined franchise system was an adaptation of the Thompson (2002) character theme framework. The objective was to evaluate entrepreneurial orientation in a franchised environment. The study involved a two-tiered approach, from an overall and multiple-outlet perspective. The defined franchise system was characterised by a predominantly single-outlet distribution of franchisees. This had a distinct implication on the entrepreneurial orientation of the system, with each tier identifying different character themes.

5.1 Overall system entrepreneurial orientation

The non-entrepreneurial association factor, closely followed by the leader association factor, dominated the responses. It was found that entrepreneurial orientation is not denied within the system; however, it is not significantly justified either. Highlights included:

- The non-entrepreneurial character theme of “relator” dominates score ratings. The implication is that franchisees prefer to work with trusted colleagues, most often associated with networks and relationships.
- The leader character theme of “influencing” is next, placing emphasis on providing resources and getting people to take things on. This is followed by the character themes of envisioning and strategy, also from the leader association.
- The entrepreneur character theme of “opportunity taking” ranks as the least desirable of all themes, implying that franchisees are not prone to engaging in and taking on perceived opportunities. The inventor character theme of “mastery” ranks second to last, implying that franchisees do not bask in expertise others do not have.
- Seven of the entrepreneurial orientation themes do not feature in the top ten themes favoured by respondents. These include creativity, opportunity taking, urgency, time focus, ego and courage.
- The only character themes of entrepreneurial orientation featuring in the top ten responses include “performance orientation”, “networking” and “focus”. None, however, are in the top ten preferences.

The dominant non-entrepreneur association, coupled with leader association, may be related to themes within the intrapreneur focus. As franchising involves a network system, it closely resembles a corporate identification, with linkage to entrepreneurship (franchisees as distribution outlet owners). While factor means are all above three, no statistical significance exists between the factor associations. The non-entrepreneur association dominates, followed by leader associations. Using factor mean scores, it may thus be inferred that a non-entrepreneurial orientation exists within the franchise system (due to non-entrepreneurial mean score domination). Although the entrepreneur factor association is positive (factor mean score of 3.26), the non-

entrepreneur association is four per cent stronger (factor mean score of 3.54). Taking all respondents within the defined franchise system into account, it may be concluded that there is no statistical significant variation between entrepreneurial orientation factors, despite non-entrepreneurial associations exhibiting more favourable responses.

5.2 Multiple-outlet entrepreneurial orientation

The responses from multiple-outlet franchisees differed significantly from single-outlet franchisees. The same measuring instrument is analysed, using cross-tabulation to identify variances. Highlights included:

- Entrepreneurial character themes of “urgency” and “performance” dominate character theme ratings for multiple-outlets.
- Non-entrepreneurial character theme of “relator” dominates character theme ratings for single outlets.
- The non-entrepreneurial character theme of relator is significant in multiple-outlet responses. This is attributable to the functionality of the franchise system and interaction with trusted colleagues. The entrepreneur association is the strongest of the associations for multiple outlets.
- The non-entrepreneur association is the dominant association for single outlets.
- The greater the number of multiple-outlets per franchisee, the greater the entrepreneurial association.

Table 5 provides a snapshot of the dominant mean scores, with the highlighted areas depicting dominant responses. In summary, multiple-outlet franchisees portray a significant entrepreneurial orientation (EO associations), whereas single outlet franchisees dominate in the non-entrepreneurial associations.

It can therefore be concluded that a significant entrepreneurial orientation exists in a multiple-outlet franchise system. This investigation in no way negates entrepreneurial orientation in single-outlet franchise systems,

but places emphasis on significant entrepreneurial associations in a multiple-outlet franchise system.

6

Recommendations and further research

Organisational structure has a direct positive influence on entrepreneurial orientation and expansion performance (Altinay & Roper, 2004). This study highlights the importance of developing an entrepreneurial orientation among franchisees by developing multiple-outlet franchising. Entrepreneurial orientation is stated as being a possible motive for sequential owners' involvement as multiple-outlet franchisees (Grunhagen & Mittelstaedt, 2001), providing motivation for system participants to develop multiple outlets.

The item analysis depicts that entrepreneurial orientation is not significant within the defined franchise system, despite a significant entrepreneurial orientation in multiple-outlet franchisees. An overall objective would be to enhance entrepreneurial orientation within the entire system due to the associated benefits of this orientation. Benefits will include associated roles such as entrepreneurs making a difference, being creative and innovative, being good networkers, managing risk, and exploiting opportunities, to name but a few. Developing entrepreneurial orientation within the system will also facilitate the objective to develop more multiple-outlet franchisees. Recommendations to enhance entrepreneurial orientation include:

- Mobilising the action factors: entrenching entrepreneurial action factors into franchisees. This will include training and advising franchisees of associated action factors and the related benefits. Benefits will include entrepreneurs being able to locate required resources timely via networking capabilities (Maritz, 2005); entrepreneurs making it their business to exploit all available resources (Lindsay & McStay, 2004,) and the entrepreneur being the person who exploits the opportunity

and turns it into reality (Deakins & Freel, 2003).

- Communicating the nature, characteristics and behaviour of the entrepreneur to franchisees (Bolton & Thompson, 2004). Once again, highlighting benefits of entrepreneurial orientation. Specific characteristics include intuition, behavioural traits, creativity and innovation, the entrepreneurial personality, entrepreneurial synthesis and entrepreneurial talent, temperament and technique.
- Identify franchisees against traditional and entrepreneurial management approaches, placing emphasis on the benefits of entrepreneurial orientation per management practice (Altinay & Roper, 2005).
- Identify associations and themes within the character theme framework (Thompson, 2002) which align to the franchise system growth strategies and vision. Themes in this study include creativity, opportunity taking, urgency, time focus, ego and courage.
- The themes and findings (multiple-outlet entrepreneurial orientation) are to be conveyed and taught to franchisees in the form of learning organisations.
- Align the franchisee towards entrepreneurship orientation from an intrapreneurship point of view. This may consist of a phasing approach, as many franchisees already share many intrapreneurial character traits.

The overall objective is to increase the distribution of multiple-outlet franchisees; by developing an entrepreneurial orientation among franchisees, this objective will be self-sustaining. It is proposed that entrepreneurial orientation development should take the form of regional training sessions conducted by professional facilitators.

Future research opportunities primarily revolve around limitations of this study, particularly due to incorporating a single-franchise system. The sample size of the data sets needs to be increased. This may be implemented by a number of alternatives. Firstly, similar studies should be conducted within other home entertainment franchise

systems in the South African market. Secondly, similar studies should be conducted within other industry franchise systems in the South African market. Thirdly, similar studies should be conducted within other franchise systems on an international basis.

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