# CHAPTER 7: RESEARCH FINDINGS

## 7.1 INTRODUCTION

An empirical analysis of the data collected from the questionnaire is conducted in this chapter. Data was coded and captured from an online survey via Surveypro software; and configured into SPSS version 11.0. The aim of the analysis chapter is to empirically test hypotheses as stated in the previous chapter, together with evaluating associations between data sets.

Realisation, response and representation of results identify appropriateness for the current research project. Demographic and biographic information is relayed, facilitated by pie-charts and graphs for ease of differentiation. Descriptive statistics are computed to facilitate interpretation and analysis. Highlights include white male domination, with franchised outlets predominantly distributed in three regions. The average franchise tenure is three to five years, with single outlets dominating number of outlets.

Descriptive and inferential statistics are computed in SPSS version 11.0 to test the hypotheses and associations of the data set. Measures include the mean, standard error of the mean, standard deviation, kurtosis, Cronbach's Alpha, Pearson's correlation coefficient and the Kruskal-Wallis ANOVA test of significance. Cross-tabulations are used to facilitate interpretation and evaluation of data.

The primary hypothesis of entrepreneurial orientation in a franchised system is rejected; however, a proposal of entrepreneurial orientation in a multiple-outlet franchised system is accepted. A secondary hypothesis involving the franchise paradox; being an entrepreneurial option towards creating and developing ventures is accepted. Other secondary hypotheses involving the positive association between the service profit chain, relationship marketing, best practice and service quality are accepted.

The chapter concludes with key summary construct statistics, facilitating a bird's-eye view of the empirical results.

## 7.2 REALISATION, RESPONSE AND REPRESENTATION OF RESULTS

The survey as depicted in Section 6.5.2.2 was distributed by means of an online questionnaire during November and December 2004. Mr. VIDEO franchisees were requested to complete the online questionnaire, prompted by personal electronic communication from the franchisor (Chairman, Mr Peter Scott). In addition, franchise system operations staff encouraged franchisees to participate in the survey. The applied tailored design approach (Dillman: 2000) resulted in a favourable response rate from ninety-six franchisees, representing one-hundred and forty-one outlets. Due to response errors, three responses were eliminated. The final data representation consisted of ninety-three responses, indicative of an eighty-four per cent response rate. Due to the census nature of the research project on hand, a relatively high response rate was required. The targeted response rate of eighty-six franchisees was surpassed by approximately eleven per cent. The high response rate from the Western Cape region in particular is indicative of the efforts of participation by the head office in Bellville. A satisfactory representation across regions was elicited. Table 7.1 reflects the regional response rate. Cognizance is taken of marginal outlets and regions, particularly those regions with five or less franchisees. The acceptable response from such regions was sixty-five per cent, as long as the overall response of eighty-six franchisees was realised.

**TABLE 7.1 Regional response and realization rates**

| Region/Province | Franchisees | Outlets | Average outlets per franchisee | Response counts | Response (%) |
|---|---|---|---|---|---|
| Western Cape | 35 | 64 | 1.8 | 32 | 91.4 |
| Gauteng | 35 | 46 | 1.3 | 27 | 77.1 |
| Eastern Cape | 12 | 14 | 1.2 | 11 | 91.6 |
| KwaZulu Natal | 7 | 10 | 1.4 | 6 | 85.7 |
| Limpopo | 4 | 5 | 1.3 | 4 | 80.0 |
| North West | 5 | 7 | 1.4 | 4 | 80.6 |
| Free State | 5 | 8 | 1.6 | 4 | 80.0 |
| Mpumalanga | 4 | 4 | 1.0 | 3 | 75.0 |
| Northern Cape | 3 | 4 | 1.3 | 2 | 66.7 |
| **Total** | **110** | **162** | **1.4** | **93** | **84.6** |

The response and representation of the data was found to be appropriate for the research project at hand, and what follows is a descriptive and inferential statistical evaluation leading towards empirical analysis of the survey data and hypotheses. Each section from the questionnaire is separated for analytical evaluation, given the synergistic nature of the constructs.

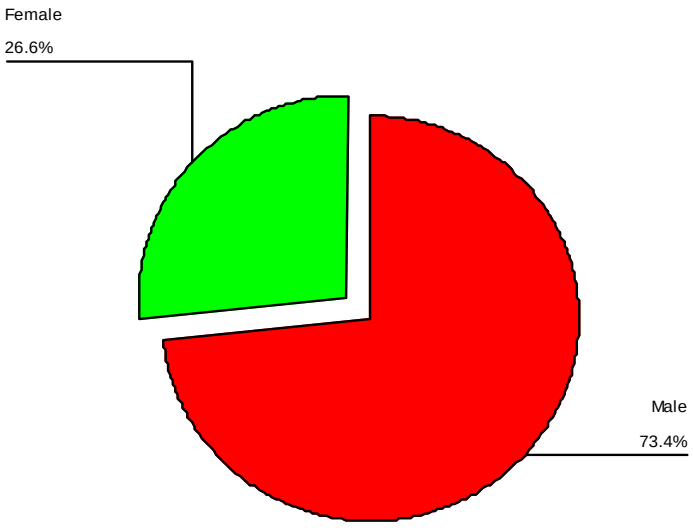
## 7.3 SECTION A: DEMOGRAPHIC AND BIOGRAPHIC INFORMATION

This section consists of the first eight questions (V1-V10) of the questionnaire, representing demographic and biographic information within the Mr. VIDEO franchise system. The analysis of research results will include an item by item analysis, predominantly consisting of descriptive and cross tabulated measures.

### 7.3.1 Gender of franchisees

The franchise system is male dominant, with females only representing 26.6 per cent. This can be attributable to the male dominance within the franchisor management structure (eighty-four per cent of franchisor management being male). Notwithstanding the male/female entrepreneurial activity ratio (Bygrave *et al*: 2003) of 1.50 in GEM (2003); the Mr. VIDEO participation ratio is conclusively skewed toward male domination.

FIGURE 7.1 Gender of franchisees




Male gender dominance is emphasized in North West province (one-hundred per cent), followed by Eastern Cape with eighty-one per cent dominance. Females are however the prevalent gender in Mpumalanga and Northern Cape (at one hundred per cent), whilst also dominating in KwaZulu Natal (sixty-six per cent).

### 7.3.2 Race of franchisees

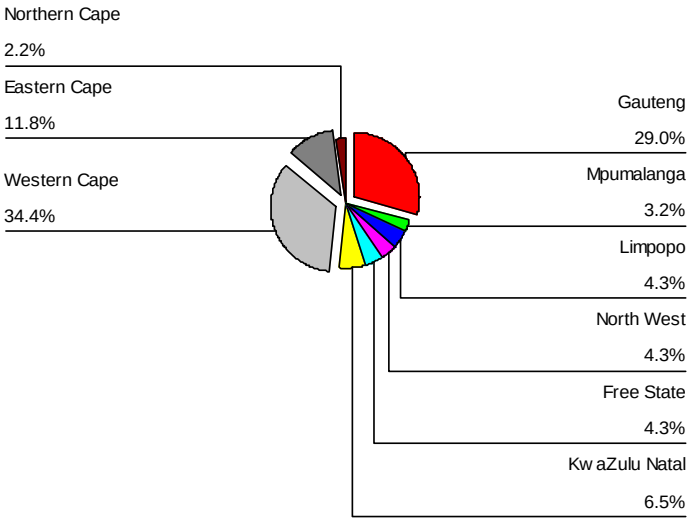
Ninety-eight per cent of respondents are white, which can be attributed to the fact that the organisation is not in the process of transformation. Once again, it is indicative of franchisor management being wholly white. Black and Coloured represent two per cent of respondents (one-a-piece); nowhere near representative of GEM (SA) 2003 participation rates (Orford *et al*: 2003).

### 7.3.3 Region/Province of franchised outlets

Table 7.1 represents respondents by region. The Western Cape dominates by region (34.4 per cent), which can be attributed to the location of Mr. VIDEO head office in Bellville. Gauteng follows at twenty-nine per cent, followed by Eastern Cape at close to twelve per cent contribution. The Eastern Cape skew can be attributable to the foundation of Mr. VIDEO to the region. The regional distribution of franchisees and outlets does not align with GEM (SA) 2003 participation rates (Orford *et al*: 2003). Table 7.1 indicates that Western Cape also dominates in multiple-outlet franchisees, being franchisees that own more than one franchised system outlet. This is an important classification, as much of the analysis to follow reflects on multiple-outlet franchisees. Whilst marginally contributing to national distribution, cognizance is however taken of high multiple-outlet franchisees in smaller regions as well. Cross tabulations regarding distribution of franchised outlets are evaluated across entrepreneurial orientation, franchise paradox and strategic service constructs in the sections to follow. Figure 7.2 reflects the seventy-five per cent distribution contribution of the three dominant regions.

Figure 7.2 is represented on the following page.

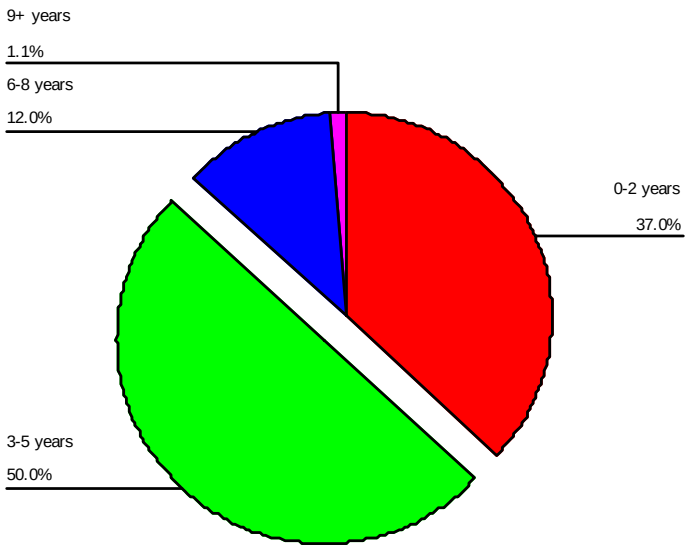
**FIGURE 7.2 Region/province of franchised outlets**




### 7.3.4 Period of participation in the franchise system

Sixty-three per cent of franchisees have participated in the Mr. VIDEO system in excess of three years. Figure 7.3 highlights the three to five year dominant response, followed by new entrants to the system. The new entrants are predominantly new ventures, with approximately six per cent accountable to the re-sale of existing outlets.

**FIGURE 7.3 Years as a franchisee in the Mr. VIDEO system**



Cross tabulation of years in the system to number of outlets (multiple-outlet franchisees) indicates that of those franchisees in the system for two or fewer years, eighty-seven per cent only have one outlet. This can be attributed to new franchisees entering the system taking time before venturing into additional outlets. Franchisees in the system for three to five years account for doubling multiple-outlet distribution, representing twenty-eight per cent with multiple-outlets. Those franchisees in the six to eight year category represent sixty-four per cent of multiple-outlets; whilst those in the nine-plus category all own multiple-outlets. The three dominant regions (Western Cape, Gauteng and Eastern Cape), together with Northern Cape, are the only regions with franchisees in the system for longer than five years.

### 7.3.5 Employees in the franchised outlets

This section incorporates questions six and seven (V8 and V9) of the questionnaire; identifying the number of full and part time employees in the employ of franchisees. Sixty-eight per cent of franchisees employ two or fewer full time staff, with a mean score of 1.52 employees. The part-time employment contribution is similar to the full-time complement, in that franchisees employ similar numbers of full-time and part-time employees. This can be attributable to the staffing requirements for peak periods. Part-time employment is however marginally higher, with a mean score of 1.72. The standard deviation is respondingly higher for part-time employment, indicative of the part-time employment requirements of multiple-outlets. The kurtosis, measuring the relative peakedness of the curve defined by the frequency distribution, is proportionally higher for full-time employees. This can be attributed to the full-time staffing skewness of dominant single outlet franchisees. Full-time and part-time participation rates are further influenced by family members active in the system. Those outlets with more than one family member in the system employ fewer full time staff. Figure 7.4 (represented on the following page) depicts the distribution of full-time employees (standard deviation = 0.892), whilst Figure 7.5 (also represented on the following page) depicts the distribution of part-time employees (standard deviation equals 0.925).

Figures 7.4 and 7.5 are represented on the following page.

**FIGURE 7.4 Full-time employees**

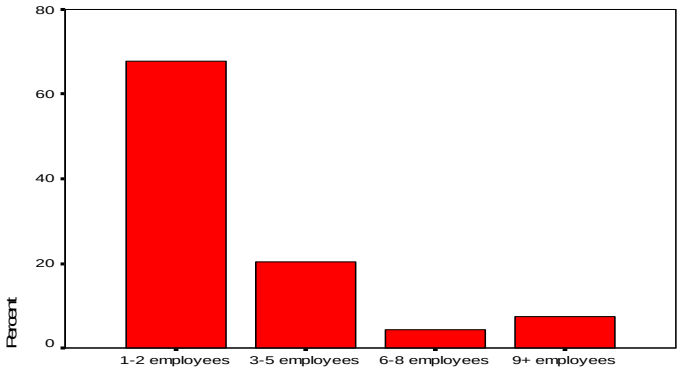
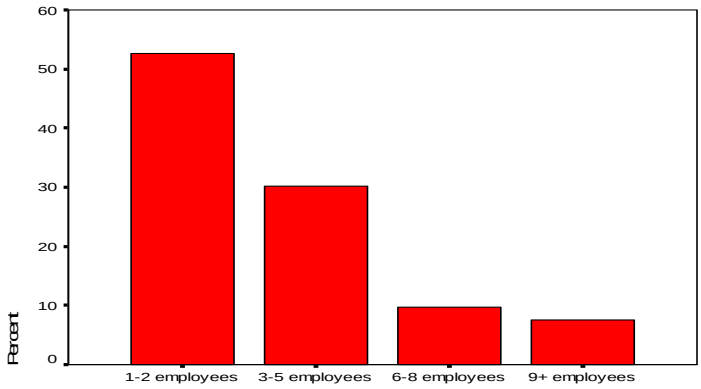



**FIGURE 7.5 Part-time employees**




Cross tabulating full-time employees with number of outlets is indicative of ninety-one per cent of franchisees with one outlet employing no more than two full-time employees. Seventy-nine per cent of franchisees with two outlets however employ no more than five employees; whilst seventy eight per cent of franchisees with three to five outlets employ no more than eight full-time employees. Those franchisees with six or more outlets all employ more than nine full-time employees.

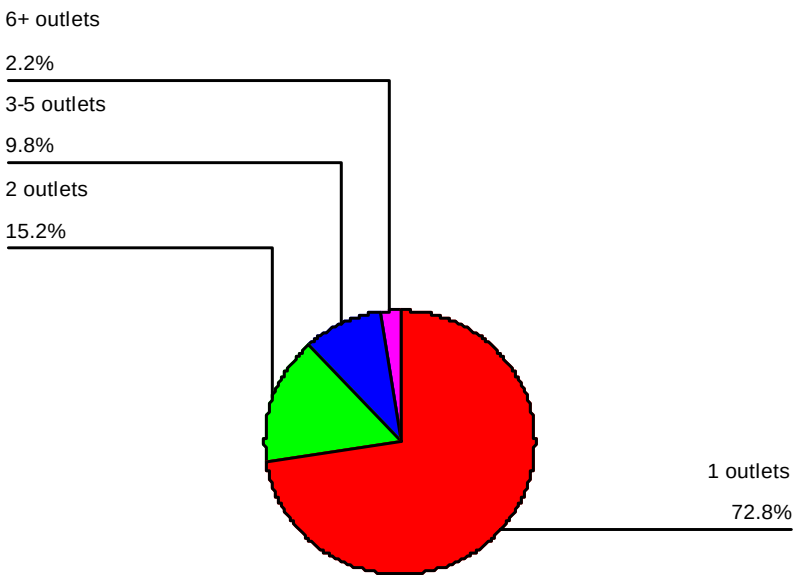
### 7.3.6 Number of franchised outlets per franchisee

The mean score of 1.41 outlets per franchisee (standard deviation of 0.758) is further amplified by seventy three per cent of franchisees owning only one outlet. Fifteen per cent of franchisees own two outlets, ten per cent own three to five outlets, and only two per cent own six or more outlets. Average outlets per region are depicted in Table 7.1. Due to the single outlet domination, the kurtosis of the distribution is relatively peaked

and positively skewed. Cross tabulations with entrepreneurial orientation, franchise paradox and strategic service constructs are of paramount importance due to inferential analysis regarding multiple-outlet participation rates. Multiple-outlet franchisees are dominant in Western Cape and Free Sate, with only Western Cape and Gauteng each having a franchisee with six or more outlets. The Western Cape situation can be attributed to a family member participating as franchisee on behalf of the franchisor. The duration of participation in the franchise system is directly proportionate to the number of outlets, highlighted in Section 7.3.4.

Cross tabulation with distribution according to region/province further highlights multiple-outlet participation rates. The Western Cape region dominates the three to five store categories with a forty-five per cent contribution. The region also dominates the two store category (fifty per cent), followed by Gauteng (twenty-nine per cent). Single outlet domination is prolific in Eastern Cape (ninety-one per cent), followed by KwaZulu Natal (eighty-three per cent) and Gauteng (seventy-seven per cent). Excluding Northern Cape (two franchisees only), Western Cape has the highest regional contribution of multiple outlets (thirty-nine per cent), followed by Mpumulanga (thirty-three per cent). Figure 7.6 places emphasis on the domination of single outlets in the system.

**FIGURE 7.6 Outlet representations in the system**



### 7.3.7 Family members active in the franchised outlets

Sixty-six per cent of franchisees are single family members involved in the franchise system. Thirty-four per cent have two or three family members active in their outlets, with no franchisees exceeding three family members in the system. Cross tabulation with number of outlets per franchisee is indicative of multiple family members accountable for multiple-outlet distribution. Only fifteen per cent of single family member franchisees have two or more outlets, whereas fifty per cent of franchisees with two or more family members operate multiple-outlet franchises. The remaining fifty per cent of family franchisees operate single outlets, most often resulting in employing fewer full-time staff. Exploratory operational research highlighted the requirement for introducing family members to multiple-outlets due to trust and confidentiality at outlet level. Franchisees of multiple-outlets attributed the lack of trustworthy staff as a main reason for not expanding their networks. The negative kurtosis is attributable to distribution of this variable being flatter than a normal distribution, with a mean score of 1.34.

Analysis on entrepreneurial orientation in a franchise system follows (Section B of the questionnaire). The section correlates Section 7.3 with many demographic and biographic details in the form of cross tabulations and inferential statistics.

## 7.4 SECTION B: ENTREPRENEURIAL ORIENTATION IN A FRANCHISE SYSTEM

This section involves the analysis of data from Section B of the questionnaire; using descriptive and inferential statistics. The measurement instrument is an adaptation of the Thompson (2003) character theme matrix (reference to Table 2.12). The twenty character themes integrate the facets approach of entrepreneurial talent, temperament and technique (Bolton & Thompson: 2003). The entrepreneurial orientation is portrayed in Chapter 2; and the contextual link to franchising is discussed in Chapter 3. Cross tabulations with results from section A of the questionnaire are evaluated to identify the existence (or non-existence of entrepreneurial orientation). The analysis commences with the entrepreneurial orientation (EO) construct descriptives, followed by an analysis on an item (variable) by item basis.

The hypotheses to be tested include:

H1: Entrepreneurial orientation exists in a franchised system.

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

A proposition is introduced and tested:

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

### 7.4.1 Entrepreneurial score ratings

Item descriptive statistics are depicted in Table 7. 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 amongst 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; represented as questions nine to twenty-eight (V13-V32) of the questionnaire. Highlighted variables include directly associated entrepreneurial orientations.

**TABLE 7.2 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** | | |

### 7.4.2 Reliability analysis – scale Cronbach's Alpha

The Cronbach's Alpha and item-scale correlation by variable is depicted for the construct in Table 7.3. This measurement represents inter-item reliability, as discussed in Section 6.6.4.3. 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 left out of the construct.

Many items are depicted in association with a theme, for example, entrepreneur + leader. The + represents in addition to or combination to, and is represented as + in the analyses.

**TABLE 7.3 Item analyses for entrepreneurial orientation character themes**

| Question number | Association | Character Theme | Item-scale correlation | Alpha if item deleted |
|---|---|---|---|---|
| 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** | | | | |

### 7.4.3 Item analysis

Item analysis will be conducted per item, commencing with associations per factor. The analysis depicts items per question, ranging from questions nine to twenty-eight of the questionnaire (V11-V30). A significant characteristic of the entrepreneurial orientation

construct is the overall flatness of the curve defined by the frequency of distribution (construct kurtosis of -0.339). This is applicable to all variables, with the exclusion of the non-entrepreneur variable of relator (q28). The significant characteristic of a distribution flatter than normal is attributable to multiple-outlet distribution; whereby single outlet franchisees have perceptions varying to that of multiple-outlet franchisees. This variance has a distinct significance on entrepreneurial orientation. Once all factors have been evaluated, the hypothesis will be tested using the non-parametric ANOVA Kruskal-Wallis test. This will be followed by a cross tabulation of entrepreneurial orientation by multiple-outlets and by region/province.

#### 7.4.3.1 Inventor

The 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 other don't have. The relatively high standard deviation and variance (1.308) is confirmed in the response of thirteen per cent of franchisees strongly agreeing with the item. This will however be dealt with when dealing with multiple-outlet franchisees.

The inventor variable is significantly correlated (-0.647 at 0.01 level) to the non entrepreneur character theme of systematic, linking expertise, systems and procedures. Other significant correlations include opportunity taking (0.560 at 0.01 level) and envisioning (0.540 at 0.01 level).

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 7.2. Construct reliability is only marginally affected (Cronbach's Alpha) if the item is deleted, indicative of appropriate inter-item reliability.

#### 7.4.3.2 Inventor + entrepreneur

The associated 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. Negative skewness is elaborated against the distribution around the mean, despite twenty-seven per cent of respondents indicating a neutral (undecided) response. The creativity character theme is most often associated to innovativeness (Nieman *et al*: 2003), and the outcome of this item is in agreement with the empirical research of Lindsay and McStay (2004). Details of their findings are represented in Section 3.4.2.

Inventor is significantly correlated with inventor (0.658 at 0.01 level), a result of related concepts of mastery, and creativity. A significant correlation is also exhibited between inventor and entrepreneur association of opportunity taking (0.534 at 0.01 level). This is in agreement with the entrepreneurial characteristics of creativity and engaging in perceived opportunities (Nieman *et al*: 2003).

As far as the inventor + entrepreneur are evaluated as a factor, it ranks third last (fifth overall) of all entrepreneurial associations. Reference is made to the seventh column in Table 7.2. Construct reliability is only marginally affected (Cronbach's Alpha) if the item is deleted, indicative of appropriate inter-item reliability.

#### 7.4.3.3 Entrepreneur

The entrepreneur factor consists of items represented in questions eleven to fourteen (inclusive). These 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 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 uncertainty and risk-taking orientation, characterized 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 to 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, characterized by a negative kurtosis. This in turn represents a distribution flatter than the 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 disciplined (-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. The Cronbach's Alpha is depicted in Table 7.13. 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.

#### 7.4.3.4 Entrepreneur + leader

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. Negative kurtosis once again represents a relatively flat distribution around the 'agree' prompt (forty-seven per cent of respondents), together with standard deviation below 1.00. Focus and time focus are significantly correlated (0.554 at 0.01 level), aligning deadlines and activities
- 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. Positive responses were however ten per cent greater than negative responses. Time focus is significantly correlated with envisioning (0.417 at 0.01 level), highlighting deadlines and communication linkages
- Ego: ranking one position lower than time focus, being fourth last of all twenty variables. The ego theme supports "wanting to make a recognized difference". Favourable responses marginally exceeded unfavourable responses, with thirty per cent of respondents opting for the neutral scale. A standard deviation of 1.115 however enhances testament of thirteen per cent of responses in the strongly agree scale. Significant correlation includes courage (0.624 at 0.01 level), linking determination and making a recognized difference
- 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 characterized 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. Negative kurtosis is justified due to a large response of forty per cent in the agreement scale. Together with neutral responses, these

two scales represent seventy-four per cent of total responses. This item was one of three receiving no strongly disagree responses. The variable is significantly correlated with the influencing variable (0.437 at 0.01 level), linking the human resource aspect of entrepreneurial orientation.

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 characterized 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 7.3.

#### 7.4.3.5 Leader

The leader factor comprises four variables, represented in questions twenty to twenty-three of the questionnaire. These variables are most associated with corporate entrepreneurship (intrapreneurs) and traditional managers, discussed in Section 2.6.5. These range from strategic initiatives to operational planning:

- Strategic: ranking fourth, and representing "vision and seeing a clear route forward". The variable is characterized 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. The negative kurtosis amplifies the flat distribution around these two response scales. The variable is one of three with no strongly disagree responses, with only five per cent of respondents disagreeing. The strategic variable is significantly correlated with the envisioning variable (0.453 at 0.01 level), combining strategy into action
- 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). Coupled with a thirty-six per cent neutral response, this variable correlates highly to the strategic variable. The two scales constitute ninety-three per cent of responses,

representative of negative kurtosis and a low standard deviation. The envisioning variable is also one of three with no strongly disagreeing respondents

- Empowering: ranking fourteenth, representing "responsibility and getting people to accept responsibility for things". The distribution is relatively flat (negative kurtosis), characterized by ninety-two per cent of responses across the three middle scales. Empowering is significantly correlated to associated variables of influencing (0.562 at 0.01 level) and developer (0.573 at 0.01 level), all related to mobilizing people
- Influencing: ranking second highest of all variables, representing "the art of delegation, resource allocation and getting people to take things on". The variable is characterized 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 preceeding 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 to the non entrepreneur theme of woo (0.594 at 0.01 level), highlighting the involvement of others in ventures.

The leader factor is characterized 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 & Peters: 1998). Inter-item reliability is marginally affected if any of the items are deleted. Reliability coefficients are depicted in Table 7.3, with Cronbach's Alpha readings in excess of the desired 0.7.

#### 7.4.3.6 Entrepreneur enabler

The entrepreneur enabler describes the notion of seeing and encouraging potential in others. The related character theme is developer. The variable is represented in question twenty-four of the questionnaire. Ranking eleventh of all variables (mean score of 3.37); the enabler is characterized by a high agreement response of forty-four per cent. Together with a neutral response of thirty-four per cent, these two scales constitute seventy-eight per cent of responses. The result is a negative kurtosis and low standard deviation. This variable correlates significantly (0.407 at the 0.01 level) with the team variable, highlighting the team and participative nature of the two variables. The two variables also

share similar means and standard deviations. Enabler is significantly correlated to woo, associating potential in others to gaining their approval. As a factor, entrepreneur enabler is ranked fourth of seven factors, marginally below the entrepreneur factor. As a reliability measure, Cronbach's Alpha is only marginally affected if the item is deleted, highlighting the appropriateness of inter-item reliability.

#### 7.4.3.7 Non-entrepreneur

The non-entrepreneur factor is a combination of four associations, represented by questions twenty-five to twenty-eight. The variables are associated by traditional non-entrepreneurial themes, not characteristic of the nature and behaviour of the entrepreneur (Section 2.6). 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. A low standard deviation results in negative kurtosis, with a mean score of 3.52
- Disciplined: ranking third last (eighteenth), clearly depicting the lack of enjoying structure and organisation. A distinguishing characteristic of this variable is that whilst twenty per cent of respondents strongly disagree with the question, twenty-four per cent strongly agree. Franchisee responses varied widely amongst the scales, resulting in the highest standard deviation of all variables. This is associated with multiple-outlet responses, to be addressed in the following cross tabulation section. "Disciplined" is significantly correlated to "woo" (0.486 at 0.01 level), linking approval within defined constraints
- 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. A negative kurtosis is represented by a relatively flat distribution, centred around the agree scale. Fifteen per cent of respondents selected disagreement responses, which shall be evaluated in cross tabulation analysis

- 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 emphasized 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 will be 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. Whilst 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.

### 7.4.4 Entrepreneurial orientation significance

Table 7.2 depicts the factor mean scores and factor rankings. Whilst 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 (Section 6.6.4.1) and measures significance of the statistical significance of entrepreneurial orientation. Whilst 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, the null hypothesis is likely, therefore rejecting the alternate hypothesis and accepting the null hypothesis.

It can therefore be concluded that we reject the alternate hypothesis (H1) and accept the null 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.

### 7.4.5 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. The number of franchised outlets per franchisee in Section 7.3.6 bears significance.

Weighted analysis is however applicable since multiple-outlets represent only twenty-seven per cent of all franchisees in the franchise system. Concluding remarks will also be delivered with regard to entrepreneurial orientation by region.

#### 7.4.5.1 Multiple-outlet entrepreneurial score ratings

A two-fold analysis is depicted, using per centage of franchisees in agreement with each EO question (9-28), and mean scores associated with each variable. The per centage agreement analysis excludes neutral and disagree scales, whilst in agreement consists of agree and strongly agree. Table 7.4 depicts the associated character themes, together with per centage respondents in agreement with the applicable character theme. These are broken down into categories, as per question seven of the questionnaire. Highlighted cells depict dominant agreement responses. As only two franchisees are in the six plus outlet category, highlighted cells exclude this category. The three to five outlet category dominates entrepreneurial character themes (questions ten to nineteen), whilst the single outlet category dominates the non-entrepreneurial character themes (questions twenty-five to twenty-eight).

**TABLE 7.4 Character themes represented by franchisee agreement by number of outlets**

| Association | Character Theme | Per centage of franchisees in agreement | | | |
|---|---|---|---|---|---|
| | | 1 Outlet | 2 Outlets | 3-5 Outlets | 6+ Outlets |
| Inventor | Mastery | 25.3 | 64.2 | 66.7 | 100 |
| Inventor + Entrepreneur | Creativity | 40.3 | 64.3 | 55.5 | 100 |
| Entrepreneur | Opportunity taking | 27.3 | 50.0 | 66.7 | 100 |
| Entrepreneur | Urgency | 32.8 | 42.8 | 77.8 | 100 |
| Entrepreneur | Performance orient | 47.8 | 78.6 | 77.8 | 100 |
| Entrepreneur | Networking | 55.4 | 78.5 | 77.8 | 100 |
| Entrepreneur + Leader | Focus | 51.5 | 61.5 | 66.6 | 100 |
| Entrepreneur + Leader | Time focus | 30.8 | 28.6 | 44.4 | 100 |
| Entrepreneur + Leader | Ego | 25.3 | 57.2 | 77.8 | 50.0 |
| Entrepreneur + Leader | Courage | 23.9 | 78.6 | 66.6 | 100 |
| Entrepreneur + Leader | Team | 56.7 | 28.6 | 33.3 | 50.0 |
| Leader | Strategic | 50.5 | 64.2 | 66.7 | 100 |
| Leader | Envisioning | 55.2 | 71.4 | 77.8 | 100 |
| Leader | Empowering | 47.8 | 42.9 | 11.1 | 0 |
| Leader | Influencing | 73.8 | 35.7 | 22.2 | 0 |
| Entrepreneur Enabler | Developer | 59.1 | 42.9 | 0 | 50.0 |
| Non-entrepreneur | Systematic | 58.2 | 57.2 | 22.2 | 50.0 |
| Non-entrepreneur | Disciplined | 57.6 | 35.7 | 22.2 | 0 |
| Non-entrepreneur | Woo | 75.8 | 42.9 | 22.2 | 0 |
| Non-entrepreneur | Relator | 89.6 | 85.7 | 44.4 | 100 |

The following step in the analysis combines the associations into their relevant factors (depicted in the left hand column of Table 7.4). The table again represents extrapolated per centages from cross tabulations by number of outlets. The factor associations are depicted in Table 7.5. With the exclusion of the six plus outlet category, the three to five outlet category dominates entrepreneurial associations. Conversely, the single outlets dominate the non-entrepreneurial associations. The dominations are once again highlighted.

**TABLE 7.5 Factor associations by number of stores**

| Association | Mean | Sd | Per centage of franchisees in agreement | | | |
|---|---|---|---|---|---|---|
| | | | 1 Outlet | 2 Outlets | 3-5 Outlets | 6+ Outlets |
| Inventor | 3.06 | 1,144 | 25.3 | 64.2 | 66.7 | 100 |
| Inventor + Entrepreneur | 3.33 | 1.101 | 40.3 | 64.3 | 55.5 | 100 |
| Entrepreneur | 3.41 | 1.096 | 40.8 | 62.5 | 75.0 | 100 |
| Entrepreneur + Leader | 3.26 | 0.961 | 37.6 | 50.9 | 57.7 | 80.0 |
| Leader | 3.53 | 0.861 | 56.8 | 53.6 | 44.5 | 50.0 |
| Entrepreneur Enabler | 3.37 | 0.870 | 59.1 | 42.9 | 0 | 50.0 |
| Non-entrepreneur | 3.54 | 1.021 | 70.3 | 55.4 | 27.8 | 37.5 |
| Construct Descriptives | 3.39 | 0.995 | | | | |
| N | *93* | | *68* | *14* | *9* | *2* |

Further analysis involves the weighted summation of entrepreneurial orientation associations only. These are the highlighted associations in the left hand column of Table 7.5. Table 7.6 depicts the weighted per centages of entrepreneurial orientation by number of outlets.

**TABLE 7.6 Entrepreneurial associations combined by number of outlets (per centage)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Entrepreneur Factors Combined | 3.3 | 1.053 | 39.6 | 59.2 | 62.7 | 93.3 |
| N | *93* | | 68 | *14* | *9* | *2* |

Descriptive statistics portray that as the number of outlets increase, so too does the per centage 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.

A similar evaluation follows using descriptive statistics for each outlet category. Instead of using per centage of agreement responses, mean scores are evaluated across outlet categories. Table 7.7 depicts the mean scores per association by number of outlets. With the exclusion of the six plus category, the highest mean scores are highlighted. Similar to Table 7.4, the three to five outlet category dominates the entrepreneurial orientation associations; whereas single outlets dominate the non-entrepreneurial associations.

Combining the factor associations (left hand column in Table 7.7) facilitates analysis by entrepreneurial association. Each character theme is condensed into a related association factor, with cross tabulation extrapolations being depicted in Table 7.8 (represented on the following page). Dominant mean scores ratings are again highlighted, resulting in similar results from Table 7.5. The three to five outlet category dominates entrepreneurial orientation factor associations, whilst non-entrepreneurial associations are dominated by the single category outlets.

**TABLE 7.7 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 7.8 is represented on the following page.

**TABLE 7.8 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 | | | | |

To facilitate entrepreneurial orientation analysis, multiple outlets mean scores are accordingly weighted to compare single and multiple-outlet franchisees. Entrepreneurial associations are depicted in Table 7.9.

**TABLE 7.9 Weighted entrepreneurial orientation mean scores**

| | | | | | | |
|---|---|---|---|---|---|---|
| Entrepreneur Factors Weighted Mean Scores | 3.33<br>*n=93* | 1.053 | 3.17<br>*n=68* | 3.53<br>*n=14* | 3.75<br>*n=9* | 4.67<br>*n=2* |

Table 7.9 resembles Table 7.6; identifying both methods of evaluating entrepreneurial orientation as appropriate. Due to a weighted average for multiple-outlets being appropriate due to fewer outlets in the three plus categories, the entrepreneurial orientation of multiple-outlets is evaluated using a weighted mean score. A resultant weighted mean score of 3.70 is evidence of a significant number of multiple-outlets experiencing a seventeen per cent higher entrepreneurial orientation relative to single outlet franchisees.

Prior to using inferential statistics in the form of significance tests to evaluate entrepreneurial orientation in a multiple-outlet setting, an evaluation of entrepreneurial orientation by region is applicable.

### 7.4.5.2 Multiple-outlet entrepreneurial ratings by region

The classifications depicted in Section 7.3.3 are appropriate for regional distribution of franchised outlets. What follows is an evaluation of entrepreneurial associations by region, similar to classifications used in Table 7.4. Per centage of agreement scales are

used per region, depicted in Table 7.10. Highlighted cells represent regional domination by character theme.

**TABLE 7.10 Entrepreneurial associations by character theme**

| Association | Per centage of franchisees in agreement by region | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | GP | MP | LP | NW | FS | KZN | WC | EC | NC |
| Inventor | 51.8 | 33.3 | 50.0 | 50.0 | 25.0 | 33.3 | 28.2 | 18.2 | 100 |
| Inventor + Entrepreneur | 62.9 | 33.3 | 75.0 | 50.0 | 50.0 | 16.7 | 43.7 | 36.4 | 0 |
| Entrepreneur | 46.1 | 0 | 50.0 | 25.0 | 25.0 | 33.4 | 34.4 | 36.4 | 50.0 |
| Entrepreneur | 44.4 | 33.3 | 50.0 | 50.0 | 25.0 | 33.4 | 40.6 | 36.4 | 50.0 |
| Entrepreneur | 66.6 | 33.3 | 75.0 | 50.0 | 50.0 | 33.4 | 56.2 | 63.7 | 50.0 |
| Entrepreneur | 74.1 | 66.7 | 50.0 | 75.0 | 50.0 | 66.7 | 67.7 | 20.0 | 100 |
| Entrepreneur + Leader | 56.0 | 66.6 | 75.0 | 50.0 | 50.0 | 83.4 | 56.3 | 45.5 | 50.0 |
| Entrepreneur + Leader | 38.5 | 33.3 | 50.0 | 25.0 | 0 | 50.0 | 32.3 | 27.3 | 50.0 |
| Entrepreneur + Leader | 37.0 | 33.3 | 50.0 | 50.0 | 25.0 | 33.3 | 43.8 | 18.2 | 50.0 |
| Entrepreneur + Leader | 40.7 | 33.3 | 50.0 | 25.0 | 25.0 | 50.0 | 37.5 | 36.4 | 50.0 |
| Entrepreneur + Leader | 44.4 | 33.3 | 75.0 | 50.0 | 0 | 50.0 | 46.9 | 72.7 | 50.0 |
| Leader | 59.2 | 66.6 | 50.0 | 25.0 | 50.0 | 66.7 | 46.9 | 72.7 | 100 |
| Leader | 70.4 | 66.7 | 75.0 | 50.0 | 25.0 | 66.7 | 59.4 | 45.5 | 50.0 |
| Leader | 40.7 | 33.3 | 50.0 | 25.0 | 75.0 | 16.7 | 43.8 | 54.6 | 0 |
| Leader | 55.5 | 66.7 | 50.0 | 25.0 | 75.0 | 66.6 | 60.0 | 80.0 | 50.0 |
| Entrepreneur Enabler | 40.7 | 66.7 | 33.3 | 50.0 | 75.0 | 16.7 | 56.3 | 63.6 | 0 |
| Non-entrepreneur | 51.8 | 66.7 | 50.0 | 50.0 | 50.0 | 56.7 | 56.3 | 43.5 | 50.0 |
| Non-entrepreneur | 29.6 | 66.6 | 50.0 | 50.0 | 50.0 | 66.7 | 58.1 | 54.6 | 50.0 |
| Non-entrepreneur | 59.3 | 66.6 | 50.0 | 50.0 | 75.0 | 50.0 | 68.8 | 80.0 | 50.0 |
| Non-entrepreneur | 85.2 | 100.0 | 50.0 | 75.0 | 75.0 | 66.6 | 90.6 | 100 | 50.0 |
| N= *93* | *27* | *3* | *4* | *4* | *4* | *6* | *32* | *11* | *2* |

Character themes are further broken down into factor associations by region; represented in Table 7.11. Highlighted cells depict dominant regions by factor association. Cognisance is taken of those regions having only a few franchised outlets, which may substantially skew the results. Notwithstanding this, on a per region basis, the evaluation makes for interesting inferences, particularly to the franchisor.

**TABLE 7.11 Factor associations by region**

| Association | Per centage of franchisees in agreement by region | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | GP | MP | LP | NW | FS | KZN | WC | EC | NC |
| Inventor | 51.8 | 33.3 | 50.0 | 50.0 | 25.0 | 33.3 | 28.2 | 18.2 | 100 |
| Inventor + Entrepreneur | 62.9 | 33.3 | 75.0 | 50.0 | 50.0 | 16.7 | 43.7 | 36.4 | 0 |
| Entrepreneur | 57.8 | 33.3 | 56.3 | 50.0 | 37.5 | 41.7 | 49.7 | 39.1 | 62.5 |
| Entrepreneur + Leader | 43.3 | 40.0 | 60.0 | 40.0 | 20.0 | 53.3 | 43.4 | 40.0 | 50.0 |
| Leader | 56.5 | 58.3 | 56.3 | 31.3 | 56.3 | 54.2 | 52.5 | 63.2 | 50.0 |
| Entrepreneur Enabler | 40.7 | 66.7 | 33.3 | 50.0 | 75.0 | 16.7 | 56.3 | 63.6 | 0 |
| Non-entrepreneur | 49.9 | 75.0 | 50.0 | 56.3 | 56.3 | 60.0 | 68.5 | 69.5 | 50.0 |

The associations are then combined to evaluate overall entrepreneurial orientation by region. The associations are merely a descriptive analysis, however, weighted descriptives are analysed using weighted scores to make meaningful inferences. The descriptive factors are depicted in the first row of Table 7.12, whereas the weighted scores are depicted in the second row of Table 7.12.

**TABLE 7.12 Entrepreneurial associations combined**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| EO descriptives | 54.7 | 35.5 | 63.8 | 46.7 | 35.8 | 37.2 | 45.6 | 38.5 | 37.5 |
| EO weighted scores | 15.9 | 1.1 | 2.7 | 2.0 | 1.5 | 2.4 | 15.7 | 4.5 | 0.8 |

Although Limpopo Province franchisees have the highest per centage of entrepreneurial orientation agreement scale responses, they only represent 4.3% of all respondents. The weighted scores are more indicative for inferential analysis by region. The weighted scores identify Gauteng and Western Cape as the dominant entrepreneurial orientation regions, followed by Eastern Cape.

The final entrepreneurial orientation analysis section will evaluate inferential statistics by using significance tests to test the newly identified proposition: entrepreneurial orientation exists in a franchise environment. In addition, the Cronbach's Alpha will be evaluated for inter-item construct reliability.

### 7.4.5.3 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 (Section 7.4.4), 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 7.4. 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 Cronbach's Alpha and item-scale correlation by variable is depicted in Table 7.13. The overall construct alpha for multiple-outlets is significantly higher than when single outlets were included in the analysis (refer to Table 7.3). 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.

**TABLE 7.13 Item analyses for entrepreneurial orientation character themes (multiple-outlets)**

| Question number | Association | Character Theme | Item-scale correlation | Alpha if item deleted |
|---|---|---|---|---|
| 9 | Inventor | Mastery | 0.6222 | 0.8388 |
| 10 | Inventor + Entrepreneur | Creativity | 0.7380 | 0.8358 |
| 11 | Entrepreneur | Opportunity taking | 0.3895 | 0.8490 |
| 12 | Entrepreneur | Urgency | 0.4568 | 0.8468 |
| 13 | Entrepreneur | Performance orient | 0.6704 | 0.8359 |
| 14 | Entrepreneur | Networking | 0.7045 | 0.8363 |
| 15 | Entrepreneur + Leader | Focus | 0.6637 | 0.8374 |
| 16 | Entrepreneur + Leader | Time focus | 0.8647 | 0.8295 |
| 17 | Entrepreneur + Leader | Ego | 0.3446 | 0.8544 |
| 18 | Entrepreneur + Leader | Courage | 0.4882 | 0.8449 |
| 19 | Entrepreneur + Leader | Team | 0.6632 | 0.8387 |
| 20 | Leader | Strategic | 0.7868 | 0.8358 |
| 21 | Leader | Envisioning | 0.7029 | 0.8413 |
| 22 | Leader | Empowering | 0.3852 | 0.8525 |
| 23 | Leader | Influencing | 0.4185 | 0.8476 |
| 24 | Entrepreneur enabler | Developer | 0.3725 | 0.8526 |
| 25 | Non-entrepreneur | Systematic | 0.3093 | 0.8630 |
| 26 | Non-entrepreneur | Disciplined | 0.3975 | 0.8894 |
| 27 | Non-entrepreneur | Woo | 0.3368 | 0.8541 |
| 28 | Non-entrepreneur | Relator | 0.6663 | 0.8361 |
| **Reliability coefficients** | | ***20 items*** | | |
| **Cronbach's Alpha for the construct = 0.8533** | | | | |

The significance of the proposition may be tested using the ANOVA Kruskal-Wallis test. This test rejected entrepreneurial orientation in the total franchise system (Section 7.4.4), 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 |

c. Kruskal-Wallis test
d. 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). Whilst relatively flat, it is not flatter than a normal distribution; as characterized by the complete data set.

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

## 7.5 SECTION C: THE FRANCHISE PARADOX

The previous section encapsulated an entrepreneurial orientation in a franchised environment. This section evaluates franchising as an entrepreneurial option towards creating and developing new ventures. The study commences with a background of the franchise paradox, evaluating franchisees in the system. It then continues with descriptive statistics of franchise paradox issues, association to entrepreneurial orientation, and finally inferential statistics toward testing the hypothesis:

H2: The franchise system is an entrepreneurial option towards creating and developing ventures.
H0: The franchise system is not an entrepreneurial option towards creating and developing ventures

Due to the variance in response regarding single and multiple-outlet franchisees, applicable franchise paradox data will be evaluated from a multiple-outlet perspective.

The franchise paradox section evaluates questions twenty-nine to thirty-eight of the questionnaire (V31-V40).

### 7.5.1 Franchise paradox descriptive and inferential analysis

Item descriptive statistics are depicted in Table 7.14. The left hand column identifies the franchise paradox link to the applicable association (entrepreneurship, performance, relationships and management). The descriptive statistics will be used for an analysis on a per item basis. Cross tabulations will be effected to evaluate franchise paradox associations against questionnaire Section A data (Section 7.3), and correlation analysis will be effected to evaluate associations between variables. The Pearson correlation significance coefficient for the construct is depicted on the following page in Table 7.15. Column and row numbers (9-38 identify questions correlated). Additional correlations include associations with entrepreneurial orientation, as identified in the previous Section (7.4). Kurtosis is introduced per variable, facilitating analysis regarding the peakedness or flatness of the sample data set.

**TABLE 7.14 Franchise paradox descriptive statistics**

| Question | Association | Item Mean | Std error of mean | Standard deviation | Kurtosis |
|---|---|---|---|---|---|
| 29 | Entrepreneurship + Innovation | 3.23 | 0.110 | 1.062 | -1.050 |
| 30 | Entrepreneurship + Creativity | 2.85 | 0.113 | 1.097 | -1.106 |
| 31 | Entrepreneurship + Proactivity | 2.97 | 0.103 | 0.994 | -0.779 |
| 32 | Entrepreneurship +Performance | 3.22 | 0.105 | 1.018 | -0.577 |
| 33 | Relationships + Effort | 4.08 | 0.074 | 0.711 | 9.820 |
| 34 | Relationships + Trust | 4.06 | 0.082 | 0.791 | 6.354 |
| 35 | Relationships + Conflict | 2.64 | 0.097 | 0.937 | -0.361 |
| 36 | Relationships + Contributions | 2.56 | 0.086 | 0.837 | -0.531 |
| 37 | Entrepreneurship + Ventures | 3.16 | 0.114 | 1.110 | -0.832 |
| 38 | Management + Objectives | 3.31 | 0.108 | 1.048 | -0.053 |
| | **Construct descriptives *n=93*** | **3.21** | **0.099** | **0.963** | **1.041** |

Construct descriptives are characterized by a mean score of 3.21, representing a favourable overall response to the construct questions. The standard deviation for the sample mean, referred to as the standard error of the mean, is relatively small for the n=93 response rate. Similarly, the construct standard deviation is relatively small for the n=93 response rate, an indication that the average deviation from the mean is relatively stable. There are however variances among variables, to be discussed in the following section on item analysis. The overall positive construct kurtosis is skewed by two variable variances

(questions 33 and 34). Eighty per cent of the variables are characteristic of a distribution flatter than normal distribution, whereas twenty per cent of the variables identify a peaked distribution.

**TABLE 7.15 Pearson correlation coefficients for the franchise paradox construct**

| Q | 9 | 10 | 11 | 12 | 13 | 14 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **9** | 1 | | | | | | | | | | | | | | | |
| **10** | .658 | 1 | | | | | | | | | | | | | | |
| **11** | .472 | .534 | 1 | | | | | | | | | | | | | |
| **12** | .560 | .509 | .660 | 1 | | | | | | | | | | | | |
| **13** | .371 | .585 | .583 | .493 | 1 | | | | | | | | | | | |
| **14** | .394 | .496 | .444 | .402 | .634 | 1 | | | | | | | | | | |
| **29** | .376 | .260 | .255 | .306 | .297 | .288 | 1 | | | | | | | | | |
| **30** | .273 | .335 | .382 | .221 | .448 | .377 | .274 | 1 | | | | | | | | |
| **31** | .211 | .375 | .236 | .201 | .353 | .236 | .003 | .620 | 1 | | | | | | | |
| **32** | .283 | .298 | .266 | .295 | .312 | .186 | .119 | .483 | .574 | 1 | | | | | | |
| **33** | .273 | .286 | .201 | .235 | .326 | .413 | .267 | .035 | .035 | .142 | 1 | | | | | |
| **34** | .222 | .225 | .096 | .167 | .262 | .351 | .147 | .024 | .024 | .144 | .803 | 1 | | | | |
| **35** | .062 | .117 | .207 | .076 | .008 | .011 | .032 | .289 | .289 | .469 | .283 | .231 | 1 | | | |
| **36** | .232 | .228 | .084 | .045 | .099 | .038 | .078 | .456 | .347 | .469 | .089 | .056 | .551 | 1 | | |
| **37** | .348 | .387 | .301 | .339 | .288 | .337 | .132 | .444 | .446 | .825 | .164 | .162 | .531 | .481 | 1 | |
| **38** | .208 | .218 | .261 | .163 | .226 | .124 | .056 | .480 | .446 | .711 | .013 | .081 | .706 | .535 | .734 | 1 |

Correlation is significant at the 0.01 level for all values of 0.260 and above.
Correlation is significant at the 0.05 level for all values of 0.207 and above.
All values for Q 29 are negative.

Not all variables are intended to be analysed from a Pearson correlation point of view; all variables are merely listed for completion of the table purposes. Appropriate correlations will be discussed in the per item evaluations. Inter-item reliability is analysed by means of the Cronbach's Alpha, with values depicted in Table 7.16. The table includes the corrected item-total correlation, and alpha if the item is deleted. The Cronbach's Alpha reliability coefficient is appropriate for the project at hand (0.7748). Should any item be deleted, alpha is only marginally affected; confirming the decision to include all variables.

Table 7.16 is represented on the following page; and highlights the negative item-scale correlation for question twenty-nine, which shall be evaluated in the following section on item analysis. The item analysis will also include evaluation of cross-tabulations between the franchise paradox variables and demographic and biographical information as per section A of the questionnaire. Particular emphasis is placed on multiple-outlet franchisees. Table 7.17 depicts response rates from franchisees in agreement with each question (agree + strongly agree), represented as a per centage of responses to each question. Neutral and disagree scales are disregarded in the table. The table is further split into single and multiple-outlet responses.

**TABLE 7.16 Item reliability analyses for franchise paradox themes**

| Question | Association | Item-scale correlation | Alpha if item deleted |
|---|---|---|---|
| 29 | Entrepreneurship + Innovation | -1.805 | 0.8350 |
| 30 | Entrepreneurship + Creativity | 0.5353 | 0.7422 |
| 31 | Entrepreneurship + Proactivity | 0.5617 | 0.7393 |
| 32 | Entrepreneurship +Performance | 0.7750 | 0.7073 |
| 33 | Relationships + Effort | 0.0899 | 0.7896 |
| 34 | Relationships + Trust | 0.1036 | 0.7907 |
| 35 | Relationships + Conflict | 0.5171 | 0.7460 |
| 36 | Relationships + Contributions | 0.5561 | 0.7432 |
| 37 | Entrepreneurship + Ventures | 0.7550 | 0.7066 |
| 38 | Management + Objectives | 0.7682 | 0.7069 |
| **Reliability coefficients** | | ***10 items*** | |
| **Cronbach's Alpha for the construct = 0.7748** | | | |

It must be noted from Table 7.17 that question 29 was designed to elicit a response about innovation in the hands of the franchisor. Agreement responses are therefore indicative of franchisees favouring this association in the hand of the franchisor. In other words, sixty-per cent of multiple-outlets see innovation as their responsibility. Question thirty-five is characterized by a high neutral ranking of fifty per cent of all respondents.

**TABLE 7.17 Respondents in agreement with items**

| Question | Association | Responses in agreement (%) | | |
|---|---|---|---|---|
| | | **Total** | **Single outlets** | **Multiple-outlets** |
| 29 | Entrepreneurship + Innovation | 56.5 | 61.2 | 44.0 |
| 30 | Entrepreneurship + Creativity | 35.9 | 26.9 | 60.0 |
| 31 | Entrepreneurship + Proactivity | 33.2 | 28.4 | 52.0 |
| 32 | Entrepreneurship +Performance | 51.1 | 44.8 | 68.0 |
| 33 | Relationships + Effort | 94.5 | 98.5 | 84.0 |
| 34 | Relationships + Trust | 92.3 | 97.0 | 80.0 |
| 35 | Relationships + Conflict | 14.1 | 11.9 | 20.0 |
| 36 | Relationships + Contributions | 13.0 | 7.5 | 28.0 |
| 37 | Entrepreneurship + Ventures | 51.0 | 41.8 | 76.0 |
| 38 | Management + Objectives | 59.8 | 55.2 | 72.0 |
| **N** | | ***932*** | ***68*** | ***25*** |

### 7.5.2 Item analysis

Item analysis will be conducted per item, representative of questions twenty-nine to thirty-eight of the questionnaire. This shall be analysed within the item associations depicted in Figures 7.14 to 7.17. Once all items have been evaluated, the hypothesis will be tested using the non-parametric ANOVA Kruskal-Wallis test. Correlation analysis for the remaining constructs is represented in Appendix 2.

#### 7.5.2.1 Entrepreneurship + innovation

The themes of innovation and creativity of this item closely associate with the mastery and creativity themes of entrepreneurial orientation (Table 7.2). It evaluates the franchisee as inventor + entrepreneur. The question involves franchisee perceptions regarding innovation and creativity in the hands of the franchisor. The majority of respondents are of the opinion that innovation and creativity are the responsibility of the franchisor (56.5%), with a mean score of 3.23 and standard deviation of 1.062. The relatively large standard deviation is due to the variation of response as a result of differences between single and multiple-outlets. Sixty-one per cent of single outlets are in agreement, whereas only forty-four per cent of multiple-outlet franchisees are in agreement. The single outlet mean score is 3.37 and the multiple-outlet mean is 2.96. The response requests perceptions about the franchisor, henceforth, negative correlations are recorded (other responses request franchisee perceptions). As such, -1 indicates a perfect straight-line relationship with negative slope across all variables (Table 7.15). The negative item-scale is depicted in Table 7.16, and should this variable be deleted, the alpha for the construct increases. Taking the nature of the variable into account, it was decided to retain the question as an appropriate alpha coefficient is still to be realised. The kurtosis is flatter than a normal distribution (-1.050), with ninety per cent of responses distributed across three scales.

The item is significantly correlated with the mastery character theme (question 9) at 0.01 level. Other significant correlations at 0.01 level include creativity (question 10), urgency (question 12), performance (question 13), and networking (question 14). These correlations significantly associate the item responses to the association of entrepreneurial orientation. Due to the negative correlation, it is appropriate to take cognizance of disagree scale responses, thus evaluating the franchisees' innovation responsibility. The item is also significantly correlated (0.01 level) with question 30 (entrepreneurship + creativity), placing emphasis on the significant association with entrepreneurial orientation.

It may thus be concluded that the total system does not perceive innovation and creativity as their responsibility; however, multiple-outlets differ totally with the overall response. Sixty per cent of multiple-outlets see innovation and creativity as their responsibility, whereas only thirty-nine per cent of single outlets see it as their responsibility.

#### 7.5.2.2 Entrepreneurship + creativity

This item is representative of question thirty of the questionnaire, idea generation and creativity to the inventor + entrepreneur (Table 7.2). The overall mean rating of 2.85 is characterized by a relatively large standard deviation (1.097), representative of variance amongst respondents. The kurtosis is flatter than a normal distribution (-1.106), with responses spread across all five scales. Pearson correlations with the entrepreneurship orientation associations (Table 7.2) are significant. These are represented in Table 7.15. Of particular significance (at 0.01) are mastery (question 9), creativity (question 10), opportunity taking (question 11), performance (question 13) and networking (question 14). Correlations that are significant (0.01 level) within the construct include entrepreneurship + innovation (question 29), entrepreneurship + proactivity (question 31), entrepreneurship + performance, relationships + conflict + contributions (questions 35/36), entrepreneurship + ventures (question 37) and management + objectives (question 38).

Overall item-scale correlation of 0.5353 is depicted in Table 7.16. Should the item be deleted, it only marginally affects the Cronbach's Alpha for the construct, validating the reliability coefficient. Total construct agreement with the question represents thirty-six per cent of respondents (Table 7.17), with single outlets responding positively at twenty-seven per cent. Similar to the previous item, sixty per cent of multiple-outlets believe that creativity (idea generation) is a responsibility of the franchisee.

It may be concluded that the overall item does not significantly portray the franchisee as an idea generator. Multiple-outlet franchisees however significantly portray idea generation as a franchisee function.

#### 7.5.2.3 Entrepreneurship + proactivity

The item representing question thirty-one includes entrepreneurial themes of opportunity taking and risk. Only thirty-three per cent of respondents are in agreement with the variable, represented by a mean score of 2.97 (Table 7.14). The distribution is flatter than a normal distribution (Kurtosis of -0.779) with ninety per cent of responses across three scales (standard deviation of 0.994). Significant correlations associated with entrepreneurial orientation (at 0.01 level) include creativity (question 10) and

performance (question 13). Within the construct, significant correlations (at 0.01 level) include entrepreneurship + performance (question 32), relationships + conflict = contribution (questions 35/6), entrepreneurship plus ventures (question 37) and management and objectives (question 38).

Item-scale correlation of 0.5617 is appropriate for the study, with the overall construct alpha being marginally affected should the item be deleted. Entrepreneurship + proactivity is thus appropriately included (Table 7.16). Only thirty-three per cent of franchisees responded positively to the item, represented by twenty-eight per cent of single outlets agreeing (mean score 2.85). Fifty-two per cent of multiple-outlets however responded positively (mean score 3.29).

It is concluded that entrepreneurship + proactivity is not significantly enhanced in the franchise system. Multiple-outlets do however perceive the item as significant.

#### 7.5.2.4 Entrepreneurship + performance

Question thirty-two links the entrepreneurial orientation theme of performance orientation (question 13). It relates to setting milestones and measuring progress, with a link to the stimulation of incremental wealth. Thirty-five per cent of franchisees responded positively to the variable, with thirty-two per cent being neutral in their response. The mean of 3.22 is characterized by a relatively large standard deviation (1.018) and distribution flatter than a normal curve (Kurtosis of -0.577). Ninety per cent of responses are distributed across three scales. Significant correlations (at 0.01 level) are achieved across all entrepreneurial orientation variables (questions 9 to 13). Inter-construct significance is achieved across entrepreneurship + creativity + proactivity (questions 30 and 31), relationships + conflict + contributions (questions 35 and 36), entrepreneurship + ventures (question 37) and management and objectives (question 38).

Item-scale correlation of 0.7750 is the highest of all construct items. Whilst the construct alpha is affected by approximately ten per cent if the item is deleted, the item has been included as the appropriate Cronbach's Alpha is still achieved (in excess of 0.7). Fifty-one per cent of franchisees responded positively to the item, whereas only forty-five per cent of those with one outlet responded positively. Sixty-eight per cent of multiple-outlet franchisees however responded positively to the variable.

It is concluded that entrepreneurship and performance is enhanced within the franchise system, albeit not significantly in a single outlet environment. Multiple-outlets however significantly associate performance and the stimulation of incremental wealth within the system.

The data in this section is in agreement with the hypothesis of entrepreneurial orientation in the previous section. The franchise paradox links to entrepreneurship conclude that a significant entrepreneurial orientation is not identified in the franchise system, although it is significant in a multiple-outlet franchise system. It must again be emphasized that this does not negate entrepreneurial orientation, but that the orientation is not significant.

#### 7.5.2.5 Relationships and the franchise paradox

Questions thirty-three to thirty-six involve various aspects of relationships with regard to the franchise paradox. Mendelsohn (2003) emphasizes that the franchise relationship is not self sustaining; and these items measure franchisee reponses in this regard. These items link to the relationship marketing construct (questions 59-68). Each question is represented as an item:

- Relationships and effort: This question relates to the conscious effort of franchisee and franchisor. An overall positive response was realized (mean score of 4.08), with a small standard deviation (0.711). The result is a peaked distribution (kurtosis of 9.820), represented by seventy-five per cent of responses in a single scale (agree). The item is significantly correlated to the relationships + trust variable (0.803 at 0.01 level) as well as the relationships + conflict variable (0.283 at 0.01 level). Significant correlations (0.01 level) with the relationship marketing construct (section F of the questionnaire) revolve around customer markets (questions 59 and 60), internal markets (question 61 and 65), referral markets (question 63 and 64), and recruitment markets (question 68). These relationships not only cover franchise relationships, but relationships with all stakeholders. The Cronbach's Alpha (Table 7.16) is marginally affected if the item is deleted, and inter-item reliability is appropriate if the item is not deleted
- Relationships and trust: This item (question 34) has a distribution very similar to that of the previous item. A mean score of 4.06 is characterized by a relatively small standard deviation (0.791) and peaked distribution (kurtosis of 6.354).

Ninety-two per cent of responses are distributed across two scales (agree and strongly agree). This item represents the highest strongly agree response rate in the entire questionnaire (twenty-three per cent). This is evidence of the strong necessity for trust in the franchise system. The item does not measure trust in the system, but the perception of the importance of trust in the system. Inter construct significant association is that of relationships and effort (previous item). Significant correlations (0.01 level) with the relationship marketing construct include customer markets (question 59), internal markets (question 61), referral markets (questions 63 and 64), and influence markets (questions 65 and 66). The Cronbach's Alpha is marginally affected if the item is deleted (Table 7.16), thus it is appropriate to retain the item

- Relationships and conflict: This item evaluates the handling of conflicts in the defined franchise system (question 35 of the questionnaire). The item has a distinguishingly high proportion of neutral responses (fifty-per cent of respondents), which is perhaps indicative of being unsure of the conflict handling process. One can assume that those who have not encountered conflict, may well have responded in this scale. A mean score of 2.64 is realised, evidence of overall discontent with the handling of conflict in the system. The distribution is marginally flatter than a normal distribution (kurtosis of -0.361), with responses in all scales. Correlation is significant (0.01 level) across all relationship items, as well as management + objectives (question 38). Significant correlations with the relationship construct include internal markets (question 62), influence markets (question 66) and recruitment markets (questions 67 and 68). If the item is deleted, the Cronbach's Alpha is reduced, thus regarding the inclusion as appropriate
- Relationships and contributions: This item measures the encouragement of franchisee suggestions in the franchise system. The distribution is characterized by seventy-seven per cent of franchisees responding on two scales (disagree and neutral). Only thirteen per cent of franchisees agreed to the item. The result is a low mean score of 2.56, and relatively flat distribution (kurtosis of -0.361). The item is significantly correlated (0.01 level) with the previous item and management + objectives (question 38). Significant correlations (0.01 level) with the relationship marketing construct include customer markets (question 60), internal markets (question 62), referral markets (question 63), influence markets (question 66) and recruitment markets (questions 67 and 68). The alpha is

marginally affected if the item is deleted, and inclusion is regarded as appropriate (Cronbach's Alpha above 0.7).

The franchise paradox and relationship associations depict two major areas of concern within the franchise system. These centre around the handling of conflict (question 35) and the perceived lack of contributions and suggestions within the system (question 36). The associations do however exhibit significant correlations with the various markets included in the relationship marketing construct.

#### 7.5.2.6 Entrepreneurship + ventures

Bygrave (1997) informs that franchising is seen as an entrepreneurial option to creating and developing ventures. In question thirty-seven, franchisees respond on their perception of the notion. Fifty-one per cent of franchisees responded positively (excluding a seventeen per cent neutral response), resulting in a mean of 3.16. A varied response across all scales is represented by a relatively high standard deviation (1.110), together with relatively flat distribution (kurtosis of – 0.832). The distribution is attributable to the number of franchised outlets per franchisee. Forty-two per cent of single outlet franchisees responded positively to the item (mean score of 2.93), whereas seventy-six per cent of multiple-outlet franchisees responded positively to the item (mean score of 3.72). The distribution is represented in Figures 7.7 and 7.8, representing the responses of single outlets versus multiple-outlets to the entrepreneurship + ventures variable. The two figures are represented on the following page.

Significant correlations (0.01 level) are across all entrepreneurial orientation associations (questions 9-14) and entrepreneurship associations within the franchise paradox construct (questions 30-32). A high significance is associated with management and objectives (question 38), encapsulating business objectives with growth and developing new ventures. The item-scale correlation of 0.7550 appropriately results in a marginal affect on the Cronbach's Alpha if the item is deleted (Table 7.16). It is thus appropriate to include the item in the construct.

**FIGURE 7.7 Franchising as an entrepreneurial option (single outlet responses)**

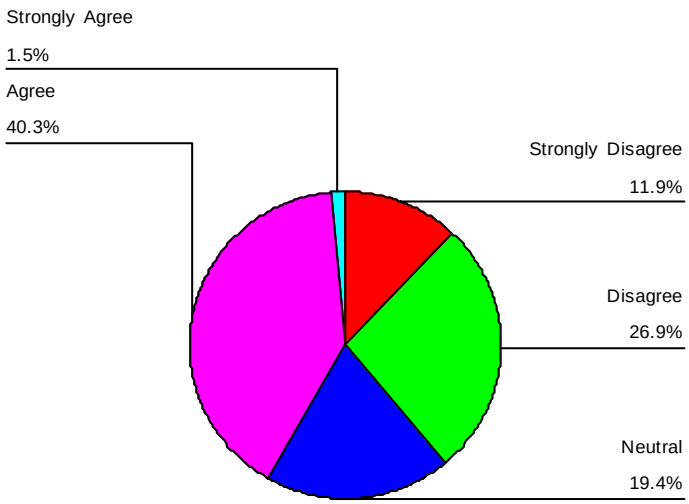
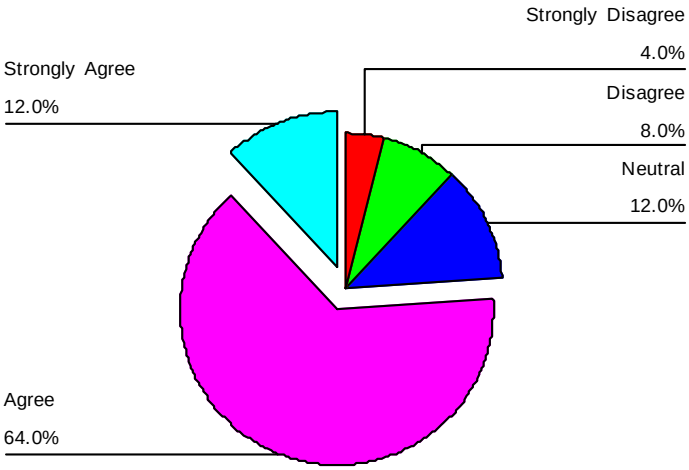



**FIGURE 7.8 Franchising as an entrepreneurial option (multiple-outlet responses)**




An interesting response from the KwaZulu Natal (KZN) region in particular skews the distribution. Fifty per cent of KZN respondents disagree with the item (17% neutral). This may be attributed to no regional office representation of the franchisor, together with KZN franchisees rating high with dissatisfaction regarding the handling of conflict (83 % disapproval). It may be concluded that franchising is an entrepreneurial option towards creating and developing ventures. This statement is however more significant in a multiple-outlet franchise environment.

#### 7.5.2.7 Management + objectives

The item represents the final question (38) of the franchise paradox construct. It is an overall measure of the franchise system meeting the business objectives of the franchisee. Sixty per cent of respondents identified satisfaction with the item (17% neutral), with twenty-three per cent registering dissatisfaction with the system. The overall response reflects a mean score of 3.31, with a relatively high standard deviation of 1.048. The kurtosis represents a relatively flat distribution (-0.053). The variation results from multiple-outlet franchisees. Fifty-five per cent of single outlet franchisees are satisfied with their objectives being met (mean score of 3.15); whilst seventy-two per cent of multiple-outlet franchisees are satisfied (mean score of 3.68). This is represented diagrammatically in Figure 7.9 and Figure 7.10 on the following page.

The item is significantly correlated (0.01 level) with the entrepreneurial items within the construct (questions 30-32). Table 7.16 identifies an item-scale correlation of 0.7682; together with appropriate alpha should the item be deleted. Inclusion of the item is thus appropriate. A regional cross-tabulation identifies the KZN region as being responsible for the regional skew of the item (67% dissatisfaction response). This may once again be attributed to lack of a franchise regional office, as highlighted in the previous section..

It may be concluded that overall the franchise system meets the business needs of the franchise system. This is however more significant in multiple-outlet franchisees; correlating multiple-outlets with the creation and development of new ventures.

Figure 7.9 and Figure 7.10 are represented on the following page.

**FIGURE 7.9 Single outlet satisfaction responses**

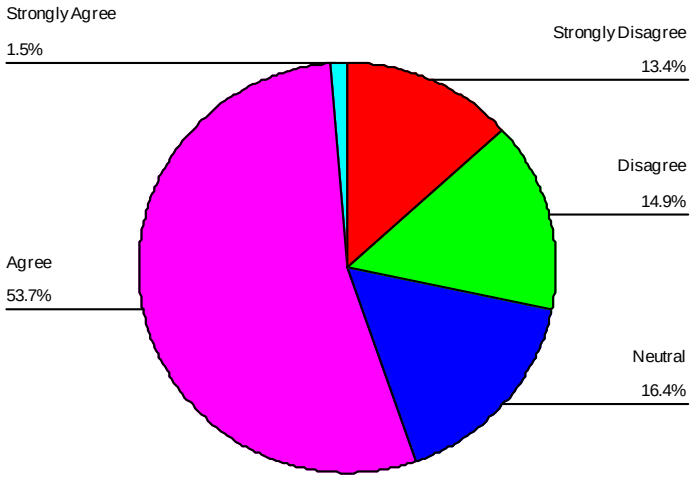
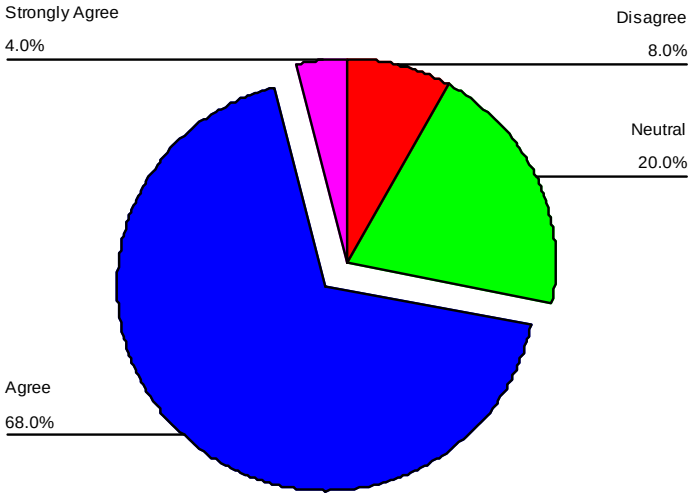



**FIGURE 7.10 Multiple-outlet satisfaction responses**




### 7.5.3 Franchising and venture creation significance

In Sections 7.5.1 and 7.5.2 the franchise paradox construct was analysed using descriptive and inferential statistics. Items were analysed, evaluating their associations with inter-construct items, together with associations with other constructs. The opportunity now avails itself to empirically analyse the franchise paradox in light of an association to the creation and development of ventures. The applicable alternate and null hypotheses are represented as:

H2: The franchise system is an entrepreneurial option towards creating and developing ventures.

H0: The franchise system is not an entrepreneurial option towards creating and developing ventures.

Applicability to H2 is the use of the non-parametric ANOVA Kruskal-Wallis significance test, as identified in Section 6.6.4.1.

*Test statistic a.b*

| | **Franchising as an option to venture creation and development** |
|---|---|
| Chi-Square | 8.430 |
| df | 4 |
| Asymp.Sig | 0.771 |

c. Kruskal-Wallis test
d. Group variable Franchise Paradox

Presentation of the P-value of 0.771 (greater than 0.05) represents the alternate hypothesis as not being unlikely, therefore not rejecting the alternate hypothesis. We therefore accept the hypothesis that the franchise system is an entrepreneurial option towards creating and developing ventures. Furthermore, a significant association was found between the creation and development of ventures and multiple-outlet franchisees.

Section 7.4 empirically tested entrepreneurial orientation in a franchised system, and Section 7.5 empirically tested the franchise system as an entrepreneurial option towards creating and developing ventures. The following sections empirically analyse the development of an entrepreneurial service vision in a franchised environment.

## 7.6 SECTION D: THE SERVICE PROFIT CHAIN

Sections 7.6 onward evaluate the service vision constructs of the study. These include the service profit chain, service quality, relationship marketing and best practice. Hypotheses testing will investigate the association of the service profit chain, relationship marketing and best practice to the dependent variable of service quality. Each construct will consist of descriptive and inferential analysis for evaluating associations and testing hypotheses.

The service profit chain (SPC) is represented in section D of the questionnaire (questions 39-48). Associated themes within the construct include SPC links, retention, related sales and referrals. The objective of the study is to evaluate the association of SPC to service quality (SQ). The hypothesis postulates that:

H3: Service profit chain initiatives are positively associated with service quality

H0: Service profit chain initiatives are not positively associated with service quality.

The format of the investigation will follow a descriptive and inferential analysis, by item analysis and ANOVA Kruskal-Wallis hypothesis test of significance.

### 7.6.1 Service profit chain descriptive and inferential statistics

Item descriptive statistics are depicted in Table 7.18. The left hand column identifies the service profit chain associations of SPC links, retention, related sales and referrals. The descriptive and inferential statistics are used for an analysis on a per item basis. Correlation analysis will be carried out to evaluate associations within the construct, together with associations of service quality. The Pearson correlation significance coefficient for the construct and SQ construct is depicted in Appendix 2.

**TABLE 7.18 Service profit chain descriptive statistics**

| Question | Association | Item Mean | Std error of mean | Standard deviation | Kurtosis |
|---|---|---|---|---|---|
| 39 | SPC links (satisfaction 1) | 3.75 | 0.086 | 0.820 | 1.460 |
| 40 | SPC links (satisfaction 2) | 3.99 | 0.070 | 0.652 | 5.842 |
| 41 | SPC links (best practice) | 2.49 | 0.094 | 0.904 | -0.320 |
| 42 | Retention (feedback) | 2.20 | 0.078 | 0.745 | -0.551 |
| 43 | SPC links (QWL) | 3.67 | 0.074 | 0.713 | 3.234 |
| 44 | Retention (relationships 1) | 3.95 | 0.061 | 0.581 | 10.212 |
| 45 | Retention (relationships 2) | 3.90 | 0.078 | 0.739 | 5.109 |
| 46 | Related sales | 3.68 | 0.078 | 0.754 | 3.584 |
| 47 | Referrals (WOM) | 3.62 | 0.083 | 0.796 | 1.541 |
| 48 | Retention (lifetime value) | 2.61 | 0.095 | 0.913 | 0.776 |
| | **Construct descriptives *n=93*** | **3.38** | **0.080** | **0.762** | **3.0887** |

Construct descriptives are characterized by a mean score of 3.38; representing a favourable response to the construct questions. The standard deviation for the sample mean, referred to as the standard error of the mean, is relatively small for the n = 93

response rate; an indication that the average deviation from the mean is relatively stable. Standard deviations are relatively low (all variables below 1.0), indicative of the majority of responses distributed closely around the mean score. Kurtosis is indicative of a fairly normal distribution, with the exception of variable forty-four. Excluding variable forty-four would result in a construct kurtosis of 2.30, being more representative of the data set. Seventy per cent of the variables are characteristic of a peaked distribution, whilst twenty per cent have a distribution marginally flatter than a normal distribution.

Not all variables are intended to be analysed from a Pearson correlation point of view; all variables are merely listed for completion of the table purposes. Appropriate correlations will be discussed in the per item evaluations. Inter-item reliability is analysed by means of the Cronbach's Alpha, with values depicted in Table 7.19. The table includes the corrected item-total correlation, and alpha if the item is deleted. The Cronbach's Alpha reliability coefficient is appropriate for the project at hand (0.7748). Should any item be deleted, alpha is only marginally affected; confirming the decision to include all variables.

**TABLE 7.19 Item reliability analyses for service profit chain themes**

| Question | Association | Item-scale correlation | Alpha if item deleted |
|---|---|---|---|
| 39 | SPC links (satisfaction 1) | 0.6755 | 0.8025 |
| 40 | SPC links (satisfaction 2) | 0.6104 | 0.8132 |
| 41 | SPC links (best practice) | 0.3750 | 0.8369 |
| 42 | Retention (feedback) | 0.2935 | 0.8397 |
| 43 | SPC links (QWL) | 0.5690 | 0.8145 |
| 44 | Retention (relationships 1) | 0.6097 | 0.8140 |
| 45 | Retention (relationships 2) | 0.6328 | 0.8094 |
| 46 | Related sales | 0.4248 | 0.8284 |
| 47 | Referrals (WOM) | 0.5045 | 0.8204 |
| 48 | Retention (lifetime value) | 0.6831 | 0.8003 |
| Reliability coefficients | | *10 items* | |
| **Cronbach's Alpha for the construct = 0.8335** | | | |

Table 7.19 identifies an appropriate construct Cronbach's Alpha of 0.8335 (above desired 0.7). The distribution is also characterised by appropriate reliability should any item be deleted. Item-scale correlations are also all appropriate (above 0.3). The result is therefore the inclusion of all service profit chain items.

### 7.6.2 Item analysis

Item analysis will be conducted per item, representative of questions thirty-nine to forty eight of the questionnaire. This shall be analysed within the item associations depicted in Tables 7.18 and 7.19, together with correlations in Appendix 2. Once all items have been evaluated, the hypothesis will be tested using the non-parametric ANOVA Kruskal-Wallis test.

#### 7.6.2.1 SPC links (satisfaction 1 and 2)

Questions thirty-nine and forty refer to the SPC association of satisfaction. The two items have similar descriptives, with the former representing customer satisfaction, and the latter representing employee satisfaction. Correlated item-total correlation for each variable is high (both in excess of 0.61); with coefficient alpha being reduced if any of the items are deleted. The two items are significantly correlated (0.784 at 0.01 level). The associated mean of the two variables is 3.87.

- SPC links (satisfaction 1): Sixty-six per cent of respondents are in agreement with the variable (29% neutral response), representative of a mean score of 3.75. A relatively flat distribution with moderate standard deviation (96% of responses within 3 scales) is realised. Inter-construct significant correlations (0.01 level) include QWL (Q43), relationships 1 and 2 (Q44 and 45), WOM (Q47) and lifetime value (Q48). The most significant of the inter-construct correlations is that with the other satisfaction variable (Q39). The satisfaction 1 variable also has the second highest item-total correlation in the construct (0.6755). Significant correlations in the service quality construct (0.01 level) include all variables in the construct (Q 49-58); with an average correlation of 0.542 at 0.01 level. Significant correlations in the relationship marketing construct include customer markets 1 (Q59), internal markets 1 and 3 (Q61 and 65), and referral markets 1 and 2 (Q63 and 64). Significant correlations with the best practice construct include all variables with the exception of questions 69, 70, 73 and 77
- SPC links (satisfaction 2): Eighty-nine per cent of respondents are in agreement with the link between employee and customer satisfaction. A high mean score of 3.99 is realised, with a small standard deviation, attributable to eighty-nine per cent of responses within two scales. This in turn results in a peaked distribution

(Kurtosis of 5.842). Inter-construct correlations parallel those of the satisfaction 1 variable, correlating significantly with the same variables. Significant correlations (0.01 level) with the service quality construct also include all variables; with an average correlation of 0.535 at 0.01 level. Signifant correlations across the relationship management construct include all variables with the exception of questions 62, 67 and 68. Significant correlations across the best practice construct include refining offerings (q71), implementing the marketing plan 1 and 3 (q72 and 74), promotion and in-store merchandising (q75) and clear in-store operations (76).

The two satisfaction variables correlate significantly to the service quality variables, which is indicative of a positive association. The other variables of the SPC are now evaluated to establish inter-construct associations; together with appropriate associations with other construct variables.

#### 7.6.2.2 SPC links (best practice)

Question forty-one of the questionnaire measures the perception of franchisees with regard to the encouragement of best practice exchanges. Fifty-six per cent of franchisees responded negatively to this variable (29% neutral). The result is a relatively low mean score of 2.49, and correspondingly high standard deviation. The curve is marginally flatter than a normal distribution (-0.320). Inter-construct significant correlations (0.01 level) are limited to feedback (q42) and lifetime value (q48). Significant correlations with the SQ construct include responsiveness 1 (q51) and tangibles (q57). Relationship marketing construct significant correlations include customer markets (q59), internal markets 1 and 2 (q 61 and 62), referral markets 1 (q63) and recruitment markets (q68). Best practice construct correlations include all but three variables (q71, 72 and 75).

#### 7.6.2.3 Retention (feedback)

The feedback variable is one of four related retention variables within the construct. The variable evaluates effective customer feedback as a retention initiative. It has the lowest mean score response in the construct (2.20), with seventy-four per cent of franchisees responding negatively to the question (q42). Only seven per cent of respondents are in agreement with the system having optimal customer feedback channels (20% neutral

response). Eighty-one per cent of responses are across two scales, representative of a relatively small standard deviation. The item-scale correlation is only just appropriate for construct reliability (0.2935), with an appropriate alpha coefficient should the item be included. Significant inter-construct correlation (0.01 level) is only apparent with the retention association of lifetime value (q48). The variable does not significantly correlate with the SQ construct, with the exception of reliability 2 (q50). Relationship marketing variables significantly associated include internal markets 2 (q62) and recruitment markets 2 (q68). Best practice construct variables significantly correlated with the feedback variable include understanding customer markets (q69), developing strategy and vision 1(q70), implementing the marketing plan (q73), clear in-store operations 1 and 2 (q76 and 77) and developing strategy and vision 2 (q78).

#### 7.6.2.4 SPC links (quality of work life-QWL)

Sixty-eight per cent of franchisees are in agreement with the positive effect of quality of work life on employee loyalty. Twenty-seven per cent of respondents however were neutral in response. A high mean score of 3.67 is characterised by a peaked distribution with relatively small standard deviation. Inter-construct significant correlations (0.01 level) include all variables with the exception of the feedback variable (q42). The QWL variable has a high item-total correlation of 0.6328. Significant correlations (0.01 level) in the SQ construct are across all variables, with the most significant being responsiveness 2 (q52). This association correlates QWL with employees providing prompt response. The significant correlations within the relationship marketing construct include customer markets 1 (q59), internal markets 2 (q62), referral markets 1 and 2 (q63 and 64) and internal markets 3 (q65). Best practice significant correlations are found in refining offerings (q71), implementing the marketing plan 1 and 3 (q72 and 74), promotions and in-store merchandising (q75) and clear in-store operations (q76). The above associations all include a link between employees and QWL.

#### 7.6.2.5 Retention (relationships 1 and 2)

These two closely associated variables are represented in questions forty-four and forty-five of the questionnaire (respectively). The questions directly relate to relationships and retention of existing customers. The two variables have item-total correlations within the top quarter in the construct, well above the appropriate level (0.6097 and 0.6328

respectively). Next to the satisfaction 1 and 2 correlation, the relationship variables portray the second most significant correlation (0.715 at 0.01 level). Should either of the variables be deleted from the construct, the total Cronbach's Alpha will be reduced, hence the appropriateness of including the two variables. The two variables have a high mean score between 3.90 and 3.95; and correspondingly low standard deviations. Agreement responses are in excess of seventy-six per cent of franchisees, representative of peaked distributions (kurtosis of 10.21 and 5.109 respectively). Relationships 1 in particular, has an exceptionally peaked distribution, with eighty-five per cent of responses in one scale (agree). The two variables are significantly correlated (0.01 level) within the construct to all variables excluding best practice (q41), feedback (q42) and lifetime value (q58). Both variables are significantly correlated to all variables within the service quality construct. Significant correlations in the relationship construct are shared between internal markets 1(q61), referral markets 2(q64) and internal markets 3 (q65). This association is attributable to strong links between retention, referrals and internal marketing initiatives. The two variables share an abundance of significant correlations with the best practice construct; refining offerings (q71), implementing the marketing plan 1 and 3 (q72 and 74), promotions and in-store merchandising (q75) and clear in-store operations 1 (q76). These associations are attributable to the as mentioned in the literature link of customer relationships and best practice initiatives.

#### 7.6.2.6 Related sales

Question forty-six of the questionnaire incorporates the broadened service offerings within the franchise system. Sixty-seven per cent of franchisees are in agreement with the variable, with a resulting mean score of 3.68. The distribution is relatively peaked (kurtosis of 3.584) around the agree and neutral scales. An appropriate reliability Cronbach's Alpha is still maintained if the item is included in the construct. Inter-construct significant correlation is around satisfaction 1 (q39), QWL (q43), relationships 1 and 2 (q44 and 45), and WOM (q47). The referrals link is thus associated to SRC links and retention. Service quality construct correlations of significance (0.01) include reliability 1 (q49), assurance 1 and 2 (q53 and 54), and empathy 2 and 3 (q56 and 58). These associations are attributable to related sales offering the customer a wider range of services, highlighting the caring and sharing initiative. Relationship marketing construct correlations are significant in customer markets (q59), exhibiting related sales as a means of competitive advantage. The correlation is significantly demonstrated to the best

practice construct in understanding customers and markets (q69), developing strategy and vision 1 (q70), refining offerings (q71) and influencing the marketing plan 1 and 3 (q72 and q74).

#### 7.6.2.7 Referrals (word of mouth-WOM)

Word of mouth communication is emphasized in question forty-seven of the questionnaire. The variable received a sixty-four per cent positive response, with a mean score of 3.62. The distribution is marginally peaked (kurtosis of 1.541) around the agree and neutral scales, also indicative of a relatively small standard deviation. Cronbach's Alpha is appropriate if the variable is not deleted. Inter-construct correlations are significant (0.01 level) across all variables with the exception of best practice (q42) and feedback (q42). Service quality correlations include significance across all variables. Relationship marketing construct correlation is significant through all variables, with the exception of internal markets 2 (q62) and recruitment markets 2 (q68). This highlights the retention association with the various relationship markets. Best practice construct correlations are significant in refining offerings (q71), implementing the marketing plan 1 and 3 (q72 and 74), promotions and in-store merchandising (q75) and clear in-store operations 1 (q76).

#### 7.6.2.8 Retention (lifetime value)

The final construct question seeks perceptions of the measurement of lifetime customers. This variable raised a large neutral response (thirty-five per cent). It appears that franchisees are uncertain how to measure the value of loyal customers. Forty-eight per cent of franchisees responded in disagreement, resulting in a mean score of 2.61. This represents a relatively flat distribution (kurtosis of 0.776), albeit only marginally positively skewed. The variable however elicits the highest item-total correlation within the construct (0.6831). The deletion of the variable decreases the reliability coefficient, hence the appropriateness of retaining the variable in the construct. Significant correlation (0.01 level) within the construct is experienced across all but two variables (q44 and 46). Service quality significant correlations are experienced through all variables, demonstrating the association between service quality factors and customer loyalty. Relationship marketing construct correlation is significant across all but two variables

(q66 and 67). The best practice significant correlation to the lifetime value variable is evidence of all but two variables not being significant (q72 and q75).

The incident rate of substantial significant correlation to the service quality construct has been evaluated on an item to item basis. An additional item-total statistic was evaluated, comprising all variables within the service profit chain and service quality constructs (q39-q58). The reliability coefficient of all variables (N = 20) resulted in an overall alpha of 0.9367, representative of appropriately high reliability. The only variable raising concern is question forty-two (feedback), however, the item-total correlation of 0.2595 is deemed appropriate as it has only a marginal effect on the overall Cronbach's Alpha.

### 7.6.3 Service profit chain significance

In Sections 7.6.1 and 7.6.2 the service profit chain construct was analysed using descriptive and inferential statistics. Items were analysed, evaluating their associations with inter-construct items, together with associations with other constructs. The opportunity now avails to empirically analyse the service profit chain in light of an association to service quality. The applicable null and alternate hypotheses are represented as:

H3: Service profit chain initiatives are positively associated with service quality.

H0: Service profit chain initiatives are not positively associated with service quality.

Applicability to H3 is the use of the non-parametric ANOVA Kruskal-Wallis significance test, as identified in section 6.6.4.1.

*Test statistic a.b*

| | **Service Profit Chain Initiatives** |
|---|---|
| Chi-Square | 2.044 |
| df | 3 |
| Asymp.Sig | 0.563 |

a. Kruskal-Wallis test
b. Group variable SQ

Presentation of the P-value of 0.563 (greater than 0.05) represents the alternate hypothesis as being likely, therefore rejecting the null hypothesis. We therefore accept the hypothesis that service profit chain initiatives are positively associated with service quality.

Section 7.4 empirically tested entrepreneurial orientation in a franchised system, and Section 7.5 empirically tested the franchise system as an entrepreneurial option towards creating and developing ventures. Section 7.6 empirically tested the positive association between the service profit chain and service quality. The following section empirically analyses the association of relationship marketing to service quality.

## 7.7 SECTION F: RELATIONSHIP MARKETING

Relationship marketing (RM) is represented in section F of the questionnaire (questions 59-68). Associated themes within the construct include customer markets, internal markets, referral markets and recruitment markets. The objective of the study is to evaluate the association of RM to service quality (SQ). The hypothesis postulates that:

H4: Relationship marketing initiatives are positively associated with service quality

H0: Relationship marketing initiatives are not positively associated with service quality.

The format of the investigation will follow a descriptive and inferential analysis, by item analysis and ANOVA Kruskal-Wallis hypothesis test of significance.

### 7.7.1 Relationship marketing descriptive and inferential statistics

Item descriptive statistics are depicted in Table 7.20 on the following page. The left hand column identifies the relationship marketing associations of customer markets, internal markets, referral markets and recruitment markets. The descriptive and inferential statistics are used for an analysis on a per item basis. Correlation analysis will be used to evaluate associations within the construct, together with associations of service quality. The Pearson correlation significance coefficient for the construct and SQ construct is depicted in Appendix 2.

Construct descriptives are characterized by a mean score of 3.17, representing a neutral response to the construct questions. Thirty-eight per cent of total construct responses were

in the neutral scale, indicative of relationship marketing apathy within the franchise system. The standard deviation for the sample mean, referred to as the standard error of the mean, is relatively small for the n = 93 response rate; an indication that the average deviation from the mean is relatively stable. Standard deviations are relatively low (all variables below 1.0), indicative of the majority of responses distributed closely around the mean score.

**TABLE 7.20 Relationship marketing descriptive statistics**

| Question | Association | Item Mean | Std error of mean | Standard deviation | Kurtosis |
|---|---|---|---|---|---|
| 59 | Customer markets 1 | 3.32 | 0.070 | 0.678 | 1.492 |
| 60 | Customer markets 2 | 3.41 | 0.067 | 0.647 | 0.308 |
| 61 | Internal markets 1 | 3.11 | 0.094 | 0.902 | -0.585 |
| 62 | Internal markets 2 | 2.32 | 0.090 | 0.864 | -0.081 |
| 63 | Referral markets 1 | 3.40 | 0.077 | 0.731 | 0.704 |
| 64 | Referral markets 2 | 3.97 | 0.068 | 0.654 | 9.682 |
| 65 | Internal markets 3 | 3.67 | 0.073 | 0.697 | 1.841 |
| 66 | Internal markets 4 | 3.66 | 0.083 | 0.801 | 2.752 |
| 67 | Recruitment markets 1 | 2.82 | 0.067 | 0.642 | 0.956 |
| 68 | Recruitment markets 2 | 2.03 | 0.091 | 0.878 | 2.983 |
| | **Construct descriptives *n=93*** | **3.17** | **0.071** | **0.749** | **2.005** |

Kurtosis is indicative of a fairly normal distribution, with the exception of variable sixty-four. Excluding variable sixty-four would result in a construct kurtosis of 1.152, being more representative of the data set. Seventy per cent of the variables are characteristic of a peaked distribution, whilst twenty per cent have a distribution marginally flatter than a normal distribution.

Not all variables are intended to be analysed from a Pearson correlation point of view; all variables are merely listed for completion of the table purposes. Appropriate correlations will be discussed in the per item evaluations. Inter-item reliability is analysed by means of the Cronbach's Alpha, with values depicted in Table 7.21 (represented on the following page). The table includes the corrected item-total correlation, and alpha if the item is deleted. The Cronbach's Alpha reliability coefficient is appropriate for the project at hand (0.7937). Should any item be deleted, alpha is only marginally affected; confirming the decision to include all variables.

Table 7.21 identifies an appropriate construct Cronbach's Alpha of 0.7937 (above desired 0.7). The distribution is also characterised by appropriate reliability should any item be

deleted. Item-scale correlations are also appropriate (above 0.3); with the exception of question sixty-eight (0.1727). This will however be evaluated in the next section on item analysis.

**TABLE 7.21 Item reliability analyses for relationship marketing themes**

| Question | Association | Item-scale correlation | Alpha if item deleted |
|---|---|---|---|
| 59 | Customer markets 1 | 0.4843 | 0.7741 |
| 60 | Customer markets 2 | 0.5353 | 0.7693 |
| 61 | Internal markets 1 | 0.5306 | 0.7677 |
| 62 | Internal markets 2 | 0.4965 | 0.7722 |
| 63 | Referral markets 1 | 0.6343 | 0.7559 |
| 64 | Referral markets 2 | 0.4864 | 0.7741 |
| 65 | Internal markets 3 | 0.6278 | 0.7576 |
| 66 | Internal markets 4 | 0.4415 | 0.7790 |
| 67 | Recruitment markets 1 | 0.3430 | 0.7888 |
| 68 | Recruitment markets 2 | 0.1727 | 0.8145 |
| Reliability coefficients | | *10 items* | |
| **Cronbach's Alpha for the construct = 0.7937** | | | |

### 7.7.2 Item analysis

Item analysis will be conducted per item, representative of questions fifty-nine to sixty-eight of the questionnaire. This shall be analysed within the item associations depicted in Tables 7.20 and 7.21, together with correlations in Appendix 2. The significant correlations will include association with service quality and best practice constructs only, as service profit chain correlations have already been identified. Once all items have been evaluated, the hypothesis will be tested using the non-parametric ANOVA Kruskal-Wallis test.

#### 7.7.2.1 Customer markets 1 and 2

The two customer market variables have very similar descriptive statistics, with customer markets having a slightly more peaked distribution (kurtosis of 1.492). Question fifty-nine involves customer interaction and responsiveness; whereas question sixty involves a relationship focus. Both distributions are characterised by a high neutral scale (above 60%), together with positive responses of thirty per cent. Ninety–one per cent of responses were within these two scales, representative of a relatively low standard deviation. The two variables are significantly correlated at 0.01 level (0.464). Item-total

correlations are 0.4843 and 0.535 respectively. Significant correlations within the relationship construct include internal markets 1 and 3 (q61 and 65), and referral markets 1 and 2 (q63 and 64). The two customer markets variables are significantly correlated with all the variables in the service quality construct. Best practice construct correlations include significant associations with all variables, with the exception of implementing the marketing plan 1 and 2 (q72 and 73) and developing strategy and vision (q78).

#### 7.7.2.2 Internal markets 1 and 2

These two variables are represented in questions sixty-one and sixty-two. Whilst sharing similar standard deviations (0.902 and 0.864) and similar flat distributions (-0.585 and 0.081), their means differ somewhat (3.11 and 2.32 respectively). Both have neutral responses of thirty-eight per cent, but internal markets 1 has a predominant agree scale (31% of respondents), while internal markets 2 has a predominant disagree scale of thirty-eight per cent. Whilst agreeing on suppliers adding value, an issue of integrity is raised. This is attributable to the evidence of strong conviction to trust in the franchise system, identified in Section 7.5.2.5. Significant correlations differ for the two variables within the construct. Whilst both have item-total correlations around 0.50, they do not significantly correlate to all variables. Joint significant correlations (0.01 level) include customer markets 2 (q60), referral markets 1 (q63) and internal markets 3 (q65). Internal markets 1 correlate significantly to customer markets 1 (q59) and internal markets 2 (q62). Internal markets significantly correlate to internal markets 4 (q66) and recruitment markets 2 (q68). Correlations of significance for internal markets 1 to service quality include all SQ variables. Significance for internal markets 2 consist of reliability 2 (q50), responsiveness 1 (q51), empathy 1 (q55), tangibles 2 (q57) and empathy 3 (q58). Best practice variables shared by both internal markets include clear in-store operations 1 and 2 (q76 and 77), developing strategy and vision 1 and 2 (q70 and 78). Internal markets 1 has significant correlations with developing strategy and vision 1 (q70), implementing the marketing plans 3 (q75), and promotions and in-store merchandising (q76). Internal markets 2 has significant correlation with implementing the marketing plan 2 (q73).

#### 7.7.2.3 Referral markets 1 and 2

Questions sixty-three and sixty-four incorporate the two referral markets variables. Both variables are favourably reviewed by respondents, with referral markets 2 experiencing

the highest mean score in the construct (3.97). Despite similar standard deviations, referral markets 2 has a distinctively peaked distribution (kurtosis of 9.682). This is due to eighty-two per cent of franchisees responding positively to the variable (within one scale). Item-total correlations are also appropriate for the two variables (well above the 0.3 required statistic). The two variables are significantly correlated to each other (0.471 at 0.01 level), and share correlations with all relationship construct variables with the exception of questions sixty-two, sixty-seven and sixty-eight. Both variables share significant correlations with all variables within the service quality construct. The two variables are significantly correlated with the best practice construct via the variables of refining offerings (q71), implementing the marketing plan 1 and 3 (q72 and 74), promotions and in-store merchandising (q75), and clear in-store operations 1 (q76). Referral markets 1 has further significant correlations with regard to clear in-store operations 2 (q77) and developing strategy and vision 2 (q78).

#### 7.7.2.4 Internal markets 3 and 4

These two variables complement the other two internal markets variables in section 7.7.2.2. Questions sixty-five and sixty-six incorporate a spectrum of QWL and internal relationships. The two variables are exceptionally closely related, sharing mean scores within 0.01 of each other. They also share similar standard deviations and relatively peaked distributions. Both variables have responses of over sixty per cent in the agree scale, together with neutral responses of twenty per cent and over. Their item-total correlations are also appropriate for the study (0.6278 and 0.4415 respectively). Deleting the items only marginally affects the coefficient alpha, hence the inclusion of the two variables. The two internal markets variables are also significantly correlated (0.481 at 0.01 level). They are also significantly correlated to the two previous internal markets variables (q 62 and 63). Internal markets 3 is significantly correlated with all relationship marketing variables, with the exception of recruitment markets 2 (q68). Internal markets 4 is also correlated to the variables within the relationship marketing construct, with the exception of questions fifty-nine, sixty, sixty-one and sixty-eight. The two variables are significantly correlated to all the variables of the service quality construct; with the exception of internal markets 3 not sharing significance with forty-nine and fifty-one. Best practice construct correlation significance is shared with refining offerings (q72), influencing the marketing plan 3 (q74), promotion and in-store merchandising (q75) and clear in-store operations 1 (q76).

#### 7.7.2.5 Recruitment markets 1 and 2

The two recruitment market variables both received responses well below the construct mean. Recruitment markets 2 achieved the lowest mean score (2.03) in the construct. This variable is also characterised with a relatively peaked distribution, with eighty-three per cent of franchisees disagreeing on the measurement of satisfaction levels. Recruitment markets 1 is in turn characterised by sixty-six per cent of franchisees responding in the neutral scale. Either respondents do not have associations with other industry participants, or are not sure of their involvement. This apathy has however been highlighted throughout the analysis.

Whilst recruitment markets 1 has an appropriate item-total correlation; recruitment markets 2 has an item-total correlation (0.1727) below the required statistical level of 0.3. It has however been decided to retain the variable, as it only marginally affects the Cronbach's Alpha if deleted. Inclusion is also vital due to the importance of corrective action required, to be dealt with in the recommendations section. Recruitment markets 1 is significantly correlated to all variables in the relationship marketing construct, with the exception of questions fifty-nine, sixty and sixty-one. Recruitment markets 2 only shares significance with internal markets 2 (q62). Recruitment markets 1 correlates significantly to the service quality construct via responsiveness 2 (q52), empathy 1 and 3 (q55 and 58). The only correlation recruitment markets 1 has with the service quality construct is via responsiveness 1 (q51), however at the o.o5 significance level. A best practice construct significant correlation is evident in understanding customers and markets (q69) and developing strategy and vision (q70). Additional significance relating to the best practice construct is evident in recruitment markets 2 via implementing the marketing plan 2 (q73), promotions and in-store merchandising (q75), clear in-store operations 2 (q77) and developing strategy and vision (q78).

The incident rate of substantial significant correlation to the service quality construct has been evaluated on an item to item basis. An additional item-total statistic was evaluated, comprising all variables within the relationship marketing and service quality constructs (q49-68). The reliability coefficient of all variables (N = 20) resulted in an overall alpha of 0.9294, representative of appropriately high reliability. The only variable raising concern is question sixty-eight (recruitment markets 2), however, the item-total correlation below 0.3 is deemed appropriate as it has only a marginal effect on the overall

Cronbach's Alpha (0.9388 if deleted). In addition, the negative response from the variable highlights the necessity for corrective action. The hypothesis of the relationship marketing and service quality association will now be tested.

### 7.7.3 Relationship marketing significance

In Sections 7.7.1 and 7.7.2 the relationship marketing construct was analysed using descriptive and inferential statistics. Items were analysed, evaluating their associations with inter-construct items, together with associations with other constructs. The opportunity now avails to empirically analyse relationship marketing in light of an association to service quality. The applicable null and alternate hypotheses are represented as:

H4: Relationship marketing initiatives are positively associated with service quality.

H0: Relationship marketing initiatives are not positively associated with service quality.

Applicability to H4 is the use of the non-parametric ANOVA Kruskal-Wallis significance test, as identified in Section 6.6.4.1.

*Test statistic a.b*

| | **Relationship marketing Initiatives** |
|---|---|
| Chi-Square | 7.381 |
| df | 4 |
| Asymp.Sig | 0.117 |

c. Kruskal-Wallis test
d. Group variable SQ

Presentation of the P-value of 0.117 (greater than 0.05) represents the null hypothesis as being unlikely, therefore rejecting the null hypothesis. We therefore accept the alternate hypothesis that relationship marketing initiatives are positively associated with service quality.

Section 7.4 empirically tested entrepreneurial orientation in a franchised system, and Section 7.5 empirically tested the franchise system as an entrepreneurial option towards

creating and developing ventures. Section 7.6 empirically tested the positive association between the service profit chain and service quality. Section 7.7 empirically tested the positive association between relationship marketing and service quality. The following section empirically analyses the association of best practice to service quality.

## 7.8 SECTION G: INDUSTRY BEST PRACTICE

Industry best practice (BP) is represented in section G of the questionnaire (questions 69-78). Associated themes within the construct include understanding customer markets, developing strategy and vision 1 and 2, refining offerings, influencing the marketing plan 1 and 2 and 3, promotion and in-store merchandising, and clear in-store operations 1 and 2. The objective of the study is to evaluate the association of BP to service quality (SQ). The hypothesis postulates that:

H4: Best practice initiatives are positively associated with service quality
H0: Best practice initiatives are not positively associated with service quality.

The format of the investigation will follow a descriptive and inferential analysis, by item analysis and ANOVA Kruskal-Wallis hypothesis test of significance.

### 7.8.1 Best practice descriptive and inferential statistics

Item descriptive statistics are depicted overleaf in Table 7.22. The left hand column identifies the best practice associations of understanding customer markets, developing strategy and vision 1 and 2, refining offerings, influencing the marketing plan 1 and 2 and 3, promotion and in-store merchandising, and clear in-store operations 1 and 2. The descriptive and inferential statistics are used for an analysis on a per item basis. Correlation analysis will be used to evaluate associations within the construct, together with associations of service quality. The Pearson correlation significance coefficient for the construct and SQ construct is depicted in Appendix 2.

Construct descriptives are characterized by a mean score of 3.31; representing an overall positive response to the construct questions. Forty-one per cent of construct responses were in the agree scale, indicative of the relative peakedness of the construct distribution (kurtosis of 2.123). The standard deviation for the sample mean, referred to as the

standard error of the mean, is relatively small for the n = 93 response rate; an indication that the average deviation from the mean is relatively stable. Standard deviations are relatively low (all variables below 1.0), indicative of the majority of responses distributed closely around the mean score. Kurtosis is indicative of a relatively peaked distribution; with variable seventy-five indicative of substantial peakedness. Excluding variable seventy-five would result in a construct kurtosis of 1.503, being more representative of the data set. Sixty per cent of the variables are characteristic of a peaked distribution, whilst twenty per cent have a distribution marginally flatter than a normal distribution.

**TABLE 7.22 Best practice descriptive statistics**

| Question | Association | Item Mean | Std error of mean | Standard deviation | Kurtosis |
|---|---|---|---|---|---|
| 69 | Understanding customers and markets | 3.04 | .092 | 0.779 | 0.044 |
| 70 | Developing strategy and vision 1 | 2.86 | 0.103 | 0.944 | -0.578 |
| 71 | Refining offerings | 3.73 | 0.064 | 0.668 | 2.614 |
| 72 | Implementing the marketing plan 1 | 4.15 | 0.075 | 0.779 | 2.891 |
| 73 | Implementing the marketing plan 2 | 2.36 | 0.070 | 0.933 | 0.391 |
| 74 | Implementing the marketing plan 3 | 3.83 | 0.097 | 0.673 | 3.729 |
| 75 | Promotion and in-store merchandising | 4.15 | 0.081 | 0.722 | 7.704 |
| 76 | Clear in-store operations 1 | 3.80 | 0.070 | 0.616 | 4.483 |
| 77 | Clear in-store operations 2 | 2.85 | 0.098 | 0.988 | -0.388 |
| 78 | Developing strategy and vision 2 | 2.31 | 0.081 | 0.884 | 0.336 |
| | **Construct descriptives *n=93*** | **3.31** | **0.083** | **0.799** | **2.123** |

Not all variables are intended to be analysed from a Pearson correlation point of view; all variables are merely listed for completion of the table purposes. Appropriate correlations will be discussed in the per item evaluations. Inter-item reliability is analysed by means of the Cronbach's Alpha, with values depicted in Table 7.23. The table includes the corrected item-total correlation, and alpha if the item is deleted. The Cronbach's Alpha reliability coefficient is appropriate for the project at hand (0.7893). Should any item be deleted, alpha is only marginally affected; confirming the decision to include all variables. Table 7.23 is represented on the following page.

Table 7.23 identifies an appropriate construct Cronbach's Alpha of 0.7893 (above desired 0.7). The distribution is also characterised by appropriate reliability should any item be deleted. Item-scale correlations are also appropriate (above 0.3); an average item-scale

correlation in excess of 0.48 is indicative of the strength of significant association within the construct.

**TABLE 7.23 Item reliability analyses for best practice themes**

| Question | Association | Item-scale correlation | Alpha if item deleted |
|---|---|---|---|
| 69 | Understanding customers and markets | 0.6039 | 0.7602 |
| 70 | Developing strategy and vision 1 | 0.6179 | 0.7460 |
| 71 | Refining offerings | 0.5381 | 0.7599 |
| 72 | Implementing the marketing plan 1 | 0.3170 | 0.8149 |
| 73 | Implementing the marketing plan 2 | 0.3806 | 0.7756 |
| 74 | Implementing the marketing plan 3 | 0.3698 | 0.7740 |
| 75 | Promotion and in-store merchandising | 0.4868 | 0.7856 |
| 76 | Clear in-store operations 1 | 0.5141 | 0.7547 |
| 77 | Clear in-store operations 2 | 0.4985 | 0.7589 |
| 78 | Developing strategy and vision 2 | 0.4655 | 0.7707 |
| | Reliability coefficients | *10 items* | |
| **Cronbach's Alpha for the construct = 0.7893** | | | |

### 7.8.2 Item analysis

Item analysis will be conducted per item, representative of questions sixty-nine to seventy-eight of the questionnaire. This will be analysed within the item associations depicted in Tables 7.22 and 7.23, together with correlations in Appendix 2. The significant correlations will include association with the service quality construct only, as service profit chain and relationship marketing correlations have already been identified. Once all items have been evaluated, the hypothesis will be tested using the non-parametric ANOVA Kruskal-Wallis test.

#### 7.8.2.1 Understanding customer markets

This best practice initiative (question sixty-nine) involves analysis of the business environment, and franchisees had a neutral response (fifty-three per cent). This may be attributed to uncertainty on how to evaluate the environment, coupled with franchise expectations. The relatively low standard deviation (0.779) is characterised by a similar distribution around the mean (standard error of the mean is 0.092). A normal distribution produced, with a kurtosis of 0.044. Inter-construct significant correlations (0.01 level) include all variables with the exception of questions seventy-two, seventy-four and seventy-five. Item-total correlation is significant at 0.5493. As with all the variables in the

construct, the Cronbach's Alpha coefficient is appropriate should the item be included. Service quality construct significant associations at 0.01 level include tangibles (q57). Significant correlations at 0.05 level include reliability 2 (q50) and responsiveness (q51).

#### 7.8.2.2 Developing strategy and vision 1 and 2

The two best practice strategy variables are represented in questions seventy and seventy-eight of the questionnaire. They are characterised by mean scores below the construct average (2.86 and 2.31 respectively). The former has a distribution flatter than normal, whereas the latter portrays a relatively normal distribution. They are also characterised by similar standard deviations (0.944 and 0.884 respectively). Cross tabulation with the number of outlets (q7) to the outlet implementing a strategy in the long term (q70) produces an interesting finding. Whilst fifty-eight per cent of single outlet franchisees were in disagreement with the variable, only thirteen per cent of multiple-outlet franchisees were in disagreement. This distinction may be associated to the entrepreneurial orientation of multiple-outlet franchisees. The variance between the number of franchised outlets is represented in Figures 7.11 and Figure 7.12 on the following page.

Significant inter-construct correlations (0.01 level) for the two variables include understanding customers and markets (q69), implementing the marketing plan 2 (q73), clear in-store operations 1 and 2 (q76 and 77). Significant correlations with the service quality construct variables include responsiveness 1 (q51) and tangibles (q57). Developing strategy and vision is also significantly correlated to empathy 1 and 2 (q55 and 56). The two variables have a significant correlation of 0.514.

Figures 7.11 and Figure 7.12 are represented on the following page.

**FIGURE 7.11 Single outlet strategy responses**

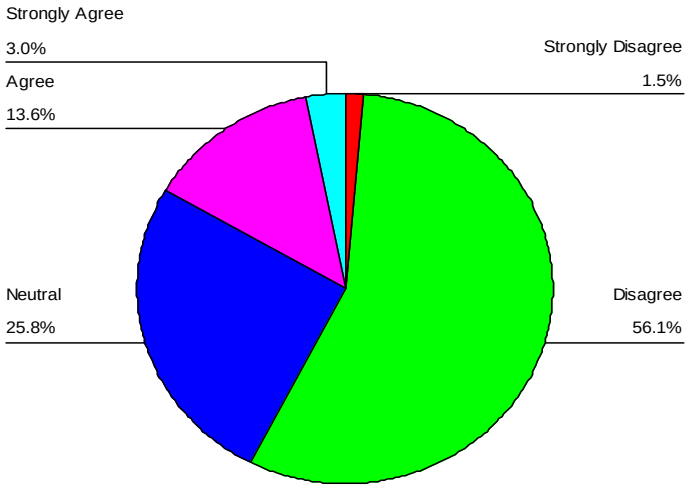
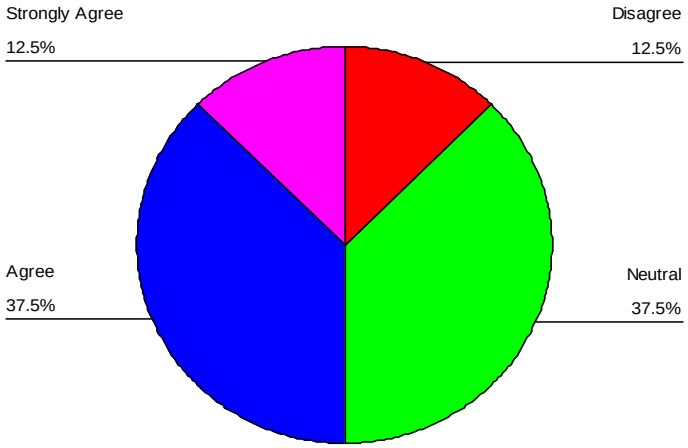



**FIGURE 7.12 Multiple-outlet strategy responses**




7.8.2.3 Implementing the marketing plans 1 and 2 and 3

Due to the nature of these three marketing plan variables, responses differed somewhat. Each variable will be analysed separately:

- Implementing the marketing plan 1: related to question seventy-two, this variable shares the highest mean score in the construct. The distribution is peaked (2.891) around the agree scale, representing fifty-six per cent of responses. Inter-construct

significant correlation (0.01 level) includes refining offerings (q71), implementing the marketing plans 3 (q74), promotion and in-store merchandising (q75) and clear in-store operations 1 (q76). Service quality significant correlation includes all but one (responsiveness 1) variable

- Implementing the marketing plan 2: characterised by seventy per cent of respondents disagreeing using direct mail (mean score of 2.36). The negative response is due to the franchisor believing that localized marketing is the responsibility of the franchisee. A moderate standard deviation (0.933) is characterised by a relatively flat distribution (kurtosis of 0.391). Inter construct significant correlation includes understanding customers and markets (q69), developing strategy and vision 1 and 2 (q70 and 78) and clear in-store operations 1 and 2 (q76 and 77). Service quality correlations are not significant at 0.01 level
- Implementing the marketing plan 3: represented in question seventy four of the questionnaire. Seventy-one per cent of respondents are in agreement with the relationships between employees and customers, represented by a mean score of 3.83. The low standard deviation (0.673) accounts for a peaked distribution (kurtosis of 3.729). This variable is significantly correlated with all but one of the relationship marketing constructs variables. The variable is correlated significantly within the construct, with relevance to questions seventy-one, seventy-two, seventy-six, seventy-seven and seventy-eight. Implementing the marketing plan 3 is significantly correlated to all variables within the service quality construct.

#### 7.8.2.4 Promotion and in-store merchandising

Question seventy-five received a positive response regarding the tangibles component of the outlet. A mean score of 4.15 is represented by ninety-six per cent of respondents in agreement. The high positive response is reason for the exceptionally peaked distribution (7.704). Inter-construct significant associations include questions seventy-one, seventy-two, seventy-four and seventy-six. Service quality variables are correlated significantly across the construct.

#### 7.8.2.5 Clear in-store operations 1 and 2

These two variables (questions 76 and 77) received varying responses, due to the diversified nature of in-store activity:

- Clear in-store operations 1: the image portrayed to customers received a positive response, with a mean score of 3.80. Seventy-seven per cent of respondents are in agreement, characterised by a small standard deviation and peaked distribution (kurtosis of 4.483). This variable is significantly correlated (0.01 level) to all variables within the construct. Significant correlations are also realized across all variables of the service quality construct.
- Clear in-store operations 2: the operations manual received a forty-two per cent negative response, coupled with a thirty-three per cent neutral response. With only twenty-five per cent of franchisees in favour of the operations manual, it is assumed that the manual is inappropriate for use. The distribution has a moderate standard deviation, with corresponding distribution marginally flatter than normal. Inter-construct significant correlation is evident across all variables, with the exception of question seventy-two and seventy-five. Service quality significant correlations are seen across all variables, with the exception of empathy 1 and 2 (q55 and 56) and reliability 1 (q49).

The incident rate of substantial significant correlation to the service quality construct has been evaluated from an item to item basis. An additional item-total statistic was evaluated, comprising all variables within the best practice and service quality constructs (q49-68). The reliability coefficient of all variables (N = 20) resulted in an overall alpha of 0.9113, representative of appropriately high reliability. The only variable raising concern is question seventy-three (implementing the marketing plan 2); however, the item-total correlation below 0.3 is deemed appropriate as it has only a marginal affect on the overall Cronbach's Alpha (0.9151 if deleted). In addition, the negative response from the variable highlights the necessity for corrective action. The hypothesis of the best practice and service quality association will now be tested.

### 7.8.3 Best practice significance

In Sections 7.8.1 and 7.8.2 the relationship marketing construct was analysed using descriptive and inferential statistics. Items were analysed, evaluating their associations with inter-construct items, together with associations with other constructs. The opportunity now avails to empirically analyse best practice in light of an association to service quality. The applicable alternate and null hypotheses are represented as:

H5: Best practice initiatives are positively associated with service quality.

H0: Best practice initiatives are not positively associated with service quality.

Applicable to H5 is the use of the non-parametric ANOVA Kruskal-Wallis significance test, as identified in section 6.6.4.1.

*Test statistic a.b*

| | **Best Practice Initiatives** |
|---|---|
| Chi-Square | 4.998 |
| df | 3 |
| Asymp.Sig | 0.172 |

c. Kruskal-Wallis test
d. Group variable SQ

Presentation of the P-value of 0.172 (greater than 0.05) represents the null hypothesis as not being likely, therefore rejecting the null hypothesis. We therefore accept the hypothesis that best practice initiatives are positively associated with service quality.

Section 7.4 empirically tested entrepreneurial orientation in a franchised system, and Section 7.5 empirically tested the franchise system as an entrepreneurial option towards creating and developing ventures. Section 7.6 empirically tested the positive association between the service profit chain and service quality. Section 7.7 empirically tested the positive association between relationship marketing and service quality. Section 7.8 empirically tested the positive association between best practice and service quality. The following section empirically analyses the inter-construct association of variables within the service quality construct (dependent variable).

## 7.9 SECTION E: SERVICE QUALITY

Service quality (SQ) is represented in section E of the questionnaire (questions 49-58). Associated themes within the construct include reliability 1 and 2, responsiveness 1 and 2, assurance 1 and 2, empathy 1, 2 and 3 and tangibles. The objective of the study is to evaluate the association of variables within the service quality construct. Since only inter-item evaluation is being analysed, hypothesis testing will not be appropriate for this construct.

The format of the investigation will follow a descriptive and inferential analysis, by item analysis, and associations within the service quality construct. Service quality variables represent the dependent variables appropriate to the study.

### 7.9.1 Service quality descriptive and inferential statistics

Item descriptive statistics are depicted in Table 7.24. The left hand column identifies the service quality associations of reliability 1 and 2, responsiveness 1 and 2, assurance 1 and 2, empathy 1, 2 and 3 and tangibles. The descriptive and inferential statistics are used for an analysis on a per item basis. Correlation analysis will be used to evaluate associations within the construct. The Pearson correlation significance coefficient for the construct is depicted in Appendix 2.

**TABLE 7.24 Service quality descriptive statistics**

| Question | Association | Item Mean | Std error of mean | Standard deviation | Kurtosis |
|---|---|---|---|---|---|
| 49 | Reliability 1 | 3.65 | 0.066 | 0.637 | 2.894 |
| 50 | Reliability 2 | 3.51 | 0.072 | 0.676 | -0.160 |
| 51 | Responsiveness 1 | 3.49 | 0.069 | 0.656 | 1.355 |
| 52 | Responsiveness 2 | 3.89 | 0.057 | 0.544 | 12.377 |
| 53 | Assurance 1 | 3.89 | 0.062 | 0.598 | 7.947 |
| 54 | Assurance 2 | 3.81 | 0.066 | 0.631 | 5.763 |
| 55 | Empathy 1 | 3.98 | 0.073 | 0.699 | 7.188 |
| 56 | Empathy 2 | 3.97 | 0.057 | 0.544 | 11.252 |
| 57 | Tangibles | 3.80 | 0.069 | 0.669 | 3.105 |
| 58 | Empathy 3 | 4.01 | 0.073 | 0.699 | 3.815 |
| | **Construct descriptives *n=93*** | **3.80** | **0.066** | **0.635** | **5.570** |

Construct descriptives are characterized by a mean score of 3.81, representing an overall positive response to the construct questions. Seventy per cent of construct responses were in the agree scale, indicative of the extreme peakedness of the construct distribution (kurtosis of 5.570). The standard deviation for the sample mean, referred to as the standard error of the mean, is relatively small for the n = 93 response rate; an indication that the average deviation from the mean is relatively stable. Standard deviations are relatively low (all variables below 0.7); indicative of the majority of responses distributed closely around the mean score. Kurtosis is indicative of an extreme peaked distribution; with only one variable experiencing a flat distribution. Another characteristic is that only four per cent of franchisees responded negatively to the construct.

Not all variables are intended to be analysed from a Pearson correlation point of view; all variables are merely listed for completion of the table purposes. Appropriate correlations will be discussed in the per item evaluations. Inter-item reliability is analysed by means of the Cronbach's Alpha, with values depicted in Table 7.25. The table includes the corrected item-total correlation, and alpha if the item is deleted. The Cronbach's Alpha reliability coefficient is appropriate for the project at hand (0.9344). Should any item be deleted, alpha is only marginally affected; confirming the decision to include all variables.

**TABLE 7.25 Item reliability analyses for service quality**

| Question | Association | Item-scale correlation | Alpha if item deleted |
|---|---|---|---|
| 49 | Reliability 1 | 0.6802 | 0.9305 |
| 50 | Reliability 2 | 0.5808 | 0.9357 |
| 51 | Responsiveness 1 | 0.5965 | 0.9347 |
| 52 | Responsiveness 2 | 0.8463 | 0.9233 |
| 53 | Assurance 1 | 0.8623 | 0.9217 |
| 54 | Assurance 2 | 0.8745 | 0.9207 |
| 55 | Empathy 1 | 0.8181 | 0.9235 |
| 56 | Empathy 2 | 0.7848 | 0.9263 |
| 57 | Tangibles | 0.6947 | 0.9300 |
| 58 | Empathy 3 | 0.7165 | 0.9291 |
| Reliability coefficients | | *10 items* | |
| **Cronbach's Alpha for the construct = 0.9344** | | | |

Table 7.25 identifies an appropriate construct Cronbach's Alpha of 0.7893 (above desired 0.7). The distribution is also characterised by appropriate reliability should any item be deleted. Item-scale correlations are also appropriate (above 0.3); an average item-scale correlation in excess of 0.747 is indicative of the strength of significant associations within the construct.

### 7.9.2 Item analysis

Item analysis will be conducted per item, representative of questions forty-nine to fifty-eight of the questionnaire. This will be analysed within the item associations depicted in Tables 7.24 and 7.25, together with correlations in Appendix 2. The significant correlations will include association within the service quality construct only, as service profit chain, relationship marketing and best practice correlations have already been

identified. Emphasis is placed on significant correlation (0.01 level) between all the variables in the service quality construct.

#### 7.9.2.1 Reliability 1 and 2

The two reliability variables share similar characteristics, except for the peakedness of their distributions. Delivering on customer promises is represented in reliability 1 (q49). Sixty-nine per cent of franchisees responded positively to the variable, with a twenty-seven per cent neutral response. The result is a peaked distribution around the agree scale (kurtosis of 2.894). Performing adequately is represented in reliability 2 (q50). Forty-seven per cent of franchisees responded positively in the agree scale, with a similar proportion in the neutral scale. This again highlights the apathy regarding responsibility at outlet level. This variable is the only variable that has a relatively flat distribution (kurtosis of -0.160). A significant correlation (0.01 level) of 0.408 is exhibited between these two variables.

#### 7.9.2.2 Responsiveness 1 and 2

Prompt service and willingness to help customers are represented in questions fifty-one and fifty-two. Whilst both variables experience similar standard deviations, they differ remarkably in distribution. Responsiveness 1 (q51) is characterised by a high neutral response (fifty-per cent), attributable to the lack of measurement of customer satisfaction at outlet level. Ninety-four per cent of franchisees responded over two scales, indicative of a fairly peaked distribution (kurtosis of 1.355). Responsiveness 2 (q52) is characterised by eighty-eight per cent of franchisees responding in the agreement scale; hence an exceptionally high kurtosis of 12.377. A significant correlation (0.01 level) of 0.494 is exhibited between the variables.

#### 7.9.2.3 Assurance 1 and 2

The two assurance variables produce similar descriptives in all regards, together with minimal deviation from overall construct descriptives. Distributions are characterised by peaked positive distributions, with small standard deviations. The franchisees rate response to integrity of service highly, as opposed to overall integrity within the franchise system. The franchise paradox variable on trust (q34) received similar responses, with a

significant correlation (0.01 level) of 0.738 to the assurance variables. The two variables are represented in questions fifty-three and fifty-four. The conviction to trust is enhanced by minimal neutral responses. Both variables experience over eighty per cent of franchisees responding positively to the questions, with means of 3.89 and 3.81 respectively. Significant correlation between the two variables is 0.819.

#### 7.9.2.4 Empathy 1 and 2

The two empathy variables revolve around having the customer's best interest at heart; represented by questions fifty-five and fifty-six. Both have mean scores above the construct descriptives (3.98 and 3.97), together with peaked distributions. Empathy 2, in particular, has an extremely peaked distribution (11.252). This is the result of eighty-three per cent of responses in the agree scale. The significant correlation (0.01 level) between the two variables is 0.667).

#### 7.9.2.5 Tangibles

The tangibles variable involves the outlet's physical facilities and closely resembles the construct descriptives. The variable is represented in question fifty-seven, and also has a relatively peaked distribution (kurtosis of 3.105). It has an appropriate item-total correlation of 0.6947.

#### 7.9.2.6 Empathy 3

Whilst associated with the other two empathy variables, the variable revolves around customer needs. Eighty-six per cent of franchisees responded positively to the variable; represented in the peaked distribution (kurtosis of 3.815). Empathy 3 has the highest item mean score in the construct (4.01). Item-total correlation is significant at 0.7165.

Service quality variables have been evaluated as an appropriate measure of the service quality construct; exhibiting significant item-total correlation and reliability coefficients (in excess of 0.93). The variables are thus appropriate to test the associations to the service profit chain, relationship marketing and best practice constructs.

In an attempt to justify the acceptance/decline of the stated hypothesis, the next section summarises key descriptive and inferential statistics of the constructs.

## 7.10 KEY CONSTRUCT SUMMARY STATISTICS

The summarized descriptive and inferential statistics of the identified constructs are tabulated in Table 7.26. This will provide a snapshot of the relative associations between the constructs.

**TABLE 7.26 Construct summary statistics**

| Construct | Mean | Standard deviation | Kurtosis | Crobach's Alpha | Kruskal-Wallis | Hypothesis |
|---|---|---|---|---|---|---|
| Entrepreneurial orientation | 3.39 | 0.995 | -0.339 | 0.7277 | 0.013 | rejected |
| Entrepreneurial orientation (multiple-outlet proposal) | 3.70 | 0.917 | 1.076 | 0.8533 | 0.191 | proposal accepted |
| Franchise paradox | 3.21 | 0.963 | 1.041 | 0.7748 | 0.771 | accepted |
| Service profit chain | 3.38 | 0.762 | 3.088 | 0.8335 | 0.563 | accepted |
| Relationship marketing | 3.17 | 0.749 | 2.005 | 0.7937 | 0.117 | accepted |
| Best practice | 3.31 | 0.799 | 2.123 | 0.7893 | 0.172 | accepted |
| Service quality | 3.80 | 0.635 | 5.570 | 0.9344 | 0.771 | not applicable |
| Overall study *n=93* | 3.42 | 0.83 | 2.129 | 0.8152 | 0.371 | not applicable |

All hypotheses as stated have been accepted, with the exception of an entrepreneurial orientation in a franchised home entertainment system. The proposal of an entrepreneurial orientation in a multiple-outlet franchise system has however been accepted.

## 7.11 CONCLUSION

An empirical study of an entrepreneurial orientation in a franchised environment; coupled with service vision initiatives has been conducted in the research findings chapter. A satisfactory response rate of eighty-five per cent has been achieved from the defined franchise system, representative of applicable regions. Demographic and biographic information was portrayed, including details on gender, race, period of participation, employees in the system, franchised outlets per franchisee and family members active in the system.

Descriptive and inferential statistics tested hypotheses and associations through six constructs. Constructs consisted of entrepreneurial orientation, franchise paradox, service profit chain, relationship marketing, best practice and service quality.

The primary hypothesis of an entrepreneurial orientation existing in a franchise system has been rejected, and a proposal of entrepreneurial orientation in a multiple-outlet franchise system has been accepted.

H1: Entrepreneurial orientation exists in a franchised system (rejected).
P1: Entrepreneurial orientation exists in a multiple-outlet franchised system (accepted).

The secondary hypotheses involving the franchise paradox, service profit chain, relationship marketing and best practice were empirically tested and accepted.

H2: The franchise system is an entrepreneurial option towards creating and developing ventures (accepted).
H3: Service profit chain initiatives are positively associated with service quality (accepted).
H4: Relationship marketing initiatives are positively associated with service quality (accepted).
H5: Best practice initiatives are positively associated with service quality (accepted).

Service quality is identified as the dependent variable, and was appropriately tested for reliability.

The next and final chapter will discuss recommendations and conclusions based on the research results. Significant associations and differences amongst respondents, constructs, factors and variables are identified in the development of a conceptual matrix of an entrepreneurial service vision in a franchised home entertainment environment. Final comments will include recommendations regarding the implementation of the matrix.

# CHAPTER 8: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 8.1 INTRODUCTION

Conclusions and implications are depicted from a theoretical and empirical perspective. From a theoretical perspective, the constructs of entrepreneurial orientation, the franchise paradox, the service profit chain, relationship marketing, best practice and service quality are summarized from the literature reviews in Chapters two to five. Emphasis is placed on the link between entrepreneurship and franchising, together with linking service vision constructs of the service profit chain, relationship marketing, best practice and service quality. Conclusions and implications of the empirical research include the same constructs, in addition to realization, response and representation of results. Demographic and biographic research results are summarized, highlighting the lack of diversity within the defined system. Emphasis is also placed on the multiple-outlet findings within the constructs, particularly regarding entrepreneurial orientation.

Questions and findings are linked to the research objectives, and results of hypotheses are summarized. The proposal of the existence of an entrepreneurial orientation in multiple-outlets is introduced. Recommendations are provided from a construct viewpoint, together with recommendations from a demographic and biographic viewpoint. Also included are creation and developmental initiatives. Highlights of the findings include the possibility of enhancing diversity within the system, increasing multiple-outlet participation rates and implementation of an entrepreneurial service vision. Limitations of the study are again provided from a theoretical and empirical viewpoint; including limited availability of literature and the study being confined to the defined franchise system. Recommendations for future national and international research are motivated by the backdrop of increasing participants in the industry. Related entrepreneurial and franchising studies are also purposed.

The chapter concludes with a wrap-up comment regarding the applicability and contribution of the research project. This highlights the overall value of the research project to society, business and the home entertainment industry.

## 8.2 A REVIEW OF THE LITERATURE RESEARCH

The literature reviews conducted in Chapters 2 to 5 develop a framework for the empirical investigation section of the research project. The objective is to appropriately link, integrate and synergise the theory, research and implementation in a methodological continuum. Conclusions are depicted as major findings and implications for each theoretical chapter. Chapters two and three discuss an entrepreneurial orientation in a franchised environment. Chapters four and five discuss strategic service initiatives, consisting of the service profit chain, service quality, relationship marketing and industry best practice.

Chapter 2 provides a broad spectrum of existing literature on entrepreneurship, culminating in empirical studies on entrepreneurial orientation. The literature commences with the nature and development of entrepreneurship, including entrepreneurial participation rates. The review is supported by data from The Global Entrepreneurship Monitor (GEM), identifying assessment of national entrepreneurial activity. Various definitions of the entrepreneur are evaluated, followed by the nature, characteristics and behaviour of the entrepreneur. Comparisons of entrepreneurs, intrapreneurs and traditional managers are highlighted. The talent, temperament and technique of the entrepreneur are introduced; with linkage to Gallup's life themes. Finally, character themes to evaluate entrepreneurial orientation (Thompson: 2002) are discussed with relevance to empirical evidence.

The character theme analysis (Thompson: 2002) identifies twenty entrepreneurial character themes, with seven entrepreneurial associations. The associations include inventor, inventor + entrepreneur, entrepreneur, entrepreneur + leader, leader, entrepreneur enabler and non-entrepreneur. An adaptation of this empirical research is implemented as an entrepreneurial orientation measurement tool in this study. The objective is to evaluate entrepreneurial orientation within a defined franchise system.

Franchising is introduced as an entrepreneurial option towards creating and developing ventures. The nature and development of franchising is examined, together with the franchising link to entrepreneurship. Franchise rationale is developed from existing literature, depicting operational constructs within a franchise system. Rationale includes, but is not limited to, constructs of real estate development, training, continuing support,

performance standards, research and development, marketing, operations manual, specialist support, territorial rights and terms of agreement. Franchise system relationships are evaluated within the context of trends, cooperation, leadership, effort, conflict, disputes, quality control, foundation, associations, networks and franchise system merits.

The franchising chapter culminates with a literature review of an entrepreneurial orientation in a franchise system, followed by an empirical review of proactivity, innovation and risk-taking in a franchise environment. The study is further developed with an overview of theory, linking entrepreneurship with franchising. The objective of this study is to evaluate the franchise system as an entrepreneurial option for creating and developing ventures.

The fourth chapter identifies the service profit chain (Heskett *et al*: 1997) as a strategic service vision, identifying customer satisfaction and loyalty to long term organisational profitability and growth. The literature review commences with an overview of profit and growth related to the components of the service profit chain. Capitalising on the service profit chain identifies links in the chain, cnamely the profit and growth link to customer loyalty, loyalty link to customer satisfaction, satisfaction link to service value, value link to employee productivity, productivity link to loyalty, loyalty link to employee satisfaction, and satisfaction link to internal quality of work life. Service profit chain implications are highlighted, lending management theories from many related disciplines. The management of customer satisfaction is reviewed, together with methods used to track customer satisfaction. The customer value equation is introduced, placing emphasis on requirements to add value. Customer loyalty receives emphasis from a determinants point of view, together with loyalty enhancing measures. The lifetime value of customers is analysed, identifying strategic initiatives of retention, related sales and referrals.

The final section incorporates the enhancement of service profit chain initiatives, identifying eight strategies which facilitate service profit chain implementation. The literature review provides a theoretical disposition of the link between the service profit chain and service quality. One of the objectives of this research study has been to evaluate the association between the service profit chain and service quality.

Chapter five delineated the disciplines of service quality, relationship marketing and best practice as three separate constructs. Service quality is most often conceptualised as the comparison of service expectations with actual performance perceptions. The various definitions of service quality were evaluated against the backdrop of the dimensionality of service quality, together with the integrated gaps model as identified by Zeithaml and Bitner (2003). Various service quality initiatives were assessed, highlighting service quality relationships. Of particular application relevance, was the evaluation of service quality measurement. SERVQUAL and SERVPERF were two measurement instruments identified as being optimal for the study on hand. The objective of this study was to evaluate service quality levels within the defined franchise system.

A literature review was conducted on relationship marketing, with particular emphasis on the revised version of the six markets model (Peck *et al*: 1999). The six markets reviewed included customer, internal, referral, influence, recruitment and supplier/alliance markets. Each market domain was evaluated, with links to related literature from various sources in the discipline. Best practice initiatives included a review from generic literature, with particular emphasis on best practice in the home entertainment industry in the United States of America. The Video Software Association of America (VSDA: 2001) identified best practice in the industry, as identified by Arthur Andersen Business Consultants. These initiatives were wide ranging, including understanding customers and markets, developing vision and strategy, refining store product offering, implementing the marketing plan, creating promotions and in-store merchandising, and clear in-store operations. The objective was to evaluate the relationship marketing and best practice association to service quality.

The strategic service constructs identified in this research study included the service profit chain, service quality, relationship marketing and best practice. Service quality represented the dependent variable, whereas the other three identified constructs represented the independent variable/s. The literature was reviewed from a holistic point of view, and synergised within the research constructs. The research design implemented key concepts as identified in the review.

## 8.3 CONCLUSIONS AND IMPLICATIONS OF THE EMPIRICAL RESEARCH

Chapter six provided an overview of the research methodology applicable to this research project; whereas Chapter seven provided an empirical analysis of the data obtained. The first section explained the demographic and biographic profile of the franchisee respondents (section A of the questionnaire). The next section evaluates the entrepreneurial orientation of franchisees, followed by an empirical investigation in the franchise paradox (sections B and C in the questionnaire, respectively). The following section tested hypotheses and evaluated relationships between the service profit chain, relationship marketing and best practice (independent variables) and service quality (dependent variable). These constructs were identified in sections D, E, F and G of the questionnaire. Constructs, factors and variables were evaluated using the descriptive and inferential statistical techniques identified in chapter six. Computer aided software used in this research study included SPSS version 11.0 and Surveypro. Conclusions have been depicted as section summaries and implications in the following sections.

### 8.3.1 Realisation, response and representation of results

The use of a Surveypro electronic media questionnaire was facilitated by instruction from the franchise system management to duly complete the questionnaire. A satisfactory representation across regions was elicited; with the overall response rate achieved eleven per cent over the targeted response rate. The response and representation of the data was found to be appropriate for the research project at hand.

### 8.3.2 Section A: Demographic and biographic information

Eight demographic and biographic variables were evaluated in Section A. Highlights included:

- White male domination of franchisees within the defined franchise system. Females represent only twenty-six per cent of franchisees; whilst franchisees of colour only represent two per cent of franchisees. The defined franchise system is in a position of vulnerability regarding legal aspects of transformation in South Africa

- The Western Cape, Gauteng and Eastern Cape dominate franchise system distribution; being accountable for seventy-five per cent of outlets.
- The majority of franchisees have been in the defined system in excess of three years, and new entrants are predominantly new ventures, as opposed to the sale of existing outlets
- Part-time and full-time employee contributions are similar. Those outlets employing more than one family member employ less full-time staff. Franchisees with one outlet employ no more than two full-time employees; whilst multiple-outlet franchisees employ no more than nine employees
- Seventy-three per cent of franchisees own only one outlet. Multiple-outlet franchisees dominate in Western Cape and Free State. Western Cape and Gauteng are the only regions with six or more outlets belonging to a single franchisee
- Sixty-three per cent of franchisees are solo family members involved in the franchise system.

An overall highlight regarding demographic and biographic responses was the variance between single and multiple-outlet franchisees. These variances are acknowledged in the following section.

### 8.3.3 Section B: Entrepreneurial orientation

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.

#### 8.3.3.1 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 to 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 and taking on perceived opportunities. The inventor character theme of "mastery" ranks second to last, implying that franchisees do not bask in expertise others don't 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 of responses include "performance orientation", "networking" and "focus". None are however 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). Whilst 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.

#### 8.3.3.2 Multiple-outlet entrepreneurial orientation

The reponses 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. Trust and relationships are further highlighted in subsequent sections
- 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
- Weighted regional contributions identify Gauteng and Western Cape as dominant regions.

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.

### 8.3.4 Section C: The franchise paradox

This section evaluated franchising as an entrepreneurial option for creating and developing new ventures. The study commenced with a background of the franchise paradox, evaluating franchisees in the system and finally the paradox link to franchising. Highlights included:

- Relationships + effort ranked the highest of all franchise paradox associations; closely associated to relationships + trust. The implication is the importance of franchise relationships not being self-sustaining
- Entrepreneurship associations rated relatively poorly compared to other variables. Multiple-outlet responses however favoured entrepreneurial associations
- The majority of franchisees rejected entrepreneurial associations of creativity and productivity in the system. Multiple-outlets however favoured these associations
- Eighty-seven per cent of franchisees believe conflict handling and franchisee contributions are not optimal in the system
- The majority of franchisees believe the system meets with their business objectives
- The majority of franchisees believe that the defined franchise system is an entrepreneurial option for creating and developing ventures, particularly so in the case of multiple-outlet franchisees.

It can, therefore, be concluded that the franchise system is seen as an entrepreneurial option for creating and developing ventures. This association is however most significant in a multiple-outlet environment.

### 8.3.5 Section D: The service profit chain

The service profit chain (SPC) was represented in section D of the questionnaire (questions 39-48). Associated themes within the construct included SPC links, retention, related sales and referrals. The objective of the study was to evaluate the association of SPC to service quality (SQ). Highlights included:

- SPC links and satisfaction is the dominant association, implying significant correlation between employee and customer satisfaction
- Retention and relationships are the next most dominant association, implying significant correlation between retaining customers and internal marketing
- Retention and lifetime value of customers are not adequately measured in the franchise system, implying neglect to loyal customers
- SPC links and best practice initiatives are not adequately communicated in the system, an implication of poor performance management on behalf of the franchisor

- Retention and feedback is depicted as inadequate in the system; implying the lack of optimal customer feedback channels.

Despite a few associations being inadequate within the defined franchise system, service profit chain initiatives were positively associated with service quality.

### 8.3.6 Section F: Relationship marketing

Relationship marketing (RM) was represented in section F of the questionnaire. Associated themes within the construct included customer markets, internal markets, referral markets and recruitment markets. The objective of the study was to evaluate the association of RM to service quality (SQ). Highlights included:

- Referral markets dominate response ratings. The implication is the associated positive link to word-of-mouth, lifetime value and loyal customers
- Internal markets rated high in the relationship associations, implying the relative importance of quality of worklife and relationships between franchisee and franchisor
- Recruitment markets dominate dissatisfaction in the system, implying discontent with optimal association and industry alliances. Furthermore, franchisees identify the measurement of franchisee satisfaction levels as dismal
- Internal markets rated poorly in the supply chain, with franchisees doubting the integrity of major suppliers

In conclusion, relationship marketing initiatives were positively associated with service quality.

### 8.3.7 Section G: Industry best practice

Industry best practice (BP) was represented in section G of the questionnaire. Associated themes within the construct included understanding customer markets, developing strategy and vision 1 and 2, refining offerings, influencing the marketing plan 1 and 2 and 3, promotion and in-store merchandising, and clear in-store operations 1 and 2. The objective of the study was to evaluate the association of BP to service quality (SQ). Highlights include:

- Promotion and in-store merchandising dominate the best practice associations, implying the importance of physical evidence tangibles in the service offering
- Implementing the marketing plan with regard to community involvement also dominates best practice associations; indicative of the link between localized marketing and awareness and loyalty
- Clear in-store operations regarding operating procedures are regarded as poorly documented by the majority of franchisees; as is the use of direct mail
- Best practice initiatives are not adequately communicated within the defined franchise system, implying discontent with overall communication within the system
- Developing strategy and vision is regarded as undeveloped, particularly regarding single outlet franchisees. Implications include lack of long-term business planning, vision and direction.

In conclusion, best practice initiatives were positively related to service quality.

### 8.3.8 Section E: Service quality

Service quality (SQ) was represented in section E of the questionnaire. Associated themes within the construct included reliability 1 and 2, responsiveness 1 and 2, assurance 1 and 2, empathy 1, 2 and 3 and tangibles. The objective of the study was to evaluate the association of variables within the service quality construct. Highlights included:

- High responses across all themes, with the highest being empathy. The implication is that of employees meeting the needs and wants of the consumer
- Exceptionally high correlation between all variables within the construct
- Only four per cent of franchisees responded negatively to the entire construct.

In conclusion, service quality variables were evaluated as an appropriate measure of the service quality construct; exhibiting significant item-total correlation and reliability coefficients. The variables were thus considered appropriate to test the associations to the service profit chain, relationship marketing and best practice constructs.

## 8.4 THE RESEARCH HYPOTHESES REVISITED

The purpose of the investigation was to determine the entrepreneurial orientation of participants in a franchised environment, coupled with the association of service vision factors. Once explored, the entrepreneurial orientation and service vision factors will be synergised to develop an entrepreneurial service vision within a franchised environment. Research questions included:

Question 1: Does entrepreneurial orientation exist within a franchised system, and if so, to what extent?
Question 2: Does franchising lead to an entrepreneurial option for creating and developing ventures?
Question 3: Do service profit chain initiatives lead to service quality?
Question 4: Does relationship marketing lead to service quality?
Question 5: Does best practice lead to service quality?
Question 6: What is the level of service quality in a franchise system?

Entrepreneurial orientation was however also investigated from a multiple franchisee point of view; that is, franchisees that operate more than one franchised unit (multiple-outlet franchising).

The hypotheses supplemented the research questions and objectives:

The primary hypothesis postulates that there was evidence of entrepreneurial orientation in a franchise system.

H1: Entrepreneurial orientation exists in a franchise system.
H0: Entrepreneurial orientation does not exist in a franchised system.

It was concluded that the alternate hypothesis (H1) is rejected and the null hypothesis (H0) accepted; that entrepreneurial orientation does not exist in a franchised system.

A proposition was introduced with reference to multiple-outlet franchising.

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

It can be concluded that 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.

The secondary hypotheses postulated that there is evidence of a positive association between:

- The franchise system is an entrepreneurial option towards creating and developing ventures
- The service profit chain and service quality
- Relationship marketing and service quality
- Best practice and service quality.

H2: The franchise system is an entrepreneurial option for creating and developing ventures.
H0: The franchise system is not an entrepreneurial option towards creating and developing ventures.

In conclusion, the hypothesis that the franchise system is an entrepreneurial option for creating and developing ventures was accepted. Furthermore, a significant association was found between the creation and development of ventures and multiple-outlet franchisees.

H3: Service profit chain initiatives are positively associated with service quality.
H0: Service profit chain initiatives are not positively associated with service quality.

It was concluded that the null hypothesis is unlikely, therefore rejecting the null hypothesis. We accept the hypothesis that service profit chain initiatives are positively associated with service quality.

H4: Relationship marketing initiatives are positively associated with service quality.
H0: Relationship marketing initiatives are not positively associated with service quality.

We conclude the null hypothesis as not being likely, therefore rejecting the null hypothesis. We accept the hypothesis that relationship marketing initiatives are positively associated with service quality.

H5: Best practice initiatives are positively associated with service quality.
H0: Best practice initiatives are not positively associated with service quality.

Inferential statistics represent the null hypothesis as not being likely, therefore rejecting the null hypothesis. We therefore accept the hypothesis that best practice initiatives are positively associated with service quality.

The literature review highlighted many synergies, which were explored in the empirical stage of the study. These points of view were supported, with the exception of entrepreneurial orientation in the franchise system. Data analysis however highlighted an entrepreneurial orientation in sub-section of franchisees. It must however be highlighted that this study does not examine personality characteristics of franchisees, which may in itself lend toward an entrepreneurial orientation.

All hypotheses as stated have been accepted, with the exception of an entrepreneurial orientation in a franchised home entertainment system. The proposal of an entrepreneurial orientation in a multiple-outlet franchise system has however been accepted. Construct summary statistics are depicted in Table 7.26; highlighting an overview of associations between the constructs.

## 8.5 RECOMMENDATIONS

The culmination of the chapter revolves around recommendations regarding the implementation of the conceptual entrepreneurial service vision matrix. The primary objective of the research project was to identify entrepreneurship and entrepreneurial orientation within a defined franchise system; with synergistic links to a strategic service vision. The strategic service vision in turn includes service quality, the service profit chain, relationship management and best practice initiatives. Upon identification of the links and relationships amongst constructs, factors and variables; the opportunity exists to develop a matrix to facilitate service-oriented decision-making within the franchise system.

The final objective and outcome is the development of an entrepreneurial service vision, based upon the findings of entrepreneurial orientation and the franchise paradox. Such a matrix may be described as a full representation or description of the set of associations between these factors, including statements about the assumptions and interactions in the matrix (Page & Meyer, 2000: 7). The imperative is to link the theory, empirical investigation, industry know how and expertise within the industry. Recommendations are provided by section as in the previous section, and then integrated to synergise the entrepreneurial orientation of a strategic service vision in a franchised home entertainment environment.

### 8.5.1 Section A: Demographic and biographic recommendations

Whilst this section provided background information regarding franchisees in the system, the data analysis identified various opportunity areas. Recommendations include:

- Not only a recommendation, but an immediate proactive initiative is required to adhere to diversity and transformation within a new South Africa. This includes not only franchisees entering the defined system, but employment equity and Affirmative Action within the franchisor. Recommendations include the development of markets to cater for franchisees of the previously disadvantaged, together with enhancement of developing female participation in the franchise system
- Development of the home entertainment market in areas not dominated by the franchise system; areas such as Soweto, Soshenguvi, Alexandria, Cape Flats, to name but a few. This will not only facilitate growth, but develop the emerging black market. Whilst only a suggestion, the possibility exists to acquire or joint venture initiatives developed by Ster Kinekor Home Entertainment in this regard. Such development will also allow expansion, therefore not depending on three regions for over seventy-per cent of revenue
- Retain current franchisees, as it is seen that longer tenured franchisees are accountable for development of multiple-outlets. Specific initiatives and recommendations will be discussed in the following sections
- Attempt to introduce additional family members into the system, reducing overheads of employing additional staff. Introducing additional family members

also enhance development of multiple-outlets, facilitating trust and integrity to expand

- Encourage existing franchisees to develop new outlets. There are currently no franchisor incentives for franchisees to expand. Such initiatives may include relaxing the development costs, or a marginal reduction in franchise fees for multiple-outlets. Possible benefits to the franchisor and franchisee are huge, including reduction of training time, industry know how, induction and competitive activity.

The franchise system has an immediate priority of social responsibility in the form of actively promoting and enhancing diversity. This will facilitate family member involvement, multiple-outlet development and prosperity within the franchise system.

### 8.5.2 Section B: Entrepreneurial orientation recommendations

The detailed item analysis in Section 7.4 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 (Section 2.6.6.3: What entrepreneurs do: the action factors). Benefits will include associated roles; such as entrepreneurs making a difference, being creative and innovative, being good networkers, managing risk, 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 able to timeously locate required resources via networking capabilities (Larson & Rogers: 1986); entrepreneurs making it their business to exploit all resources available (Lindsay & McStay: 2004); and the entrepreneur is the person who exploits the opportunity and turns it into reality (Kets de Vries: 1997)
- Communicating the nature, characteristics and behaviour of the entrepreneur to franchisees (Section 2.6). Once again, highlighting benefits of entrepreneurial

orientation. Specific characteristics include intuition (Section 2.6.1); behavioural traits (Section 2.6.2); creativity and innovation (Section 2.6.3); the entrepreneurial personality (Section 2.6.4); entrepreneurial synthesis (Section 2.6.6) and entrepreneurial talent, temperament and technique (Section 2.6.7)

- Identify franchisees against traditional and entrepreneurial management approaches (Table 2.3); placing emphasis on the benefits of entrepreneurial orientation per management practice
- 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 in Section 8.3.3.2 (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 (Table 2.2).

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

### 8.5.3 Section C: The franchise paradox recommendations

The empirical results in Section 7.5 identify franchising as an entrepreneurial option for creating and developing ventures. This facilitates the objective of enhancing entrepreneurial orientation within the system (previous section). Section C however also incorporates the franchise paradox, and the relationships and operational mechanisms of the system. Towards the objective of system growth (creating and developing new outlets), the following franchise paradox recommendations are put forward:

- Recommendations in Section 8.5.3 are emphasised towards enhancing entrepreneurial associations within the franchise paradox (Section 3.4)
- Develop an open communication and conflict-handling procedure (Section 3.3.8)

- Enhance integrity, trust and interdependence within the system, particularly from the franchisor's implementation point of view
- Continually develop internal marketing and communication channels within the system, as franchise relationships are not self sustaining
- Implement a recommendations and suggestions medium within the system, whereby franchisees may electronically interact with the franchisor and other franchisees (Section 3.3). Develop guidelines for optimal franchise relationships (Table 3.1)
- Formalise a franchise advisory council, whereby nominated franchisees represent fellow franchisees regarding important franchise issues (Section 3.3.11)
- Communicate success stories within the system; particularly the value of incremental wealth of multiple-outlet franchisees.

The overall franchise paradox objectives are two-fold; that is, enhancing entrepreneurial orientation, and enhancing relationships within the system. The former is incorporated into Section 8.5.2 objectives, and the latter are depicted above. A proposal is that the franchise system develops an intranet to facilitate the sustaining of relationships within the system.

### 8.5.4 Section D: The service profit chain recommendations

Significant positive associations between service profit chain initiatives of retention, related sales and referrals are experienced relative to customer satisfaction and service quality (Section 7.6). Service profit chain recommendations include:

- Developing and implementing a SPC programme across retention, related sales and referrals within the system
- Implement measurement of loyalty within the system; particularly regarding the lifetime value of customers (Section 4.7.6)
- Develop customer feedback and complaint systems (listening posts), such as introducing a franchise toll-free number (Section 4.5.1)
- Communicate the value of SPC enhancement, and the links to profit and growth (Section 4.4)
- Entrench customer value to all employees in the system, identifying the value mix (Section 4.6 and Figure 4.3)

- Enhance SPC initiatives, such as spending time with customers, putting employees first, investing in customers and communication the message within the franchise system.

The overall objective of the SPC is to link initiatives of retention, referrals and related sales with the other links within the chain. These include satisfaction, loyalty, value and long-term growth.

### 8.5.5 Section F: Relationship marketing recommendations

Relationship marketing initiatives are positively associated with service quality (Section 7.7). To facilitate a strategic service vision, the following relationship marketing initiatives are recommended:

- Integrate and implement a relationship marketing programme, consisting of customer markets, internal markets, referral markets, influence markets, supplier and alliance markets and recruitment markets
- Evaluate and identify areas of discontent within the supply chain. Particular emphasis to be placed on areas of trust and reciprocity between franchisees and major suppliers. Thereafter develop a relationship management chain (Figure 5.6)
- Develop core competencies for internal services marketing (Figure 5.5), including the measurement of franchisee satisfaction levels
- Develop alliances with strategic intent; such as alliance with a major take-out fast food chain such as Nando's and supply alliance with international content providers.

The research project has identified particular opportunities of internal marketing, particularly regarding relationships between franchisor and franchisee. The development of a relationship management chain, together with development of a core competencies matrix; will facilitate all themes across the relationship management construct.

### 8.5.6 Section G: Industry best practice recommendations

It has been shown that industry best practice initiatives enhance service quality (Section 7.8). Taking a lead from the studies of the Video Software Dealers Association of

America (VSDA), and in conjunction with empirical findings of this research report, recommendations include:

- Develop and implement a best practice and benchmarking guideline for franchisees (Section 5.4.1). Themes are to include understanding markets and customers, developing vision and strategy, refining outlet offerings, implementing the marketing plan, excellent customer service, creating promotions and in-store merchandising, and clear in-store operations. These guidelines will not take the place of an operations manual, but are intended to supplement it
- Update the franchise operations manual, with the appropriate training in communication and of new initiatives
- Facilitate training and development regarding business planning at franchisee level
- Link best practice communication and interaction with SPC and relationship marketing initiatives (such as intranet and internal marketing core competencies matrix).

Best practice initiatives are integrally linked to the relationship marketing, service profit chain and service quality constructs. Overall, a guideline of best practices, communicated formally to franchisees; will go a long way toward enhancing both customer and franchisee satisfaction.

### 8.5.7 Section E: Service quality recommendations

Although service quality is regarded as the dependent variable; themes of tangibles, reliability, assurance, empathy and responsiveness further enhance strategic service initiatives. Most of these themes correlate to the other service vision constructs, so implementation of recommendations in one construct will ultimately have a positive association to the service quality construct. Service quality recommendations however include:

- Communicating technical and functional quality consumer perceptions to franchisees (Figure 5.1)
- Instilling service quality dimensions as ongoing improvement measures within the system (Section 5.2.2)

- Setting service standards and integration of service quality relationships (Sections 5.2.6 and 5.2.7). This includes developing a system model of market orientation (Figure 5.3)
- Identifying a service quality and internal marketing link (Section 5.2.7.6)
- Measuring service quality within the system. An integration of SERVQUAL and SERVPERF is proposed (Section 5.2.8).

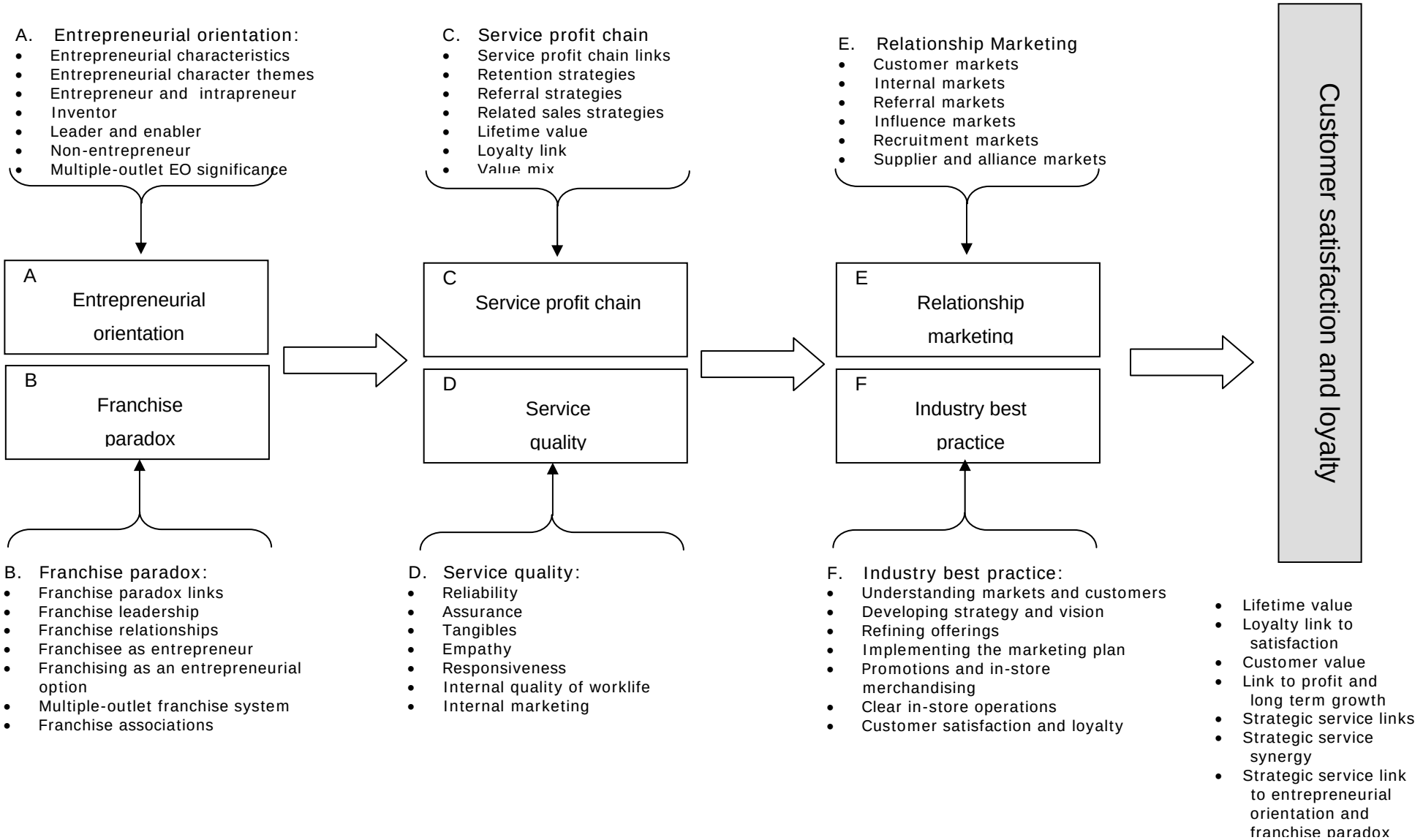
The overall service quality objective with regard to recommendations is the ultimate link to service loyalty (Table 5.1); notwithstanding the importance of a customer centric approach.

### 8.5.8 Development and recommendation of an entrepreneurial service vision

The constructs of entrepreneurial orientation, franchise paradox, service profit chain, relationship marketing, best practice and service quality are now combined towards the development of a conceptual entrepreneurial service vision matrix. The matrix is a full representation of the set of associations between these constructs; linking the theory, empirical research and recommendations. Figure 8.1 represents the conceptual matrix.

Figure 8.1 is represented on the following page.

**FIGURE 8.1 A** conceptual **matrix of an entrepreneurial service vision in the franchised home entertainment system**



## 8.6 LIMITATIONS OF THE STUDY

Limitations are based on the theoretical and empirical aspects of the study. The study has met with the research objectives; despite constraints surrounding the research methodology and availability of information. The two avenues are elaborated upon in the next two sections.

### 8.6.1 Limitations based on the literature review

The primary limitation based on the theory revolves around specific information and data availability on the home entertainment industry. Generic literature and material were analysed towards evaluating entrepreneurial orientation, the franchise paradox and service vision constructs. Limited data is however available on best practice and service quality on an international basis. Whilst the existing body of knowledge has influenced strategic service visions in many service related industries; entrepreneurship and the service profit chain, together with other strategic initiatives, have received minimal formal research in the lucrative South African home entertainment industry. To date, no published entrepreneurial service vision within this industry is to be found in reviews, standing operating procedures, nor any literature search.

The secondary limitation on theory is the limited existence of literature and material on entrepreneurial orientation, particularly with regard to franchising. Furthermore, the scarcity of literature on franchising in the home entertainment industry leads to generalisations from other closely related industries.

### 8.6.2 Limitations based on the empirical research phase of the study

Linked to limitations based on theory, the research phase also highlighted generalisations due to certain limitations. Primary research limitations revolve around the population of the data set, consisting of a study within a defined franchise system. Whilst the study is within the franchised environment within the Mr. VIDEO network; it is the opinion of the researcher that the study cannot be extended to the entire franchised home entertainment industry, primarily due to confidential marketing strategies. Different franchised groups would not be willing to share their competitive strategies outside their own franchise grouping. This limited this study to a single franchised group, and in this case, the market

leader (approximately three times larger than its closest competitor). Furthermore, the researcher was the managing director of the second largest franchised group in the industry, and participants may question ethical considerations.

Secondary limitations included the measuring instrument; with reference to service vision data collection from the franchisees perceptions, as opposed to the consumer. Self-evaluation by franchisees was however deemed appropriate from an empirical point of view (Chang & Chen: 1998). Representation limitations are a result of a lack of diversity within the defined system. Distribution limitations are due to different numbers of franchisees per region, with the required assumptions and weightings applied.

Limitations of the applicable research project recommendations rested upon the motivation and entrepreneurial orientation of implementation within a franchised environment, which is ultimately in the hands of the franchisee. The franchisor, however, has to be seen as the change-catalyst towards strategic implementation.

## 8.7 RECOMMENDATIONS FOR FUTURE RESEARCH

Future research opportunities primarily revolve around the identified limitations discussed in the previous section. 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.

It is further proposed that the international link should be explored between Australia, New Zealand and South Africa (due to the residential status of the author):

- Additional in-depth empirical research on multiple-outlet franchising and the link to entrepreneurial orientation across industries and cultures
- Research on an action learning approach to entrepreneurial training and development in a franchise system
- Entrepreneurial orientation of franchise systems based upon the entrepreneurial orientation of the franchisor and/or founder

- Follow-up research on the effectiveness of implementation of the proposed entrepreneurial service vision matrix
- A similar study, comparing service vision initiative perceptions, but from the point of view of the customer (as opposed to franchisee).

Future research recommendations are facilitated by the researcher's motivation to publish journal articles in the area of entrepreneurship and strategic marketing. Concluding wrap-up remarks provide final input regarding the importance of the research project.

## 8.8 WRAP-UP CONCLUDING REMARKS

Theoretically, the value the investigation provides will be in understanding that the home entertainment industry is worthy of developing a body of knowledge, to be shared by all industry participants. Similarly, linking entrepreneurship, franchising and strategic service in the form of a matrix may be of interest and application to other academic disciplines. This will facilitate both researchers and students in related business management disciplines.

As a contribution to practice, the entrepreneurial service vision will enhance the longevity of the industry, together with sharing entrepreneurial service vision recommendations to all industry participants. As such, the general oligopolistic nature of major industry participants will be dissolved; making the industry more accessible, creating more employment, and increasing industry participants. Since the industry is a product of technology, the identification of entrepreneurial behaviour of franchisor/franchisees will highlight the re-defining of industry practices.

This study, the first of its kind in the home entertainment industry and in the specific organisation, will smooth the way for implementation of entrepreneurial franchise service initiatives in the organisation. It will also assist franchisees in their advancement in the organisation and could be used to complement other programmes within the home entertainment, entrepreneurial and franchised communities.

On a macro level, successful implementation of the matrix will enhance industry participation; together with entrepreneurial contributions towards the creation of wealth, economic growth and creation of employment in a dynamic, yet turbulent developing

economy such as South Africa. As such, the study will enhance South African companies' competitive advantage in an international marketing environment.

## 8.9 CONCLUSION

The final chapter provides a summary of the theoretical and empirical aspects of the research project. Conclusions and implications are evaluated across literature review constructs of entrepreneurial orientation, the franchise paradox, the service profit chain, relationship marketing, best practice and service quality. This is facilitated by a similar evaluation of the empirical research phase, with the inclusion of demographic and biographic information of the defined franchise system. Highlights of the research results include acceptance of all hypotheses with the exception of entrepreneurial orientation in a franchise system. Entrepreneurial orientation, however, exists in a multiple-outlet franchise system.

Questions and findings are linked to the research objectives, once again summarising the hypotheses tests. The entrepreneurial orientation proposal of multiple-outlet franchisees is accepted as statistically significant. Recommendations based upon empirical evidence are provided by construct, including demographic and biographic data. Highlights include creation and developmental activities; that of increasing multiple-outlet distribution, and that of implementing an entrepreneurial service vision.

Limitations of the study are explained from a theoretical and empirical point of view, and include limited availability of literature on the applicable topics and disciplines, coupled with a study in the defined system. Recommendations for future research are motivated, with particular reference to increasing the study across other industries and cultures.

The following sections consist of the bibliography and the appendices.