

Managing a Franchise System

A Study of a Mission-Driven Organization

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ABSTRACT

This study explored a mission-driven organization in the education franchise industry with the aim of understanding the impact between organizational practices, the adoption of a management philosophy and individual outcomes on the franchisor–franchisee relationship. The case study research method was employed, and quantitative online survey and observations from participants belonging to the focal organization were the main data collection methods utilized.

In this study, structural equation modeling (SEM) was adapted as done by Wang (2011), while also introducing new variables to the original conceptual model. The results support the original conceptual model and hypotheses, in addition to confirming that these new variables are statistically significant and will influence individuals' adoption of a management philosophy and behavioural outcomes in the focal organization. Thus, franchisees and employees who accept the management philosophy of the franchisor are more likely to follow organizational norms and practices and demonstrate more positive attitudes and behaviours towards the franchisor, which can lead to a more positive relationship between the franchisor and the franchisee.

This study contributes to the literature on mission-driven organizations and the sustainability of franchisor–franchisee relationships by examining the adoption of a management philosophy in a for-profit setting. The findings have implications for managers in both mission-driven and franchise businesses (and related types of companies) concerning philosophy-oriented organizational practices based on the adoption of a management philosophy. This study also contributes to the understanding of the private tutoring and supplemental education franchise industry, about which there is very limited academic research (Aurini, 2008; Bray, 1999).

Practical recommendations are presented concerning operation and structuring of the focal organization.

Keywords: Mission-Driven Organization, Franchising, Franchisee, Franchisor, Franchise Relationship, Private Tutoring, Franchise Industry

DEDICATION

This thesis is dedicated to my family.

A special tribute to my grandfather 蔡景欽, a World War II Veteran,
and a man who lived 100 years.

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This thesis would not have been possible without the advice, encouragement, and support of many people. First, I thank my advisor, Dr. Anant Deshpande, who has been a wonderful mentor throughout this project. I also thank the faculty members of the University of Liverpool, who have shared their valuable knowledge throughout this academic journey.

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Most of all, I acknowledge my family, to whom I am indebted for their support and endorsement. They have encouraged me in this endeavour from the time I first told them I wanted to pursue doctoral studies after having been away from the academic environment for more than 10 years. I thank them for their patience and understanding.

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CHAPTER ONE

INTRODUCTION

I want to help more people, not only in Japan but around the globe, to realize that individualized education tailored to what is “just right” for each individual child is the way education should really be.

—Toru Kumon, Founder, Kumon Institute of Education Co., Ltd.

1.1 Background of the Study

What is a franchise? According to the Merriam-Webster dictionary, the word franchise comes from the French word "franche." The first known use of the word franchise was during 14th-century medieval times. Historically, a franchise was a right granted by a sovereign authority (Blair and Lafontaine, 2005). A sovereign authority granted an individual or group of people significant market power over a particular activity in a designated location for a certain period of time (Blair and Lafontaine, 2005). A payment, the "royalty" to the sovereign authority, was required for this privilege, usually in the form of a share of the produced goods or earnings (Blair and Lafontaine, 2005). Today, the basic principles of franchising remain largely the same.

Franchising is employed as a critical strategy for the growth of global commercial activity by many for-profit organizations; these organizations give rights or licenses to an individual or firm to market its goods or services to a particular territory or market. Franchise networks offer entrepreneurs the opportunity to join together in a spirit of collaboration, as well as providing hope for them in achieving their aspirations and financial goals. This particular strategy has led to considerable growth for the franchising industry and represents a wide-ranging spectrum of business concepts and market segments. It has become virtually impossible to define one particular strategy, structure, or method as best suited for the task of franchisee

support. Also, managing a franchise system is becoming challenging as the external environment becomes more diverse and unpredictable, especially when a company franchises outside of its domestic market.

Franchising has become a significant part of the economic landscape in North America, and its role in distributing products and services to customers globally has also grown substantially over the last several decades. In countries around the world, franchising significantly affects economic performance, and in some countries it is responsible for half of total retail sales (Alon, 2010). According to the International Franchise Association (IFA), a trade association representing the franchise industry in the United States, the franchising industry represents a wide variety of business concepts and market segments. For example, in 2015, franchise establishments in the United States were expected to increase by 1.6%, from 769,683 to 781,794, including establishments owned by both franchisees and franchisors (IFA, 2015). Direct employment in franchise establishments was expected to increase 2.9% in 2015, from 8,569 million to 8,816 million, an increase of 247,000 (IFA, 2015). Also in 2015, the output of franchise establishments was expected to increase 5.4%, from \$844 billion to \$899 billion (IFA, 2015). The Canadian Franchise Association (CFA), a trade association representing the franchise industry in Canada, has indicated that Canada has the second-largest franchise industry in the world, surpassed only by that of the United States (CFA, 2015). The CFA's membership represents more than 700 franchise brands in nearly 50 industries and over 40,000 franchise establishments across Canada, and the Canadian franchise industry generates nearly \$68 billion every year (CFA, 2015). Over one million Canadians—approximately 1 out of every 14 working Canadians—are directly or indirectly employed by the franchise industry (CFA, 2015). Together, the IFA and CFA represent over 1,900 franchise organizations operating in a variety of

industries, sectors, markets, geographic locations, and cultural environments (CFA, 2015; IFA, 2014). The significance to the economy is not limited to the livelihoods of the franchise business owners and their franchisors; it includes all the jobs that are created by franchise organizations. Every time a new franchise opens, it creates new jobs; thus, strong franchise business models can improve countries' economic performance.

Franchising is a business arrangement that occurs when a firm collects initial franchise fees and ongoing fees, or royalty fees, in exchange for allowing other individuals or firms to offer proprietary products and services under the franchisor's brand name and to use its trade methods (Khan, 1992). This business arrangement establishes a relationship between a franchisor and a franchisee and has often been characterized as a "commercial marriage." Typically, a franchisor–franchisee relationship is a business association governed by a contract or a franchise agreement. The franchisor owns the trademark(s) and the operating system for the franchise. The franchisee is permitted to use both the trademark and the operating system according to the terms and conditions outlined in the franchise agreement. Both parties are obligated to fulfill their obligations under the contract.

Franchising creates entrepreneurial opportunities on both sides of this relationship. Franchisors such as McDonald's, KFC, and Subway gain expansion opportunities to build their organizations rapidly, because new restaurants bearing their brand names are funded and managed by franchisees rather than by the franchisor. As indicated by fast-food legend Ray Kroc, "franchisees' creative ideas often help franchisors improve their products and services" (Boroian and Boroian, 1987, p. 11). It is not only franchisees who reap benefits by owning their own businesses in franchising; the franchisor also has the chance to test its business concept under the umbrella of a franchise system. Franchisors also benefit from utilizing similar business

arrangements and expansion strategies to enter unfamiliar foreign markets, because franchisees understand their own local markets and finance most of the expenses involved (Combs et al., 2011; Welsh, Alon and Falbe, 2006).

One of the fundamental challenges in franchising is creating and maintaining good relationships with franchisees. Franchising scholars agree that high-quality relationship between franchisor and franchisee is fundamentally beneficial in a long-term relationship (Croonen, 2010; Harmon and Griffiths, 2008; Shaikh, 2016). The franchisor's philosophy and practices have an important impact on a franchise system (Croonen and Brand, 2015). Preferably, the franchisor philosophy should be translated by the employees of the franchisor and the franchisees into their day-to-day organizational practices. However, it may not always be the case that the franchisor philosophy is completely adopted by the franchisee or/and the employees of the franchisor, and this may lead to problems. For example, it has been reported that different intentions, goals, and behaviour between franchisor and the franchisee have given rise to conflicts in the franchisee system (Ramírez-Hurtado et al., 2011). Other studies also touch upon the problems caused in the relationship because of differences in the philosophies of the franchisor and franchisee (Hendrikse and Jiang, 2005; Stein and Ginevičius, 2010). According to Dant (2008) and Dant, Li, and Wortzel (1995), there is limited knowledge about how the franchisor–franchisee relationship develops over time. Diaz-Bernardo (2013) and Stern and El-Ansary (1988) argue that the studies of the operation of franchise systems have been carried out by scholars primarily in the fields of marketing channels or distribution channels. Combs et al. (2011) argue that franchising offers great potential for more research because of its diverse nature. However, to date, franchising research has been approached mainly from the perspective of four disciplines—economics, entrepreneurship, marketing, and strategic management (Combs, Michael and

Castrogiovanni, 2004)—and has focused on franchising's antecedent consequences and factors that moderate the relationships between a franchisor and a franchisee (Combs et al., 2011). It is thus necessary for franchising researchers to explore and apply concepts and theories from more diverse disciplines and fields (Combs et al., 2011). Therefore, this study is designed to investigate the relationship between organizational practice, the adoption of a management philosophy, and individual outcomes in a mission-driven multinational education franchise system.

1.2 The Problem Statement

The growth of education franchises has been a worldwide phenomenon in Asia, Africa, Europe, and North America (Aurini, 2008; Bray, 1999, 2006, 2013; Dang and Rogers, 2008; Davies, 2004; Davies, Aurini and Quirke, 2010; Lee, 2007; Safarzyńska, 2013). Over the last twenty years, tutoring businesses have undergone a dramatic transformation in North America; franchises such as Kumon, Sylvan Learning, Huntington Learning Centers, Eye Level, JEI Learning Centers, Mathnasium, Oxford Learning, LearningRx, and UCMAS Mental Math have opened thousands of sites throughout the United States and Canada, and they continue to grow. Table 1 shows the 36th annual Franchise 500[®] ranking, published by *Entrepreneur* (www.entrepreneur.com/franchises/500/2015/). Participating franchisors contributed financial and statistical data gathered from July 2013 through July 2015, and the top 500 companies became the Franchise 500. As indicated by Table 1.1, tutoring services and the supplemental education industry are a well-established sector in the traditional franchise system.

Table 1.1 The Franchise 500®, 2015

The Franchise 500®, 2015		
Top 20 Franchises of 2015, Plus Education Franchises		
1	Hampton by Hilton	Hotel
2	Anytime Fitness	Fitness
3	Subway	Food
4	Jack in the Box	Food
5	Supercuts	Hair Salon
6	Jimmy John's Gourmet Sandwiches	Food
7	Servpro	Service
8	Denny's Inc.	Food
9	Pizza Hut Inc.	Food
10	7-Eleven Inc.	Food
11	Dunkin' Donuts	Food
12	Jan-Pro Franchising International Inc.	Service
13	Days Inn	Hotel
14	McDonald's	Food
15	Aaron's	Furniture
16	KFC Corp.	Food
17	Hardee's	Food
18	H&R Block	Service
19	Taco Bell	Food
20	Kumon Math and Reading Centres	Education
68	Eye Level Learning Centres	Education
86	Mathnasium: Math Learning Centers	Education
116	Club-Z! In-Home Tutoring Services	Education
156	Tutor Doctor	Education
268	LearningRx	Education
301	Huntington Learning Center	Education
398	Above Grade Level In-Home Tutoring	Education
409	Engineering for Kids	Education
498	AbraKadoodle	Education

In North America, tutoring services and supplemental education have evolved dramatically from their origins; what were once part-time job opportunities have become a billion-dollar corporate enterprise. Surprisingly, this lucrative education franchise industry has escaped the attention of researchers, because it has mistakenly been seen as a small-scale and

loosely organized industry. Education scholars have also underestimated the importance of tutoring as a business, referring to it as “supplementary education” or “shadow education” in comparing it to the public school system (Aurini, 2008; Bray, 1999). Today, tutoring services are no longer part-time side-jobs used by school teachers or private tutors to generate additional income; these roles are considered full-time opportunities for individuals or business investors from a variety of education and professional backgrounds (Aurini, 2008). According to Diment (2015), an IBISWorld Industry Report states that the revenue in the education franchise industry in the United States alone over the last five years has averaged over \$860.9 million annually, and it is projected to grow to \$929 million in 2020.

The education franchise industry promises full-time business opportunities and careers for well-educated individuals or business investors. These education entrepreneurs have developed a new concept for teaching where teaching is no longer a profession but rather has become an entrepreneurial commercial activity (Aurini, 2008). In recent years, the education franchise industry in North America has faced substantial external and internal pressures due to the poor domestic economic environment and increased competition. These pressures can cause disputes and exploitations of the system that affect various stakeholders—students, parents, and suppliers—as well as franchisees and franchisors within the franchise system. As a result, maintaining a well-run education program, together with the demands of running a profitable franchise business, has become a delicate balancing act.

The power of franchising is in achieving a competitive advantage through the sharing of knowledge and resources; a strong franchisor–franchisee relationship is more than just “nice to have.” A strong franchisor–franchisee relationship is needed to keep the communication channels open between the franchisor and franchisees, to maintain high levels of motivation and

commitment for continued improvement, and to avoid dispute and disparity. According to the IFA Franchise Relations Committee, a competent franchise organization should adopt these values—integrity, honesty, respect, trust, financial success, and commitment to excellence—and these should be shared and mutually desired by both the franchisor and franchisee (IFA, 2004). Meanwhile, the sources of dispute between franchisors and franchisees are most likely as numerous as the number of franchisors and franchisees (IFA, 2004). Practitioners who have been involved in franchising for many years will tell you that they are still surprised by the diverse issues and problems between franchisors and franchisees that can grow into full-fledged disputes. Thus, resolving differences to the satisfaction of both franchisors and franchisees has become the hallmark of successful franchise systems.

A franchise relationship begins with the signing of a franchise agreement, which marks a significant milestone at which both parties officially enter into a contractual relationship (Bradach, 1998; Hadfield, 1990). Bill Rosenberg, founder of Dunkin' Donuts and co-founder of the IFA, explains that "you can't have a successful franchisor without successful franchisees, and you can't have successful franchisees without a successful franchisor" (Stites, 2008, p. 69). The franchisor and franchisee depend on and need each other to be successful; however, they often act as if they do not need each other to be successful. For example, a franchisor may wish that its franchisees would be more independent and able to take ownership of their operations. At the same time, the franchisor might also believe that if the franchisees could just fulfill their obligations as outlined in the franchise agreement and operations manual, both parties and the franchise system would benefit. Also, the franchisor's and franchisee's perceptions of each other are not always realistic. For instance, the author of this thesis has been told over and over again by franchisees that they feel that the franchisor does not work hard enough to help them succeed

and does not care about their individual situations, especially with regard to profitability. In reality, this franchisor seems to be relentlessly concerned about each individual franchisee's needs and works hard to try to solve problems. Why do franchisees feel the way that they feel, and why does the franchisor receive no acknowledgment for his or her dedication? This disconnect is a significant and common issue for many franchise organizations. Clearly, the franchise relationship is full of paradoxes, and the franchise contract is often perceived as the only means of resolving issues between a franchisor and a franchisee. Practitioners within the franchising industry believe there is a strong correlation between the quality of the franchise organization's support functions and the success of their franchisees. When franchising networks work well, they are magic, and everyone wins; franchisees achieve their goals, franchisors grow their markets, and customers enjoy exceptional service and value. Scholars seem to be in agreement about the importance of the relationship between the franchisor and franchisee (Combs et al., 2011; Croonen, 2010, 2008, 2007; Kaufmann and Dant, 1992; Madhok and Tallman, 1998; Morrison, 1997; Strutton, Pelton and Lumpkin, 1995; Wood and Kiecker, 1995). Thus, it is important that franchise organizations dedicate their time, resources, and talents to developing a good relationship between the franchisor and franchisee, because an effective franchise relationship is one of the keys to the success of the franchise system.

Franchisees are their own bosses; they are independent, but they are also business partners of the franchisor. Their relationships with the franchisor are not regular employee–employer relationships. In most situations, franchisees probably think they know more than the franchisor; however, they do need the franchisor's support from time to time (Bradach, 1998, p. 33). In an organization, an employee can take it easy and still have a job, but an independent business owner cannot. For corporate employees, this is a job; for franchisees, this is their

business. Investment in a franchise system puts the franchisee's life savings at stake. In the franchise world, both franchisee and franchisor share a joint enterprise in which they have different roles and responsibilities (Bradach, 1998, p. 34).

Scholars and practitioners agree that this characterization of the franchise relationship is at odds with the terms of the written contract, which slants in favour of the franchisor. In the analysis of the franchise contract, Hadfield (1990, p. 934) finds that "the great weighting of the clauses [leans] towards the obligations of the franchisee." The franchise contract sets the expectations of the parties and creates a structure for the relationship, but it does not reflect the actual behaviour within the franchise relationship (Macaulay, 1963; Macneil, 1978). Indeed, while the franchise contract appears to create the functional equivalent of the employment relationship, the role of the relationship in practice reveals that the two are entirely different. Based on this author's professional experience working in a franchise system, both franchisee and franchisor agree that the franchise contract is necessary, but they argue that its role is often exaggerated. The metaphor used most frequently in the franchise industry to describe the franchise relationship is that of a marriage.

This study explores an education franchise system that espouses the benefit of social missions in addition to financial goals: Kumon North America, a regional subsidiary of Kumon Institute of Education, Co., Ltd. (hereafter, Kumon). This organization uses strategies similar to those of other successful multinational franchisors to expand its educational learning centres worldwide. For the last 57 years, Kumon has enjoyed operational success both domestically and overseas; however, like many other franchise organizations, it has begun to experience conflicts with franchisees as individuals begin to challenge Kumon's practices as the franchisor.

The focal organization claims itself to be mission-driven and tasked with accomplishing goals that extend beyond the profits of the organization to social responsibility. Generally, a mission-driven organization is either a non-profit or for-profit, public or private, governmental or non-governmental organization (NGO), or charitable or faith-based organization (Mintzberg, 1989; Muehlke, 2012). The focal organization believes its corporate mission—“*by discovering the potential of each individual and developing his or her ability to the maximum, we aim to foster sound, capable people and thus contribute to the global community*”—has the ability to attract individuals who share similar beliefs and values to join the organization. If the mission of a company is a method of setting up a group of like-minded people, and this organization has a mission, then what could be causing this disconnect? In a mission-driven organization, people should understand and share common values, and these values should motivate individuals to think alike and operate in a high-quality franchisor–franchisee relationship; however, this is not currently the case for Kumon, where there is a disconnect between the franchisor and its franchisees. Therefore, it is necessary to find solutions to improve the franchisor–franchisee relationships in this mission-driven organization. This research is designed to identify the theory and practical solutions that will improve the franchisor–franchisee relationship in the focus organization. Why do these misaligned perceptions between franchisees and franchisors exist? This study attempts to answer this question.

Combs et al. (2011) stated that the implications of the franchisor–franchisee relationship have yet to be fully explored. Even though the implications of management philosophy in a mission-driven franchise organization have never been a focus of scholars in the past, they agree that a high-quality relationship between the franchisor and franchisee is vital, because a strong bond encourages these partners to work together and expect long-term benefits (Croonen, 2007,

2008, 2010; Dickey, McKnight and George, 2007; Dirks and Ferrin, 2001; Harmon and Griffiths, 2008; Hopkinson and Horgarth-Scott, 1999; Morgan and Hunt, 1994). Therefore, this research is guided by the following questions:

1. Can a mission-driven franchise organization be more effective in managing a franchisor–franchisee relationship?
2. Would the adoption of a management philosophy positively affect a franchisor–franchisee relationship?
3. How would the adoption of a management philosophy influence employees’ and franchisees’ feelings, opinions, and behavioural outcomes, including trust in management, organizational commitment, organizational citizenship behaviour, job involvement, and satisfaction with competency (Wang, 2011)?

1.3 Purpose of the Study

The purpose of this research is to investigate the impact between organizational practices, the adoption of a management philosophy, and individual outcomes in a mission driven multinational education franchise system. This inquiry aims to understand and work toward solving an organizationally based problem: How can a mission-driven organization be more effective in managing a franchisor–franchisee relationship? Specifically, the problem will be applied to the Kumon Institute of Education Co., Ltd., where the author of this thesis is an employee within its North American subsidiary.

Since its beginnings in 1958 in Japan, the Kumon Institute of Education has embraced social aspirations and missions as its primary methods of attracting like-minded educators and business professionals to the organization as employees or franchisees. From the time the first

learning centre was set up in 1956, the late founder of Kumon, Toru Kumon (1914-1995), was enthusiastically involved in developing the business. He frequently shared his philosophies and thoughts on education and created many of the ideologies that have become deeply rooted in the development of learning methodology and organizational practices. Even today, many employees and franchisees still quote the founder and share his values. The Kumon Institute has devotedly implemented Toru Kumon's philosophies and ideologies as its core management practice for the franchise system.

Kumon has experienced impressive expansion in Japan since its founding in 1958. Toru Kumon believed that his learning method and education philosophy were universally applicable and would help many children globally. With the organization's first expansion overseas in 1974, there was very little support to overseas subsidiaries; each overseas subsidiary operated independently, resulting in significant variation in services offered across countries and even within each country. In recent years, the management team in North America has tried to overcome these dissimilarities in operations and services by standardizing franchise operations, a process that many franchise organizations would consider necessary for efficient operation and brand consistency. However, for Kumon, this alignment has resulted in a damaged relationship with the franchisees.

A new management team was appointed by the parent company in Japan in late 2013. This new management team has been trying to repair the relationship between the corporate office and the franchisees by bringing back the founder's ideologies and promoting a mutual trust relationship as their management philosophy, consistently explaining that

Our mission is to develop each child's ability through a unique learning method developed by our founder. The organization's value is created through the interaction of

students and the franchisees. Mutual trust between franchisees and staff is the foundation for the future growth of the organization in North America. (Tanabe, 2013)

The management team has also clarified that the organization has a unique franchise system compared to other conventional franchise businesses and that, therefore, it only requires minimum standardization, including standardization around the organization's mission, vision, management philosophy, and learning method. Their efforts have improved relationships with the franchisees, but not completely. The majority of franchisees continue to feel that the relationship with the corporate office remains ambiguous, although they acknowledge the importance of common values and perceive these common values as being the factors that motivate individuals to think alike and operate in a cohesive environment.

Wang (2011) investigated the relationship between philosophy-oriented organizational practice, adoption of management philosophy, and individual outcomes in the context of a mission-driven organization in Japan. She found that the dimensions of adoption of the management philosophy mediates the relationship between organizational practice and individual outcomes. In this study, the author draws upon Wang's (2011) study but conducts his own investigation in a different context, that is, the context of a mission-driven education industry franchisor–franchisee setup in North America. In the process of research, the author also introduces new constructs to Wang's (2011) framework based upon theory and personal experience working in the franchising setup.

The objective of the research is to explore the impact between organizational practices, the adoption of a management philosophy, and individual outcomes in a mission-driven multinational education franchise system by drawing upon (1) the original study by Wang (2011), (2) using a different context and research environment (North American franchise

environment), (3) extending the study by adding new dimensions to the original model, and (4) providing recommendations to the focal organization that could solve the organizationally based problems introduced as the research questions of this study.

1.4 Significance of the Study

This study makes the following contributions. First, despite the fact that other studies have focused on mission-driven organizations, only a small amount of research investigates the mechanisms through which organizational practices impact individual outcomes in mission-driven franchise systems (Wang, 2011). This study provides a more complete understanding of the possible relationships between the adoption of the management philosophy of the franchisor and its impact on the franchisor–franchisee relationship.

Second, a limited amount of research has focused on investigation of the impact of individual dimensions of the adoption of a management philosophy and their impact on outcomes (Mayer, David and Schoorman, 1995). This study expands the findings of the existing literature by covering additional dimensions of adoption of management philosophies such as organizational goal clarity and mission valence. Also, little is known about how these dimensions empirically impact individual outcomes such as job involvement, organizational citizenship behaviour, trust, commitment, and satisfaction with franchisor competence. Therefore, it is important to examine the impact of organizational practices on outcomes in this context (Becker, 2005; Liu and Dorren, 2013). In the process, this study provides an integrated theoretical framework useful for practitioners and also empirically examines the relationships.

Third, according to Combs, Ketchen, Shook, and Short (2011), past studies concerning the franchising industry have concentrated on the "antecedents to franchising, consequences of

franchising and the potential moderators of franchising relationships” (p. 101). Many of those researches have concerned the hospitality, restaurant, and retail franchise industries and have focused particularly on the United States. There is limited research coming from the education franchise industry in North America. Also, past empirical research into tutoring services and supplemental education have focused only on the pattern and impact of tutoring (Bray, 2006, 2010; Davies, 2004), socioeconomic inequalities and cultural influences (Dang and Rogers, 2008; Lee, 2007; Safarzyńska, 2013), and the nature of the teaching transformation and the legitimacy of tutoring businesses (Aurini, 2008; Davies, Aurini and Quirke, 2010). The education franchise industry has undergone a dramatic transformation in North America. They have evolved dramatically from their origins as part-time job opportunities into a billion-dollar corporate enterprise. As mentioned earlier, this lucrative education franchise industry has gone under the radar of researchers because it was mistakenly seen as a small-scale and loosely organized industry. The education franchise industry offers a unique opportunity to investigate the mechanism between organizational practice and individual outcomes, providing rich implications for theory and practice.

Finally, past empirical studies on franchisor–franchisee relationships have focused on relational trust and the franchise system commitment (Combs et al., 2011; Croonen, 2007, 2008, 2010). This study provides information about essential management practices to franchise practitioners and franchise organizations that are either mission driven or that wish to adopt social missions and management philosophies in an effort to improve their operational efficiency, effectiveness, and relationships with franchisees.

1.5 Limitations

Several limitations associated with this study are worth mentioning. The first limitation is the nature of the research design. This research is based on a convenience sample, and a web-based survey was used to collect data from a large, diverse population across the United States and Canada. The resulting problem is that in this cross-sectional research, the data for both the dependent and independent variables were taken from the same informants. The author acknowledges that informant-based, cross-sectional research is of a highly attitudinal and perceptual nature; therefore, there is a problem with potential common method variance, which may lead to some inaccurate conclusions (Armstrong and Overton, 1977; Atif, Richards and Bilgin, 2012).

The second limitation relates to the single-organization case-study methodology employed. By concentrating solely on a subsidiary operation in North America, the findings are specific to this particular operation. The results of this research may not represent the operations of the focal organization in other regions; the overall generalizability is limited.

The third limitation is the validity of the data collected. Research data in this study are a result of the participants' understanding of the questions and willingness to answer them in good conscience. False data may have been collected via the online survey because of various interpretations of the questions or because of influence of the participants' biases and personal preconceptions.

The fourth limitation relates to the researcher's own position within the research organization and how his relationship with employees and franchisees may have potentially affected the survey results. For example, respondents may have been reluctant to give honest answers because they did not want to offend the researcher.

The fifth limitation is the researcher's personal bias and experience with the focal organization.

The sixth limitation is that the majority of franchisees and employees did not participate in this study, and these nonparticipants might hold different biases compared to those of the participants. It is important to be aware that the current findings in this study may be biased because they represent only the participants' biases or points of view.

Finally, the sampling design of this study can be considered a limitation, because it favoured the current employee and franchisee population. Previous management, employees, and franchisees who make up the history of the organization were not included in this study, and perhaps their points of view would have provided different perspectives.

1.6 Organization of the Thesis

Chapter 1 contains a description of the research problem and a discussion of the factors underlying its importance and relevance to franchising research. Chapter 2 consists of a review of the relevant literature, the extent of the findings of the research questions addressed in this thesis, and an assessment of the gaps in the literature. Chapter 3 describes the research organization, including its history, method of operations, and franchise system. Chapter 4 presents a description of the research methodology. Chapter 5 explains the results of the analysis and the tests of the hypotheses derived from the solutions to the theoretical model. Chapter 6 discusses key findings and offers recommendations to focal organization, management practitioners and other researchers. In Chapter 7, the implications of the research are summarized and conclusions are drawn. Suggestions are also provided for future studies. Chapter 8 presents the author's personal journey as a researcher.

1.7 Chapter Summary

This chapter presented an overview of the research, beginning with the study background, and then discussed the problem statement, including the research questions that guided the study. The purposes of the study were discussed, which included studying the impact of the adoption of a management philosophy on a franchisor–franchisee relationship in a multinational education franchise system and identifying the factors that impact the quality of the franchisor–franchisee relationship as related to trust, organizational commitment, organizational citizenship behaviour, job involvement, and satisfaction. A summary of the methodology and the practical and theoretical contributions of the study, including its applications in the learning centre and private tutoring franchising industry, was also provided.

1.8 Definition of Key Terms

A franchisor is a business organization that grants an individual or firm the right to do business under its trademark or trade name. Under this arrangement of commercial activity, the franchisor collects an initial franchise fee and ongoing royalty fees in exchange for allowing the franchisee to offer proprietary products and services under its brand name and to use its trade methods.

A franchisee is a person or a firm that receives the right from the franchisor under a franchise agreement to do business under the franchisor's trademark or trade name.

A franchise relationship is a relationship between a franchisor and a franchisee. The relationship between franchisors and franchisees has often been characterized as a "commercial marriage." A franchise is a business association governed by a contract or a franchise agreement. The franchisor owns the trademark(s) and the operating system for the franchise. The franchisee

is permitted to use both the trademark and the operating system according to the terms and conditions outlined in the franchise agreement. Both parties are obligated to fulfill their obligations under the contract.

Mission-driven organizations can be non-profit or for-profit, public or private, governmental or non-governmental organizations (NGO), or charitable or faith-based organizations (Mintzberg, 1989; Muehlke, 2012). A mission-driven organization is tasked with accomplishing goals that extend beyond the profits of the organization to social responsibility.

A management philosophy is the foundation supporting the organizational vision, including creation of business strategy, implementation of strategic plans, and establishment of codes of behaviour, business culture, and core business values (Wang, 2008).

The education franchise industry (comprised of tutoring and learning centres) offers test preparation and tutoring services for school-age children ranging from 3 to 18 years of age. Traditionally, tutoring is considered "shadow education" (Aurini, 2008; Baker et al., 2001; Bray, 1999; Stevenson and Baker, 1992) that provides school-type curricula to students for enrichment or remedial learning.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Franchising is a method of organizational expansion that helps to increase the reach of an organization, typically taking place in for-profit organizations for commercial purposes. Franchising is formalized through a contractual relationship between two organizations, specifically the franchisor and the franchisee (Brown and Dev, 1997). Franchise scholars seem to be in agreement about the importance of the relationship between franchisor and franchisee, as discussed in Chapter 1 (Combs et al., 2011; Croonen, 2007, 2008, 2010; Kaufmann and Dant, 1992; Madhok and Tallman, 1998; Morrison, 1997; Strutton, Pelton and Lumpkin, 1995; Wood and Kiecker, 1995); however, there is insufficient knowledge and research about how franchisor–franchisee relationships evolve over time (Dant, 2008; Dant, Li and Wortzel, 1995). Most studies in the area of the franchisor–franchisee relationship have been carried out by scholars predominantly in the fields of marketing or distribution (Diaz-Bernardo, 2013; Stern and El-Ansary, 1988). Also, the research settings have been limited within the traditional franchise industries (e.g., to the retail, food, restaurant, and hotel industries). Studies done in the past have prioritized maximizing the economic benefit of the franchisor and the franchisee, and of course this objective is critically important. However, it is also necessary to recognize that the economics of the franchise arrangement is just one of the elements that may affect the relationship between the franchisor and franchisee. In the franchise arrangement, the franchisor must use persuasion rather than authority to influence the behaviour of franchisees (Bradach, 1998). The franchisor can simply tell its company employees to do what is required and place

limitations on them, but with franchisees, the franchisor must sell, suggest, nurture, and negotiate ideas, allowing them to exercise choice (Bradach, 1998). The worst thing a franchisor can do is treat a franchisee like an employee. The franchise contract is not an employment contract; the franchise contract has limited authority. A franchise contract is a business contract between two organizations that wish to perform their obligations as business partners. Therefore, "selling" ideas to franchisees with the objective of inspiring and collaborating, and adapting the franchisor's management mission and philosophy for the franchisees, is crucial.

This study employs past research approaches in the area of the franchisor–franchisee relationship but adds a new focus on the franchisor's corporate vision, mission, and management philosophy in an attempt to determine the impact of these elements on the franchisor–franchisee relationship. The objective is to understand whether a franchisor can heavily depend on its corporate mission and management philosophy to form and gain franchisee support and collaboration. In this study, the focal company, the Kumon Institute of Education, is a mission-driven organization in the education franchise industry, having a different organizational structure compared to other conventional franchise businesses, even within the education franchise industry. The purpose of this chapter is to consider and present a number of different theoretical perspectives regarding the topic of this research. The literature review begins with an examination of agency theory from the viewpoint of franchise relationships, continues with discussions of the mission-driven organization, corporate management philosophy, and franchise relationship, and then investigates the private tutoring industry. Lastly, the conceptual framework of the philosophy-oriented organizational practice utilized in this study is introduced.

2.2 Agency Theory

Alchian and Demsetz (1975) introduced agency theory in the 1970s. This economic theory was further developed by Jensen and Meckling (Abdullah and Valentine, 2009), who are often credited with the origin of agency theory via their "theory of the firm" (Jensen and Meckling, 1976, cited in Bryant and David, 2012, p. 3). The agency relationship is defined as a relationship in which one party (the principal) delegates work to another party (the agent) to perform some services on the principal's behalf that includes the delegation of some decision-making authority to the agent (Heath, 2009; Jensen and Meckling, 1976; Lafontaine and Slade, 1997). Jensen and Meckling (1976) explain how agency theory attempts to define this relationship using the metaphor of a contract. The earliest application of this principal–agent model was in sharecropping, in which a landowner was the "principal" and allowed a tenant farmer, the "agent," to use the land. In return, the tenant farmer shared a portion of the crops produced on the land. In this situation, both the landowner and the tenant farmer may have developed individual motivations for staying in the contract, and the tenant farmer may not always have acted in the best interests of the landowner or the principal. The main idea behind the principal–agent model is that the principal cannot perform a given job and must hire the agent; however, this arrangement also means that the principal cannot monitor the agency relationship perfectly, since the principal may not have the resources to perform the specific function. To motivate and oversee the agency relationship, the principal is required to establish a contract with an agent to ensure that the transaction of the business is conducted in an integrated way.

Scholars have employed agency theory in various academic disciplines, including accounting, economics, finance, marketing, political science, organizational behaviour, and

sociology (Eisenhardt, 1989, p. 57); it is one of the most common theoretical lenses applied in franchising (Eisenhardt, 1989; Falbe and Welsh, 1998; Jensen and Meckling, 1976; Kaufmann and Kim, 1996; Ross, 1973). In general, agency theory refers to many different ways that agents of an organization can impact the economic outcomes and behaviour of the particular organization (Fama and Jensen, 1983). Agency relationships identify the motivational aspects of franchising; for example, franchisors have interests in monitoring their franchisees because financial stability and timely payment of royalties usually reflects the success of the franchisee (Phan, Butler and Lee, 1996). Franchising scholars believe that agency theory provides a useful theoretical background for the effect of hybrid organizational arrangements on the growth and survival of firms (Shane, 1996, cited in Pizanti and Lerner, 2003, p. 134). Agency theory is also relevant to a variety of issues applied to the contractual relationship between an agent and a principal (Eisenhardt, 1989; Pizanti and Lerner, 2003).

Agency theory is intended to deal with two problems that occur in agency relationships (Eisenhardt, 1989). The first conflict concerns desires or goals of the principal and agent that make it challenging and costly for the principal to verify an agent's actual performance (Eisenhardt, 1989). The second conflict is the problem of risk sharing (Eisenhardt, 1989). The principal and agent may choose different actions when risk appears because they have different risk considerations and risk adaptabilities (Eisenhardt, 1989). The application of agency theory is formal control, and its goal is to search for the best possible control system for the principal–agency relationship (Hopkinson and Hogarth-Scott, 1999; Pizanti and Lerner, 2003; Shane, 1996). According to Shane (1996) and Eisenhardt (1989), franchising solves two agency problems by allocating ownership as compensation to the franchisee rather than fixed compensation to a full-time salaried manager. For the franchisor, allocation of ownership

eliminates the cost of adverse selection and moral hazard (Lafontaine, 1992, cited in Pizanti and Lerner, 2003; Stanworth et al., 1996). A franchise contract defines the obligations and rights of the franchisor and franchisee (Brickley, Dark and Weisbach, 1991, cited in Pizanti and Lerner, 2003). It is created to protect the financial interests of both the franchisor and the franchisee (Castrogiovanni and Justis, 1998); it also establishes operational criteria for the franchisee to validate this franchise relationship (Brickley, Dark and Weisbach, 1991; Hadfield, 1990; Rubin, 1978, cited in Pizanti and Lerner, 2003).

Although franchising may reduce some agency costs for the franchisor, the franchisees must accept the full financial risk of investing in a franchise system (Diaz-Bernardo, 2012). For example, the owners of a multiunit building can split the financial risk among the units, but the individual unit owners bear the full risk. Companies or individuals often choose to franchise to support personal objectives via company goals (Rubin, 1978, cited in Castrogiovanni and Kidwell, 2010). One of the main challenges of the contracting environment is the conflicting interests of the organizations (or their owners) and various stakeholders (or agents), which leads to agency problems, wherein the agent acts unethically in order to take full advantage of his or her own interests. Thus, Brown (1998, cited in Castrogiovanni and Kidwell, 2010, p. 229) argues that "franchising is grounded in an assumption that self-interest takes priority over all organizational goals and values." Franchisees may have a greater chance for a free ride if they can advance and benefit from personal gain. A franchisor's business practices and franchise system structure can influence the tendency toward a free ride as well. Based on the deficient nature of the franchise contract and the self-interest of parties, the franchisor needs to adopt monitoring and control mechanisms to maximize the principal's (franchisor's) interests and avoid free rides (Eisenhardt, 1989; Jensen and Meckling, 1976; Lan and Heracleous, 2010).

Critics of agency theory suggest that by discounting the perspective of the franchisee, agency theory fails to address the dynamics of the franchisor–franchisee relationship (Harmon and Griffiths, 2008, p. 256; Pizanti and Lerner, 2003). Indeed, a franchise system is not only an economic system but also a social system in which the franchisor and franchisees have an intimate working relationship (Etgar, 1979, cited in Tikoo, 2005; Strutton, Pelton and Lumpkin, 1995). Other scholars stress the importance of both principles and agents maintaining ethical behaviour in ensuring the success of the contract (Abdallah, Darayseh and Waples, 2013). The role of ethics is emphasized in achieving contract efficiency in order to avoid agency cost (Frank, 1988; Freeman, 1994; Jones, 1995; Noreen, 1988). These scholars believe that contract efficiency is a method to achieve completeness in a contractual relationship, where the principle and agent are not involved in activities that harm each other (Abdallah, Darayseh and Waples, 2013). However, monitoring behaviour to ensure that the agent acts in an ethical fashion involves a contract that stipulates the key elements in the relationship between the principal and the agents. Noreen (1988) argues that through shared norms and ethical rules, principals and agents can achieve efficiency in a contractual relationship. Ideally, a franchise contract is necessary to model any real-world situation that would potentially prevent the agent from making decisions that would reduce the value of the owner's invested capital. The contract also acts as a monitoring and relationship mechanism between the principal and the agents.

Ethicists often offer the criticism that agency theorists take on an economic model of action with the impression that individuals are self-interested or that individuals act only from self-interest and not from unselfish motivations (Heath, 2009). They argue that what creates the need for an incentive in principal–agent relations is not self-interest but rather a difference in preferences between the principal and agent (Heath, 2009). According to Dees (1992, cited in

Heath, 2009), the principal–agent theory is about how individuals take care of situations involving "goal incompatibility" between two or more persons. The truth is, it does not matter whether the individual is selfish or not (Heath, 2009).

2.3 Agency Relationships in Multinational Enterprises

The cultural and geographic distance between the parent company and its subsidiaries is one of the factors that increases difference and agency costs (Chang and Taylor, 1999; Muratbekova-Touron, 2009; Roth and O'Donnell, 1996). Agency costs are more likely to occur when managers who work in foreign subsidiaries have different values and work attitudes from those of managers in the parent company (Muratbekova-Touron, 2009). Agency costs increase when less detailed and thorough information about the performance of the subsidiaries is presented to the parent company (Muratbekova-Touron, 2009).

Johnson and Droege (2004) discuss in their study that agency theory may be weakened by cultural differences. They argue that cultural background, social affiliation, and hierarchical relations are significant factors that must be taken into consideration in agency theory and that these factors have been underestimated in the literature in the past (Johnson and Droege, 2004). Looking at the difference between organizations within individualistic and collectivistic environments, Johnson and Droege (2004) state that collectivist cultures acknowledge relationships differently. In collectivist cultures, social affiliation is more important than market-based interactions (Johnson and Droege 2004), while Western societies, which are generally inherently individualistic, focus on market-based interactions (Johnson, and Droege, 2004). Moreover, it is important to acknowledge that while individuals may be part of the same cultural

affiliation, their different viewpoints in terms of acknowledging hierarchical relations will result in differences in the importance they place on relationships (Hadfield, 1990).

Scholars state that individual commitment and emotional alignment are very important in the principal–agent relationship (Eisenhardt 1989; Ouchi 1979; Roth and O'Donnell, 1996). For instance, scholars assert that it is important to have local managers in a multinational corporation who are dedicated to the values of the parent company and its management methods (Roth and O'Donnell, 1996). It is this commitment to the organization that will decrease agency costs when conflicts between the parent company and subsidiaries occur (Roth and O'Donnell, 1996). This concept also applies to individual employees who work for a multinational corporation while demonstrating a commitment to the adoption of parent-company values and management philosophy (Roth and O'Donnell, 1996). According to Ouchi (1979), a multinational corporation can achieve commitment to corporate values and culture through cultural control and can globalize employees and managers through international assignments and through socialization with employees and managers, either in the parent company or in other subsidiaries (Muratbekova-Touron, 2009). Through these geographic transfers, individuals learn about the company's culture and its distinctions, and the company can attain the commitment of those individuals in key leadership positions to implement direction given to them by the parent company.

Another method of reducing agency costs in multinational corporations is utilizing staffing control, which is the appointment by the parent company of the managers in the top positions of subsidiaries; this is referred to as “cultural control exercised by headquarters” (Chang and Taylor, 1999, p. 546) and typically involves appointment of nationals of the parent company's home country (Chang and Taylor 1999; Gong, 2003). Alternatively, subsidiary

activities can be monitored through expatriation (O'Donnell, 2000), using the presence of national managers in subsidiaries to potentially reduce deviation from corporate activities and avoid self-centered behaviour among subsidiary managers (O'Donnell, 2000). However, Rosenzweig and Singh (1991, cited in Muratbekova-Touron, 2009) argue that cultural distance between the parent company's and subsidiaries' cultures may get in the way of certain human resource practices.

2.4 A Review of a Mission-Driven Organization

Management use different mechanisms to try to reach harmonious interactions between different parts of the organization. The most basic method for achieving this coordination is by using a statement of purpose, which is usually summarized in a corporate vision and mission statement (Ireland and Hitt, 1992). Corporate leaders in general practice have used mission statements to push for shared corporate outlook and common ambitions among management and employees (Ahmed, Zeeshan Shaukat and Islam, 2013; Ireland and Hitt, 1992; Verrma, 2009).

The connection between a company's mission statement and its achievements has been measured positively by management practitioners and academic researchers for some time (Bart, 1998, cited in Taghi Alavi and Karami, 2009). A well-defined corporate mission and vision allows employees to have faith that their efforts play an important role in supporting the organization to achieve exciting, fulfilling, and meaningful goals (Collins and Porras, 1995, cited in Desmidt, Prinzie and Decramer, 2011; Hirota et al., 2010). Managers recognize that knowing the company's vision and mission can give employees confidence that there is a coherent direction toward an identified destination (Collins and Porras, 1995, cited in Desmidt, Prinzie, and Decramer, 2011; Toftoy and Chatterjee, 2004). Employees want to know the value of the

work their firm is performing. Are organizational mission statements a valuable management instrument, or are they just another unfulfilled management promise? In the last two decades, the organizational performance implications of mission statements have been a central area of investigation by scholars, including research into the relationship between having a corporate mission statements and organizational performance (Desmidt, Prinzie, and Decramer, 2011).

Previous studies suggest that a growing number of for-profit businesses are adopting social missions in addition to focusing on financial goals because they have discovered that a company needs a mission statement to inspire employees and develop better leadership (Klemm, Sanderson and Luffman, 1991). Bart and Baetz (1998) argue that a mission statement offers meaning to a company's employees. A mission statement can also help an organization focus on what is necessary to accomplish, and the franchising industry is no exception to this principle. Many conventional franchisors have also begun to espouse social missions to attract future employees and franchisees who share and appreciate the same goals. In practice, organizations that embrace social missions deliver a message to their consumers that they are committed to good citizenship and social responsibility rather than focused only on profit making. It is important to recognize that the goals of mission-driven organizations, in fact, straddle the line between non-profit and for-profit goals (Muehlke, 2012, p. 2). In other words, mission and profit sometimes come into conflict when mission-driven organizations try to create a balance between profit and mission goals (Muehlke, 2012, p. 2).

Drucker (1974) suggested that organizations and managers should regularly ask about the purpose of the business and what it should be. He understood that the business environment and traditional organization were becoming less stable and less prepared for operating in the newly emerging global market economy. For example, the demands, values, and beliefs of customers

have become unpredictable over time; therefore, organizations must adapt and be willing to change in order to embrace new values and beliefs when the external environment demands internal transformation. A mission-driven organization may see its mission lose value, effectiveness, and impact over time, so it may be crucial for some companies to modify their mission statements more frequently than others. However, it is still necessary for all organizations to reassess their mission statements in order to carry out competent management functions and influence members of the organization to perform and attain corporate objectives.

In terms of operation, mission-driven organizations are formed to expand their success beyond the earnings of the organization to include social responsibility. Why do for-profit businesses choose to become mission-driven? Previous studies suggest that missions and management philosophies support organizations based on their performance outcomes (Bart and Baetz, 1998; Davis et al., 2007; Palmer and Short, 2008; Pearce and David, 1987). A mission-driven organization can steer staff motivation in a coherent organizational direction and provide a stronger sense of purpose in employees' day-to-day work activities (Klemm, Sanderson and Luffman, 1991). Toftoy and Chatterjee (2004) suggest that an organization operating without a competent organizational mission is comparable to explorers on an expedition without a noticeable objective, and Inghoff and Fuhrer (2010) suggest that organizations can gain a competitive advantage by establishing better corporate reputations with stakeholders and consumers. Thus, it is arguable that mission-driven organizations can have advantages over traditional for-profit organizations.

We must also recognize that for-profit, mission-driven businesses are different from both conventional for-profit organizations and from mission-driven organizations in the non-profit sector. According to Besharov (2008), for-profit, mission-driven businesses have a hybrid

organizational form that combines the use of motivational systems (based on attachment to the mission and organizational identity) with elements of the control systems found in for-profit businesses (e.g., formal rules and standardizations). In a doctoral thesis, Besharov (2008) examines Whole Foods Market and how it utilizes a corporate mission to generate effort and cooperation from organizational members; however, she concludes that the individual's behaviours play a significant role in this mission-driven business and that, although a mission is a form of control, in reality, effort and cooperation are not controlled by the organization but rather by the behaviour of the employees. She suggests that a mission-driven organization should focus on keeping high-mission–valence employees, as they tend to generate better performance and meet financial objectives (Besharov, p. 140).

Both Wang (2011) and Muehlke (2012) conducted similar studies in mission-driven organizations. Wang (2011) studied how management philosophy might be persuasive to individuals in a Japanese multinational organization, focusing on the adoption of management philosophy and its impact on individuals' opinions, feelings, attitudes, and behaviour outcomes. According to Wang (2011, p. 123), an effective mission-driven organization can change individual attitudes and behaviour positively through the adoption of the management philosophy into the employees' sense of self. In more recent research, Muehlke (2012) explored how Joya Bride, a for-profit, mission-driven business specializing in wedding dresses, learned to balance mission and profit. Muehlke (2012, p. 28) argues that, in addition to the mission and vision, mission-driven organizations must establish a legal and internal governing structure in order to ensure that mission and profit are operating on an equal playing field because mission and profit often come into conflict. Therefore, it is critical for mission-driven organizations to

have well-defined governing structures and corporate policies to stabilize the frequent conflict between mission and profit (Muelke, 2012, p. 30).

Mintzberg (1989) explains that all organizations have an ideological component, but that some components are stronger than others. In particular, the ideology of the mission-driven organization can serve as the mechanism for managing work and achieving control through standardization of norms. As a result, there are very few formal rules and regulations in mission-driven organizations. Ideology in a mission-driven organization means that there is a rich system of values and beliefs shared by its members and that these collective values and beliefs bring employees together and tie individuals to the organization. According to Mintzberg (1989), such strong organizational ideology can be overlaid on a conventional organizational structure. For example, McDonald's uses its enthusiastic corporate culture to fire up its employees, franchisees, and franchise employees. This generates a sense of vocation and cohesiveness, in effect incorporating individual and organizational goals that can produce teamwork and partnership (Mintzberg, 1989, p. 224). Decision-making, power, and information are equally shared. In contrast, the mission-driven organization's configuration is a difficult type of structure to maintain. The external environment, for example, can weaken the ideology that holds the organization together. Mintzberg (1989) argues that ideologies can serve us and can enslave us, sometimes indistinguishably.

2.5 Management Philosophies

Every day, managers trying to solve difficult business issues to turn organizations around and achieve solid performance. Every organization needs good managers to be successful. It takes good management to keep individual employees motivated, focused, and productive. The

job of managers is to give direction to their organizations, provide leadership, and decide how to use organizational resources to accomplish business goals (Drucker, 1974). Is management an art, a philosophy, or a science, or is it a combination? Management is a complex and dynamic practice, not limited to one particular discipline. Mary Parker Follett, an early 20th-century management theorist, defines management as "the art of getting things done through people" (Tripathi and Reddy, 2008, p. 2). Likert (1967) describes the central act of management as dealing with people, and he also points out that every organization must make the best possible use of their human capital. Good management recognizes the role and importance of people within the organization. Employees are not simply the resources of an organization; they are skilled individuals whose determination and commitment will lead to organizational effectiveness. Van Auken and Ireland (1979) point out that one of the purposes of management is to encourage human growth within the organization, leading toward the maximization of members' potential. In the present day, management is defined as the process of accomplishing organizational objectives, in an efficient and effective fashion, through planning, leading, controlling organizational resources, and motivating other people (Daft, Kendrick, and Vershinina, 2010, p. 7). Kazuo Inamori, founder of the Kyocera and KDDI Corporations, describes management philosophy as a very fundamental idea, which is to do the right thing as a person and develop trust within the organization (Inamori, 1999). According to Inamori, philosophy may seem unrelated to corporate management; however, the connection will become clear to managers as they pursue an ideal attitude as human beings. Inamori (1999) argues that managers must develop strong ethical characters, as this is a vital benchmark for managers in improving their management capabilities and judgment. Corporate management philosophy is a bond that connects every person together in an organization so that everyone can fix their

attention on reaching organizational goals; the key differentiator of corporate management philosophy is that it is not a set of specific business tasks or methods that are subject to improvement; rather, it is about how people will be managed and respected within the organization. Corporate management philosophy is definitely not about one person exercising his or her authority over other individuals (Inamori, 1999).

Previous research (Newman, Moncarz and Kay, 2014; Wang, 2009) on corporate management philosophy is limited, attributed to a small group of researchers and management practitioners. Newman, Moncarz and Kay (2014) explain that investigations into management philosophy in the past have been characterized by explorations of demographic differences—gender, tenure, position, and educational attainment, for example. Regarding gender, some scholars have concluded that there is a noticeable difference between male and female managers; however, others disagree with this conclusion (Schaap, Stedham and Yamamura, 2008, cited in Newman, Moncarz and Kay, 2014). Other studies have found that women managers score statistically significantly higher on focus on cooperative relationships than male managers, who were more likely to focus on high status (Iverson, 2000). In addition, Konrad et al., (2000, cited in Newman, Moncarz and Kay, 2014, p. 3) and Schaap, Stedham, and Yamamura (2008, cited in Newman, Moncarz and Kay, 2014, p. 3) have also revealed that male managers have a preference for powerful positions and authority, while female managers are more favourably disposed toward interactive management styles and value lack of conflict. Newman, Moncarz and Kay (2014) explored the impact of lodging professionals' management philosophy practices on career success. Halbesleben (2004) and Heames and Harvey (2006) studied the core philosophies of outstanding individuals, and Polatoglu (2006) studied the core philosophy of successful organizations. Many other empirical researchers have focused on specific

management approaches embedded in some organizations—for example, “just-in-time” (Aghazadeh, 2004), supply chain management (Esra Aslanertik, 2005), total quality management (Rahman and Sohal, 2002), six sigma quality (Revere and Black, 2003), and the Deming management model (Douglas and Fredendall, 2004). Also, other empirical research has studied corporate management philosophy at a cultural or cross-cultural level (Anwar and Chaker, 2003; Bendixen and Burger, 1998). Wang (2009, 2011) focused on the impact of corporate management philosophy on employees' performance and attitudes in Japanese organizations.

In the last decades, there has been a movement for organizations to adopt and emphasize a corporate management philosophy due to the rise in corporate scandals (Wang, 2011). Corporations in Japan have recognized the importance of having a corporate management philosophy for decades; usually companies adopt different types of corporate management philosophies to align with different corporate cultures and value propositions (Wang, 2011, 2009). Japanese managers believe that a company philosophy is a necessity, as it demonstrates an ethical foundation and a management commitment to an organization (Wang, 2011, 2009). In general, Japanese managers are in the habit of thinking that once the core company philosophy is established, everything else will follow uniformly, including corporate objectives, goals, and job specifications (Yoshida, 1989, cited in Wang, 2009). According to Newman, Moncarz, and Kay (2014), management philosophy practices are important in designing an organizational structure that will lead to business success.

In the following studies, the effect of management philosophy on a mission-driven organization is explored. Specific management philosophies that are currently practiced in the focal organization have been carefully identified and include the following: (1) knowledge sharing; (2) honesty, equality, and trust; (3) customer focus; (4) mission and individual

engagement; and (5) communication. These five management philosophies represent the focal organization's management practices and foundation.

Knowledge Sharing

Over the last twenty years, scholars have conducted many types of research in the area of knowledge sharing, advocating that the practice of management philosophies as a vehicle for knowledge sharing represents an important role of leadership (Lam and Lambermont-Ford, 2010; Stasser, Stewart, and Wittenbaum, 1995, cited in Newman, Moncarz and Kay, 2014; Stasser, Vaughn and Stewart, 2000; Van Ginkel and Van Knippenberg, 2009; Yang, 2008). This research concludes that employees exchange more information and make better-quality decisions when knowledge and information are freely shared among company employees (Newman, Moncarz and Kay, 2014).

A study by Bresmans, Birkinshaw, and Nobel (1999, cited in Kohlbacher and Krahe, 2007) discusses how the multinational corporation practice of knowledge transfer between business units is an essential part of knowledge management. Tseng (2006, cited in Kohlbacher and Krahe, 2007) and Schulz and Jobe (2001) note that knowledge transferability is one of the most important advantages of multinational corporations, because they operate in geographically and culturally diverse environments. Subsidiaries of multinational corporations gain great competitive advantage over local firms via the transfer and adaptation of knowledge between the parent company and other subsidiaries.

Honesty, Equality, and Trust

Research on effective management practices and philosophies suggests that honesty and fairness are associated with leadership effectiveness (Brown and Treviño, 2006; De Hoogh and Den Hartog, 2008; Den Hartog et al., 1999; Hogan, Curphy and Hogan, 1994; Newman, Moncarz and Kay, 2014). According to De Hoogh and Den Hartog (2008, p. 300):

Ethical leaders increase individuals' involvement in their work by their openness to input and fair decision making about matters important to employees. Their high moral standards, integrity, and honesty foster positive expectations among followers, enhancing levels of trust and willingness to cooperate with the leader for the benefit of the organization.

In addition, De Hoogh and Den Hartog's 2008 research also found ethical management, integrity, and humanity to be tied to confidence about the future and the effectiveness of top management teams (Newman, Moncarz and Kay, 2014, p. 5). Brown and Treviño (2006, cited in Newman, Moncarz and Kay, 2014, p. 4) declare "ethical leadership to be associated with satisfaction with the leader and with job dedication." They also identify that ethical leaders are believed to be authentic and trustworthy by employees in the organizations studies (Newman, Moncarz, and Kay, 2014).

Ethical leaders are viewed as reasonable and non-discriminatory decision-makers who care about people and the community. Most importantly, ethical leaders perform ethically in both their personal and professional lives (Brown and Treviño, 2006, cited in Newman, Moncarz, and Kay, 2014). As a result of these traits, their leadership styles are expected to have a positive influence on followers. Moreover, Kanungo and Conger (1993) suggest that ethical leadership can help followers to attain more focus and to demonstrate teamwork, which can lead individuals

to express more loyalty and organizational commitment. Research on the effects of ethical leadership behaviour also indicates a positive connection with commitment, satisfaction with the leaders, more trust, and better organizational citizenship behaviour (Brown, Treviño and Harrison, 2005; De Hoogh and Den Hartog, 2008; Den Hartog and De Hoogh, 2009; Kalshoven and Den Hartog, 2009; Kalshoven, Den Hartog and De Hoogh, 2011; Mayer et al., 2009; Newman, Moncarz and Kay, 2014; Piccolo et al., 2010).

Customer Focus

A number of scholars suggest that there is a positive connection between the organizational climate established by leaders and customer satisfaction (Davidson, 2003; McPhaila, Herington and Guilding, 2008). A study conducted by Davidson et al. (2003, cited in Newman, Moncarz and Kay, 2014) that involved 1,443 hotel employees of 14 Austrian hotels discovered a causal relationship between organizational climate, employee observations of customer satisfaction, and revenue per available hotel room. Reave (2005, p. 674) suggests that "strong alignment is defined as a high number of value matches between the personal values of employees and the values of the organization." This account is supported by Barrett (2003, cited in Newman, Moncarz and Kay, 2014, p. 5), who found that highly aligned, value-based organizations "emphasize employee fulfillment and customer satisfaction and are highly profitable." Furthermore, managers who improve employee satisfaction often find that employees do a superior job of meeting customer needs when their own needs are met. Newman, Moncarz, and Kay (2014) claim that managers who focus on employee and customer satisfaction will very likely achieve better career success.

Mission and Individual Engagement

Past empirical research suggests that leaders who provide clear, defined organizational missions, goals, and intentions can significantly inspire employee satisfaction and productivity (Moncarz, Zhao and Kay, 2009). Kim, Leong, and Lee (2005) studied corporate orientation and found that organizational direction and support had a significant effect on overall employee engagement. The research of Susskind et al. (2000) also suggests a strong influence on employees' job satisfaction and loyalty to their organizations when employees feel supported by leadership in the organization. A study by the U.S. Department of Labor on management practices (1993, cited in Newman, Moncarz, and Kay, 2014) showed that participation in a group setting and the involvement of staff members, not only in decision-making but also in determining the direction of the organization, can result in job satisfaction among staff members. Other empirical research in the hospitality field also suggests that leaders who embrace mission and focus on customer service and team collaboration have experienced greater leadership success (Huselid, 1995; Moncarz, Zhao and Kay, 2009; MacDuffie, 1995; Newman, Moncarz and Kay, 2014; Osterman, 1994).

George (2000) and Lewis (2000) discuss the idea that leaders who have the capacity to influence the emotions and attitudes of their employees or followers are more likely to receive support in the achievement of corporate objectives and realization of the overall organizational mission. Other research also illustrates that leaders who have control over the organizational climate and culture dimensions will have a greater impact on employees' commitment (Treviño, Butterfield and McCabe, 1998, cited in Newman, Moncarz and Kay, 2014).

Communication

Research by Chaudry et al. (2008) concludes that communication and sharing of knowledge creates trust and cooperation and, in the long run, leads to higher levels of performance. Schwartz and Pogge (2000) define effective communication as having the ability to convey feelings, ideas, and anxieties, in addition to revealing high levels of gratitude and thoughtfulness. In fact, active communication between stakeholders can uncover important disagreements and allow stakeholders to adopt various communication configurations, in accordance with each situation. Schwartz and Pogge (2000) suggest that leaders who successfully implement effective communication strategies influence their organizations, and that they will advance in their own professional careers as a result.

2.6 The Franchisor–Franchisee Relationship

Franchising as a business association creates entrepreneurial opportunities. This business association creates entrepreneurial opportunities on both sides of this relationship and requires a high level of coordination and synchronization between the franchisor and franchisee to ensure uniformity in the product or service for the customers (Baucus, Baucus, and Human, 1996; Bradach, 1998; Kaufmann and Eroglu, 1999; Nathan, 2007). The franchisor depends on franchisees to execute the brand, products, and services consistently (Blair and Lafontaine, 2005; Bradach, 1998). Customers usually cannot detect whether a location is corporate-owned or franchisee-owned. Franchisors gain opportunities to expand their organizations quickly while new locations bearing their brand names are invested in and managed by franchisees rather than by the franchisor (Blair and Lafontaine, 2005; Bradach, 1998).

Although the franchise relationship begins with a contract, franchisees are not employees and they are not restricted under employment laws and company employee policy (Hadfield, 1990). Termination of a franchise agreement is the only way to end a franchise relationship; however, doing so is often a lengthy process entailing high legal costs and potential damage to the brand. The franchisor and franchisee are dependent on each other to be successful.

Scholars in early franchise research follow two economic measures: the markets and the firms themselves (Coase, 1937, cited in Welsh, Alon and Falbe, 2006, p. 132). Franchise organizations are identified as hybrid organizations, possessing qualities of both market and business firms (Castrogiovanni, Combs and Justis, 2004; Croonen, 2010; Welsh, Alon and Falbe, 2006). Franchising represents a start-up of a new business venture, introducing new products and services to expansion markets (Castrogiovanni, Combs and Justis, 2004; Horng et al., 2011; Welsh, Alon and Falbe, 2006). However, the franchisor and franchisees are not always in agreement; they often experience misunderstandings due to opportunistic behaviours and conflicts in goals, and this tension can hinder the franchise system from gaining potentially valuable resources as well as system-wide profitability (Barthelemy, 2008; Cox and Mason, 2009). Cox and Manson (2009) explain that the franchisor wants to increase franchise units in order to capitalize the market in addition to increasing brand awareness and system-wide sales, while at the same time, franchisees want to capitalize on their own unit's profitability in order to maintain the value of their investments. In an attempt to diminish franchisees' opportunistic behaviours, franchisors often specify demanding conditions in the franchise agreement (Brickley and Dark, 1987; Spinelli and Birley, 1996).

The relationship between a franchisor and a franchisee is understood as a contractual relationship (Harmon and Griffiths, 2008; Pizanti and Lerner, 2003, cited in Eisenhardt, 1989).

Scholars commonly explain this contractual relationship as a bilateral relationship (Akremi, Mignonac and Perrigot, 2010). The purpose of the franchise agreement is to protect the franchisor's interests, not the franchisee's interests; it asks the franchisee to pledge to specific obligations. However, despite the agreement, the franchisor's formal control over franchisees is limited (Dant and Nasr, 1998; Kidwell, Nygaard and Silkoset, 2007; Shane, 1996). Peterson and Dant (1990) suggest that rigid controls are disliked by franchisees, because many franchisees who join a franchise desire freedom, independence, and entrepreneurial self-fulfillment. A number of studies suggest that franchisor–franchisee relationships weaken over time (Phan, Butler and Lee, 1996; Spinelli and Birley, 1996) because formal controls eventually have a negative impact on the mutual trust between the franchisor and franchisee (Inkpen and Currall, 2004).

Baucus, Baucus, and Human (1996, p. 360) have explored consensus in the franchise organization in the fast food industry; their study indicates a "significant difference between the franchisee's emphasis on competitive method and those [franchisees] they attribute to their franchisor," and they conclude that consensus does not exist between franchisees and franchisors. Conflicts do occur in franchisor–franchisee relations; however, when a franchise system has a strong competitive advantage in the market, franchisees tend to demonstrate satisfaction and a positive relationship with the franchisor. Franchising scholars believe that over time, franchisees will require less contact with the franchisor as they adopt their own standards and gain local knowledge about their markets, which might possibly exceed that of the franchisor (Baucus, Baucus, and Human, 1996; Dant and Gundlach, 1999; Gassenheimer, Baucus and Baucus, 1996). In contrast, franchisees need a rapport with the franchisor when their operating knowledge is limited.

Previous research has not considered social context when studying relationships between franchisors and franchisees (Akremi, Mignonac and Perrigot, 2010). In more recent research, scholars have begun to emphasise the complexity of franchise relationships, revealing that the interactions between franchisees is equally as complex as the franchisor–franchisee relationship (Clarkin and Rosa, 2005; Cochet and Ehrmann, 2007; Dormann and Ehrmann, 2007, cited in Akremi, Mignonac and Perrigot, 2010). Results suggest that collaborative and entrepreneurial teamwork between franchisees increases trust among franchisees and that trust and social mechanisms may perhaps serve as alternatives or buffers that counter formally controlled relationships (Heide and John, 1992; Heide, Wathne, and Rokkan, 2007; Şengün and Wasti, 2009). Akremi, Mignonac, and Perrigot (2010) studied European franchises in service industry sectors. Their research suggests that social interaction between franchisees, as members of a “franchise community” (Bradach, 1998, p. 290 cited in Akremi, Mignonac, and Perrigot, 2010), enables franchisees to develop collaborative behaviours. Indeed, an effective franchise relationship is not an economic concept of relationship; it is a human interaction (Morgan and Hunt, 1994, p. 22; Pizanti and Lerner, 2003, p. 139; Tikoo, 2005, p. 329). Franchisee relationships form a social network of business activities, and such social activities and interactions nurture franchisees' economic interests.

Trust is a crucial component that influences satisfaction and organizational commitment (Cho and Park, 2011, p. 552). In the organizational context, trust can be divided into different categories; for example, there can be trust in management, trust in the immediate supervisor, and trust in colleagues. The relationship between a franchisor and a franchisee exists in a similar context. In the organization, managers who demonstrate integrity and communicate the truth will be respected by their associates (Caldwell et al., 2007, cited in Sankar, 2003). Trust brings

loyalty and commitment and is acquired in exchange for autonomy and control. Trust can also be gained through clear communication, allowing for transparency within the organization, and it is transparency that allows individuals to appreciate that they can influence and contribute to the decision-making process within the organization (Chen and Indartono, 2011, p. 538). Without mutual trust between the franchisor and franchisee, it is unlikely that franchisees will be entirely committed or will work in good faith with the franchisor; the franchisor will spend countless hours managing unhappy franchisees and repairing meaningless conflicts that can sidetrack him or her from developing the franchise system (Davies et al., 2011). Davies et al. (2011) recommend that trust serves as a precondition to franchisee compliance, encouraging franchisors to strive to develop relational forms of control in order to increase contractual norms and promote mutual behaviours. Trust is an emotional cause; an increase in commitment to a franchise system means there is a decrease in deviant attitudes and behaviours (Demir, 2011, p. 217).

2.7 A Review of the Private Tutoring and Education Franchise Industry

The private tutoring and education franchise industry has become a worldwide phenomenon (Aurini, 2008; Bray, 1999, 2006, 2013; Dang and Rogers, 2008; Davies, 2004; Davies, Aurini and Quirke, 2010; Lee, 2007; Safarzyńska, 2013). Over the last twenty years, the private tutoring and education franchise industry has undergone a dramatic transformation in North America. Franchises such as Kumon, Sylvan Learning, Huntington Learning Centers, Eye Level, JEI Learning Centers, Mathnasium, Oxford Learning, LearningRx, and UCMAS Mental Math have opened thousands of sites throughout the United States and Canada, and they continue to grow. In North America, tutoring services and supplemental education have evolved

dramatically from their origins; what were once part-time job opportunities have become a billion-dollar corporate enterprise. Surprisingly, this lucrative education franchise industry has escaped the attention of researchers because it was mistakenly seen as a small-scale and loosely organized industry. Education scholars have underestimated the importance of tutoring as a business, referring to it as “supplementary education” or “shadow education” in comparing it to the public school system (Aurini, 2008; Bray, 1999). Today, tutoring services are no longer part-time side-jobs that schoolteachers or private tutors use to generate additional income; these roles are considered full-time business opportunities for individuals or business investors from a variety of education and professional backgrounds (Aurini, 2008). According to Diment (2015), an IBIS World Industry Report states that the revenue in the education franchise industry over the last five years has averaged over \$860.9 million annually, and it is projected to grow to \$929 million in 2020.

The lack of academic research on private tutoring is the result of the private tutoring industry operating in an unregulated market from which limited data are collected by governments (Aurini, 2008; Dang and Rogers, 2008; Poisson, 2007, cited in Safarzyńska, 2013). As a result of this lack of data collection, previous research has largely been quantitative, concentrating on the tutoring industry in the North American environment (Bray, 1999). These studies consider the increase in demand for private tutoring from the perspectives of school entrance exams or reaction to the disintegrating public education system (Baker et al., 2001; Bray, 1999; Stevenson and Baker, 1992), and researchers tend to focus exclusively on the rationale behind utilizing tutoring to support students' learning. Aurini (2002) suggests that exploring private tutoring as an “education business” in the context of other types of education innovation is equally significant. Bray (2010) describes research on tutoring as being still in its

infancy. Poisson (2007, cited in Safarzyńska, 2013) argues that regarding the exact motivations for and impacts of private tutoring, the empirical evidence is incomplete and unreliable, and the subject requires further inquiry. However, some empirical evidence indicates that in most countries, economic variables such as household income, per capita disposable income, parental education, and urban location are key factors in the demand for private tutoring (Dang and Rogers, 2008; Safarzyńska, 2013). Private tutoring is a complex phenomenon; it is affected by and has an impact on several areas, ranging from the efficiency of the local school board and teacher performance to students' motivation to learn and materials such as textbooks (Poisson, 2007, cited in Safarzyńska, 2013). Silova and Bray (2006) suggest that generally, the factors that reinforce the demand for private tutoring can be classified as cultural, economic, or educational.

While private tutoring is a worldwide phenomenon, there is a significant difference in its application among nations (Baker et al. 2001); private tutoring is often widespread in cultures that prioritize educational success (Bray, 2006). The Asian-Pacific countries receiving the most attention from researchers are Japan and Korea, because in those countries, after-school, private tutoring is recognized as a supplement to formal education (Lee, 2007). Previous studies of tutoring in the Asia-Pacific region have focused on individual academic needs and learning styles, and the results of these studies have confirmed the positive effects of tutoring on academic outcomes at the individual student level (Lee, 2007). Banerjee et al. (2007, cited in Dang and Rogers, 2008) indicate that tutoring has helped students increase test scores in India. Ono (2007, cited in Dang and Rogers, 2008) demonstrates that tutoring has increased the quality of university students in Japan. Briggs (2001, cited in Safarzyńska, 2013) and Jacob and Lefgren (2004, cited in Dang and Rogers, 2008) show in their studies that tutoring improves Scholastic

Assessment Test (SAT) and American College Testing (ACT) scores and academic performance in the United States.

Filmer and Pritchett's 1999 study of 35 developing countries indicates that family wealth is strongly related to the educational performance of children. Hanushek and Luque (2003, cited in Dang and Rogers, 2008) found that parental education and family wealth are as vital in explaining children's test scores in developing countries as they are in developed countries. For instance, Tansel (2006, cited in Safarzyńska, 2013) found that parental education, family expenditure, and urban location are associated with higher educational attainment in Cote d'Ivoire, Ghana, and Turkey.

Among Asian countries, there is a strong cultural belief in the connection between effort and educational success; therefore, parents push their children to attain as much education as possible (Lee, 2007). Japan has been a leader in supplementary education. Private tutoring is a huge commercial industry in Japan (Dang and Rogers, 2008). There were nine private tutoring schools listed on the Japanese stock exchange by the mid-1990s (Russell, 1997, cited in Dang and Rogers, 2008). Students in Japan customarily enrol in intensive tutoring programs throughout the year. In Western culture, education is primarily the teacher's responsibility, and students tend to attain academic ability and knowledge in school settings (Lee, 2007). According to Safarzyńska (2013), there is no strong evidence that private tutoring improves economic opportunities for students who are in the middle class.

The private tutoring industry has undergone a dramatic transformation in the last twenty years, especially in North America. Tutoring is no longer just a resource to generate additional income for teachers; the private tutoring industry now offers full-time business opportunities for well-educated business investors from diverse educational and professional backgrounds (Aurini,

2008). A professional teaching degree or experience in an education-related field is not a prerequisite for purchasing an education franchise or operating a tutoring business (Aurini, 2008). Unlike public schools, these entrepreneurs are not obliged to consult with trained professional educators or hire credentialed employees (Aurini, 2008). The private tutoring industry operates in an unregulated market, and as a result, their "education business" activities are often questioned and challenged by educators in the public school system. The old-style tutoring that involved students receiving after school homework and test preparation help has developed into a "learning centres" concept that offers a variety of educational services in one location (Davies, Aurini and Quirke, 2010). These learning centres not only help students who are struggling with homework in a supplementary manner but they also offer programs that are increasingly comparable to the public school curriculum (Davies, Aurini and Quirke, 2010).

In the education franchise industry, professionally trained teachers are not considered to be the most appropriate franchisee candidates because they often lack entrepreneurial or commercial aspirations (Aurini, 2008). Participants in the tutoring franchise industry see teaching and owning a small business as two different vocations and tend to believe that teachers lack business ambition and that they are not business savvy. Teachers are used to a unionized environment in which the teachers' union takes care of employment, wage, and HR-related matters. Also, teachers' own educational philosophies often conflict with the businesses' educational philosophies, making it difficult for them to act as franchisors. According to tutoring franchise practitioners, teachers need to undergo a paradigm shift from "teaching" to "managing." In most education franchises, the primary function of the franchisee is to manage, not to teach. The franchisors in the education franchise often take responsibility for providing

initial training to franchisees and guiding them in the direction of effective business operations, similar to what is done in other franchise industries.

Education franchises often develop their own curricula and own assessment tools. Many of the major education franchises have curriculum departments at their head offices that develop programs, instructional manuals, and workbooks for their students. Because the education franchise industry is unregulated and unstandardized, these businesses are not expected to act in accordance with government education mandates; however, many of the major franchisors have internally defined benchmarks for initial and ongoing student evaluation and assessment. The creation of these learning materials and the need for internal benchmarks is promoted by the need for successful franchising and overall profitability. The franchisors' management philosophy, mission, and vision are often embedded in the governance structure that franchisees are required to adopt and put into practice. Such standardization also makes tutoring curricula and services more profitable and reliable for customers, who can expect similar learning experiences from one location to the next, just as we expect uniform product and service offerings from McDonald's, KFC, Hilton, and so forth. Since the education franchise industry is not part of the public school system, it does not receive any support from the government. Many of these businesses elect to join associations that reflect their organizational structure and business model, and major franchisors in the education franchise industry are members of the International Franchise Association (IFA) and/or the Canadian Franchise Association (CFA).

Franchisees in the education franchise industry must strive for rigorous quality control while also delivering educational instruction to students, and their own education philosophy must match with the franchisor's education philosophy. Some organizations require franchisees to adopt their vision and mission as their own personal aspirations. A shared challenge facing

these organizations is related to operational efficiencies; many of the big players are becoming bureaucratic and pushing franchisees to conformity. For example, a franchisor might give the impression that "This is the rule; this is what you have to do." When these organizations frequently change their operational procedures and rules, the creativity that is desired in the education field can be destroyed.

Operating an educationally successful tutoring program while meeting the demands of running a profitable business can be difficult. This challenge becomes more evident as a tutoring business expands, thus requiring a sophisticated infrastructure to support the business (Aurini, 2008). As with any organization, as a tutoring business grows, it should become more standardized and routinized in the creation, production, and distribution of its service (Nelson, 1995, cited in Aurini, 2004).

2.8 Conceptual Framework of a Philosophy-Oriented Organizational Practice

For decades, organizations have espoused the benefits of having a mission statement to align their strategy and spell out their purpose in an attempt to increase financial performance and create a positive impact for stakeholders (Thomas, 2012). An organizational mission can be defined as the established values, beliefs, and norms of behaviour shared by the individuals within an organization (Cremer, 1993; Hirota et al., 2010; Kotter and Heskett, 1992). These established organizational characteristics can guide individuals in the organization with their planning, intent, and decision-making processes (Denison, 1984; Mullane, 2002; Sørensen, 2002). The purpose of the corporate mission statement has been understood in many different ways by various organizations and individuals. According to Lawler (2006), the purpose is not only limited to the implementation of the strategic plan or use as a control mechanism for

employees and other stakeholders; an organization's mission statement gives an identity to an organization and defines its long-term path.

Corporate leaders often use mission statements to push for shared ambitions and corporate outlook among management and employees. George (2010, p. 342) explains that the organizational mission not only creates passion in individuals but that it also creates alignment, as leaders show how they can fulfill their purpose while at the same time realizing the organization's mission. As a result, by concentrating on the mission of the organization, an individual can make an impact not only on the organization's internal environment but also on the external environment (Frigo, 2003). When organizations become mission-driven, they have the ability to serve their communities and positively impact the needs of those communities and other stakeholders (Frigo, 2003, p. 1). Nevertheless, without a commitment from the management, mission statements die. Without good leadership and proper implementation, the mission statement stagnates and can demotivate individuals within the organization (Thomas, 2012). An organizational mission is an essential instrument for non-profit organizations, which are created to realize their callings and to create a positive impact on their stakeholders and on social issues. Unlike for-profit organizations, non-profit organizations are not evaluated based on how much profit they accumulate but rather by how they meet their mission and fulfil their social responsibilities. For-profit organizations are created to generate revenue, accumulate profit, and benefit shareholders; their objectives are in opposition with those of non-profit organizations.

Does organizational mission matter? This study suggests that corporate mission does matter, and that a mission-driven organization with a philosophy-oriented organizational practice is essential, as it provides a holistic point of view on how the organization can strike a balance between profitability and social obligation. In 2008, the global financial crisis shattered the

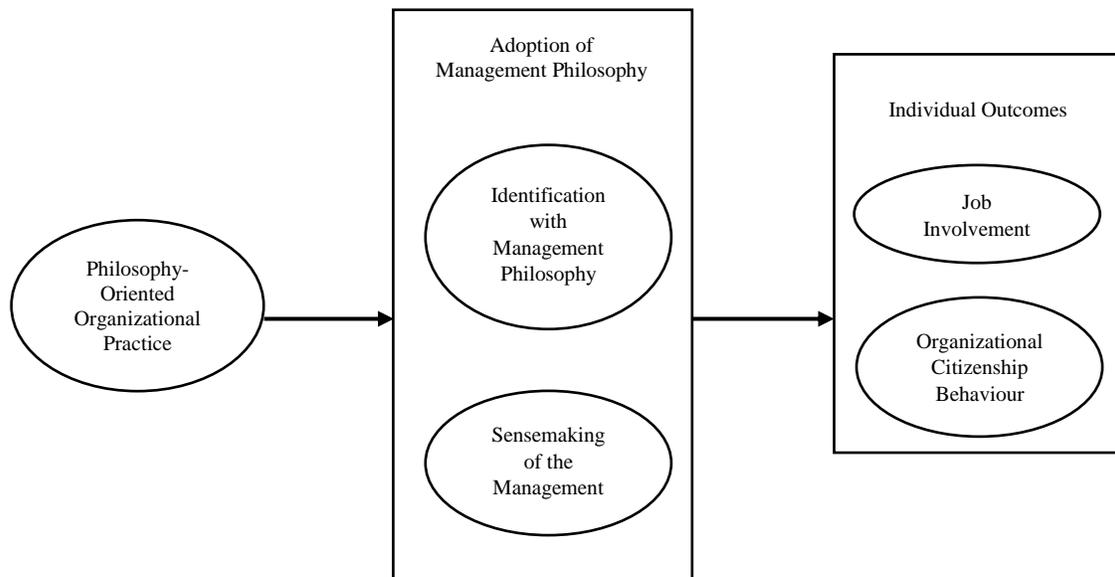
international financial communities; this difficult experience exposed the danger of over-emphasizing shareholder value as the key aspect of corporate goals (Hirota et al., 2010). The relationship between corporate control mechanisms, sustainable business practices, and sustainable growth of the market economy became evident during this crisis, and in its wake, many business leaders started to consider a more stakeholder-oriented ethic in an effort to prevent similar events in the future. The traditional organizational business model, which is primarily functional and transactional in nature, is profit driven and mainly focused on the bottom line and shareholder earnings (Haigh and Hoffman, 2012, p. 127). This form of organizational model is inadequate, as it only requires that the organization stay alive and please its shareholders.

Hirota et al. (2010, p. 1147) suggest that "[a] strong mission culture reinforces coordinative, goal-oriented and motivational functions through directing organizational efforts to a set of stable shared operational outcomes and performance outcomes." In a study of 1,019 employees in Japan, Wang (2011) found a strong relationship between philosophy-oriented practices and individual performance. The study concluded that the Japanese employees who truly adopted their company's management philosophy were measurably better than those of employee who did not adopt the philosophy. In the Western business environment, the corporate mission statement is an official document that outlines the organization's expected future state, while for Japanese organizations, corporate mission statements are nurtured and developed through stakeholder interactions within the organization (Hirota et al., 2010; Wang, 2011, 2008).

In this study, a model has been developed to explain the interrelated factors affected by philosophy-oriented organizational practice. This model refers to the changes in individual attitudes and behaviours resulting from adoption of the organization's mission and management

philosophy into the individual’s belief system; such changes can have a positive impact on the relationship between the franchisor and the franchisee when they share common values. This conceptual framework is based on a quantitative research model developed by Wang (2011) entitled “Mission-Driven Organizations in Japan: Management Philosophy and Individual Outcomes” (Figure 2.1). This study will use this conceptual model to examine the impact of the adoption of a management philosophy on franchisor–franchisee relationships in a multinational franchise system.

Figure 2.1. Conceptual Framework Model (Wang, 2011)



The pivotal aspect of the original study is "the individual adoption of the management philosophy, which is organized by two dimensions: the identification with the management philosophy and the sensemaking of the management philosophy" (Wang, 2011). The left side of the framework indicates the factors of the philosophy-oriented practice that might affect individual adoption of a management philosophy. The right side of the framework displays

possible attitude and behavioural outcomes, which include organizational citizenship behaviour and job involvement. According to Wang (2011), "this conceptual framework concludes that the philosophy-oriented practice can influence the identification with the management philosophy and sensemaking of the management philosophy, which can affect individual attitude and behaviour outcomes, job involvement and organizational citizenship behaviour."

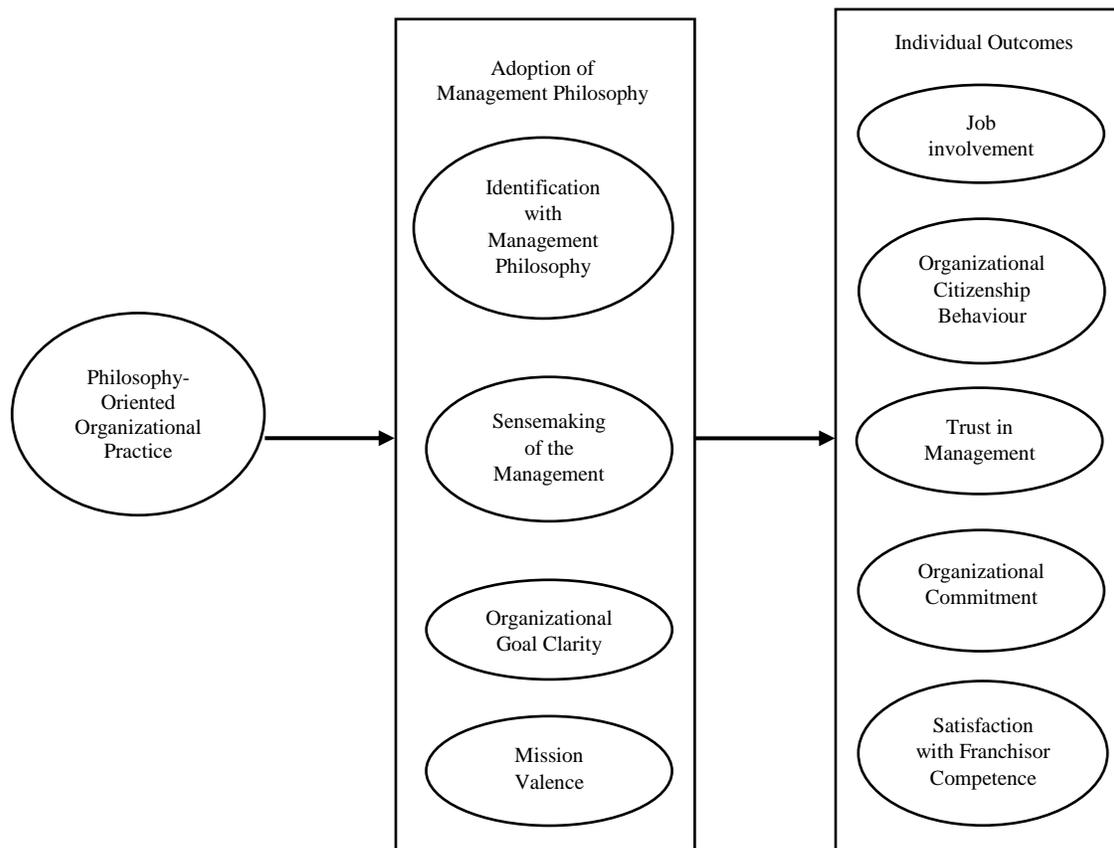
Revised Framework

This study introduces a revised framework based on Wang's (2011) original model. In this revised framework (Figure 2.2), two original dimensions are maintained—identification with the management philosophy and sensemaking of the management philosophy—and two new concepts, mission valence and organizational goal clarity, are added. Overall, the rationale of this revised framework remains the same as that of the framework presented by Wang (2011). The new framework suggests that the philosophy-oriented practice might affect the adoption of the management philosophy with the following dimensions: identification with the management philosophy, sensemaking of the management philosophy, mission valence, and organizational goal clarity. Furthermore, individual outcomes include trust in management, organizational commitment, organizational citizenship behaviour, job involvement, and satisfaction with franchisor (employer) competence. These outcomes represent the individual's commitment to the franchisor–franchisee relationship. Mintzberg (1989, p. 257) explains that "ideology represents the force for cooperation, for pulling together." Organizations that are mission-driven and have a strong management philosophy can provide a collaborative environment and build positive relationships between stakeholders. This conceptual framework argues that the influence and appeal of the mission-driven organization is not limited to individuals who are inclined to adopt

management values; it also has the capability to transform other individuals to behave in favour of management values through the adoption of a management philosophy (Wang, 2011).

The key reason to include these new concepts is that they have the capacity to influence individual behaviours in ways that will likely lead to a positive franchise relationship. For example, mission valence and organizational goal clarity are two important dimensions that play roles in affecting an individual's motivation to adopt the management philosophy. The concept of mission valence is defined as the attitude a person holds concerning a particular social purpose, especially the social aspirations shared within the focal organization (Besharov, 2008). Rainey and Steinbauer (1999) first introduced mission valence in their research with public sector employees as a method of defining organizational effectiveness. In other studies, Rainey and Steinbauer (1999) and Wright (2007) link mission valence with motivation as an outcome, and Wright, Pandey, and Moynihan (2012) link mission valence to commitment. Based on this author's personal experience as a practitioner in the focal organization, franchisees and employees frequently identify with and share common values with the organization. Porter and Kramer (2011) explain that "shared values" can create collaboration and encourage work toward a common goal. Mission valence can be related to individual behaviour, for example, through employee support of an organizational mission.

Figure 2.2 Conceptual Framework of This Study



Organizational goal clarity is another new dimension introduced in this research. Wright and Pandey (2011) agree that clear and reasonable organizational goals will increase individual commitment to the organization's mission and will help individuals embrace the management philosophy. Clarity of organizational goals can help people see connections between their beliefs and the beliefs of the organization, which increases personal identification with corporate goals (Wright, Moynihan and Pandey, 2012). Therefore, organizational goal clarity is linked to increasing individual awareness of the management philosophy.

Furthermore, three new individual outcomes are introduced in this research—trust in management, organizational commitment, and satisfaction with franchisor (employer)

competence. These three key behavioural concepts—trust, commitment, and satisfaction—are referred to by scholars as elements of relationship quality (Caceres and Paparoidamis, 2007). De Wulf et al. (2001, cited in Caceres and Paparoidamis, 2007) suggest that greater trust, commitment, and satisfaction can improve relationship quality. Most importantly, these three key relationship qualities play significant roles in modeling the franchisor and the franchisee relationship (Croonen, 2010, 2008, 2007; Davies et al, 2011; Dickey, McKnight and George, 2007; Harmon and Griffiths, 2008; Hopkinson and Horgarth-Scott, 1999; Morgan and Hunt, 1994). Based on this author’s personal practitioner experience and the advice of the IFA Franchise Relations Committee, a well-organized franchise company should embrace the values of integrity, honesty, respect, trust, and commitment to excellence. These values should be shared mutually and desired by both the franchisor and franchisee (IFA, 2004), which will help to ensure successful franchise relationships, which will in turn enhance franchisee satisfaction, commitment, and trust.

2.9 Chapter Summary

This chapter reviewed select literature (a mixture of descriptive and empirical studies) relating to mission-driven organizations and corporate management philosophy. Research perspectives from agency theory and literature concerning the franchisor–franchisee relationship and private tutoring industry were also discussed. It was determined that past studies have not attempted to explain or connect management philosophy with its impact on the franchisor–franchisee relationship. The literature on franchise relationships explains the relationship between the franchisor and franchisee as an economic or contractual affiliation; however, the franchise system has been described not only as an economic system but also as a social system

in which the franchisor and franchisees have an intimate working relationship (Etgar, 1979, cited in Tikoo, 2005; Strutton, Pelton and Lumpkin, 1995). A mission-driven management philosophy is needed to align corporate culture and values (Wang, 2009) and should be shared by members of the franchise organization. Finally, management philosophy practices are essential in designing an organizational structure that leads to business success (Newman, Moncarz and Kay, 2014).

The conceptual framework presented in this chapter represents the initial steps in the research agenda. A mission-driven organization was discussed as a core concept that will lead franchisors and franchisees to develop a positive relationship. In conclusion, "individuals who are highly motivated by the mission are identified with the management philosophy which is designed to carry out the mission" (Wang, 2011, p. 113).

CHAPTER THREE

THE FOCAL ORGANIZATION

Education is deeply rooted in the culture, history, philosophy and outlook of each country. Yet the Kumon Method is universal and adaptable to differing cultures. As we take care to make these adaptations while preserving the basic integrity of the method, its effectiveness, I believe, will continue to be felt around the world.

The Kumon Method is not a learning method to gain knowledge. I think it is a method to learn how to gain knowledge.

—Toru Kumon, Founder, Kumon Institute of Education Co., Ltd.

3.1 Introduction

In this chapter, a case study is used to provide a participant's observational account of the focal organization, Kumon North American, a regional subsidiary of the Kumon Institute of Education Co., Ltd. The organization's background and some of its unique characteristics and challenges are discussed. Overall, this research examines the acceptance of a management philosophy and its impact on franchise relationships. The focal organization is a for-profit business that espouses the benefits of having social missions in addition to financial goals. Its corporate vision demonstrates that the organization's key focus is on education:

We wish that all people in all countries and regions in the world will have the opportunity to learn with the Kumon Method, and that each individual in the world will be enthusiastically self-learning and make efforts towards realizing his or her goals and dreams. (Kumon Institute of Education, 2008)

There are over four million students currently enrolled in the Kumon education program in 49 different countries. According to the organization's internal historical data, more than 18 million students have benefited from this unique learning method since its genesis in 1958. What

is its secret? Perhaps the real secret to its worldwide success can be found in the philosophies of its founder, Toru Kumon, who believed that there are no restrictions on learning because we continue to grow by striving to be better. Most importantly, this chapter will discuss how a Japanese learning methodology quietly spread worldwide in response to globalization and the technological revolution.

3.2 The Focal Organization

The focal organization, the Kumon Institute of Education Co., Ltd., was established in 1958 (see Appendix A for a timeline of Kumon’s history) by high school math teacher and father Mr. Toru Kumon (公文公 Kumon Toru, b. March 26, 1914, d. July 25, 1995). The Kumon Institute of Education is a privately held Japanese corporation headquartered in Osaka, Japan, and it is the parent company of five affiliates with regional Kumon headquarters around the world—in North America, South America, Europe/Africa, China, and Asia/Oceania. It is also the parent company of four additional group companies in Japan, including Kumon Lifelong Integrated Learning Co., Ltd., Kumon Publishing Co., Ltd., Kumon Toru Research Institute of Education Co., Ltd., and Global Communication & Testing Co., Ltd. The Kumon Institute of Education, through its five regional headquarters and its subsidiary companies, operates in 49 countries with 3,959 employees, 24,800 learning centres, and 22,600 franchisees (Kumon Institute of Education, 2015) (Figure 3.1 and Table 3.1).

The research for this study was conducted in one of the North American regional headquarters, Kumon North America, incorporated in Delaware in 1989 and located in Teaneck, New Jersey. Kumon North America owns two subsidiary companies, Kumon Canada, Inc. and Kumon Instituto de Educación, S.A. de C.V., and has over 400 employees, 2,100 learning

centres, 2,000 franchisees, and over 360,000 students. Both Canada and the United States are included in this research because of their similarities in franchise operations, language, culture, and franchise laws. Mexico has been excluded due to lack of Spanish translation capacity.

Figure 3.1 Focal Organization Group Organizational Chart

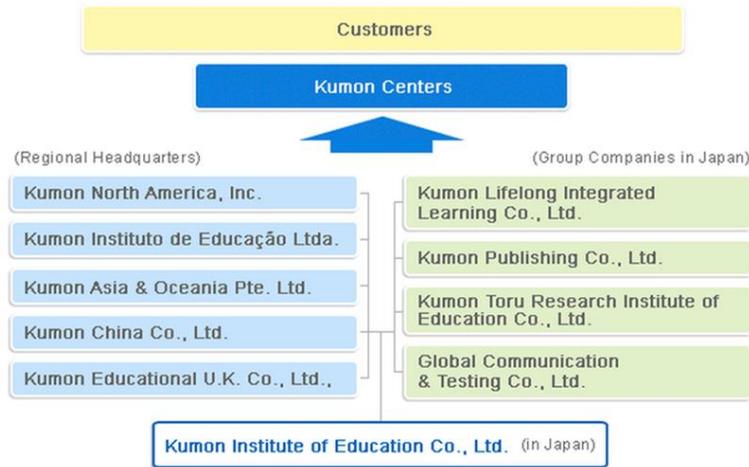


Table 3.1 Focal Organization Corporate Statistics (as of June 2015)

Area of Operations: 49 Countries and Regions	Japan	Overseas
Number of students enrolments	1,450,000	2,770,000
Number of centres	16,400	8,400
Number of instructors (franchisees)	14,500	8,100

3.3 The Birth of a Learning Method

According to the Kumon Institute of Education, the Kumon learning method does not replace traditional school education; rather, it is a study method for home education grounded in a viewpoint about what and how parents should teach their children and what would be best for their children. The materials used in this learning method are created with the aim of producing the greatest learning effect in the shortest possible time (Kumon Toru Research Institute of

Education, 2010, p. 3), and the materials contain only those elements that are essential for mastering high school mathematics and developing advanced reading comprehension ability.

The program is specially designed to enable students to meet these goals efficiently through self-learning (Kumon Toru Research Institute of Education, 2010, p. 3).

The unique Kumon Method was created through a father's love for his son, beginning in a single house in Japan and spreading throughout the world. It all began one day in 1954 when Toru Kumon was shown a piece of paper by his wife, which she had found in their son Takeshi's pocket. The paper was Takeshi's answer sheet for a math test he had taken; he was in the second grade at the time. Toru Kumon was stunned—his eldest son had not correctly answered a question about the sum of 35 and 15 (Kumon, 1992). Kumon decided to help his son focus on practising his addition at home. He created teaching materials from several workbooks, raising the level little by little, making sure the work was not too much of a stretch or so tough that Takeshi would stop learning halfway through. The result of his study method was greater than Toru Kumon had ever expected. By the end of his third year of elementary school, Takeshi had advanced as far as being able to calculate simultaneous linear equations with three variables. Around that time, Toru Kumon met with Osaka University President Kenjiro Shoda, who had been Toru Kumon's professor when he attended Osaka University. Professor Shoda told Toru Kumon it would be difficult to teach differentiation and integration to elementary school students, but Kumon continued creating math questions, setting a goal to cover materials up to differentiation and integration. Takeshi reached differentiation and integration in the sixth grade. When he was given a sample high school entrance examination at Osaka Prefecture, he answered almost every question correctly within a short amount of time. In geometry, he got all the

answers right. This was a result of his ability to read higher-level math textbooks and to advance step by step as his calculation skills improved.

The first experimental instruction techniques used with Toru Kumon's elementary-school-aged son produced significant results, contrary to the expectations of Professor Kenjiro Shoda (Kumon, 1992). Toru Kumon became certain this method would benefit many children; self-learning as a core learning method had demonstrated its power. Takeshi's ability to learn math in a self-directed way by using handmade worksheets encouraged Toru Kumon to try this learning method with as many children as possible. In 1958, he rented a small space at the premises of a friend's company in Osaka City, where he established an office to launch fully into spreading the Kumon Method. Toru Kumon's childhood dream to spread the self-learning method was about to be realized. Whenever Toru found spare time from teaching high school, he spoke at Kumon orientation meetings and parent orientations about opening new centres and recruiting new students. According to the organization's website, "Kumon is an individualized learning method that allows each student to study at a comfortable level, regardless of age or school grade, and [to] advance beyond his or her current school grade level" (Kumon Group, 2014). Kumon's individualized method of learning encourages students to become enthusiastic about learning and provides them with opportunities to experience a sense of accomplishment as they increase their academic ability and develop their potential to the maximum (Kumon Group, 2014). Learning materials are presented in small steps, which enables each student to advance smoothly from easy to difficult problems, and, ultimately, toward studying high school level material. In other words, students do not give up or become discouraged halfway through the program because they are learning at a level that is appropriate for them.

The Kumon Method's core principal is "learning at a level that is just right" (Kumon Toru Research Institute of Education, 2010) for each student. Kumon instructors (franchisees) do not teach students in a uniform fashion, because Kumon's worksheets have been designed to allow students to progress in small steps from easy to difficult material. Kumon instructors place great importance on children developing the ability to find solutions and answers on their own. A student cannot, for example, fully develop the skills and mindset for self-learning just by studying what he or she has already learned at school. When creating the original worksheets for his son Takeshi, an elementary school student at the time, Toru Kumon took care that the worksheets would not require that he explain the content very often and that they would enable Takeshi to advance through the sheets independently (Kumon Toru Research Institute of Education, 2010, p. 5). Takeshi studied one worksheet a day before dinner, and Toru Kumon graded the worksheet in the evening the same day. If Takeshi made a mistake, Kumon did not explain the reason to him. Rather, he had Takeshi make the corrections himself on the following day. If, however, it seemed to Kumon that Takeshi had become stuck and was unable to understand something, he would write a note to Takeshi to inform him of where to pay special attention, or would provide a small hint, and Takeshi would then make the correction himself.

The greatest strength of the Kumon Method is its worksheets, which are geared toward self-learning. The worksheets incorporate methods of introducing new content in a way that allows students to understand the subject matter independently, even after they have exceeded their grade levels. For example, when a concept is introduced for the first time, in many instances, students are first given example problems. By carefully examining these problems, students form connections between the new type of problem and the topics that they have already studied. This process develops their ability to reason and think critically. In addition, the

worksheets increase in difficulty in small increments so that students can advance on their own more easily (Kumon Toru Research Institute of Education, 2010, p. 5).

3.4 Philosophy of the Founder

Toru Kumon developed his philosophy and method through working with and observing his own child. In many ways, the learning method came first, and the philosophy developed out of the practice. In 1982, Toru Kumon was asked to define the "heart" of Kumon. This was his answer:

The Kumon Method has many features. I once explained them by analogy using the Aristotelian parable of the “Blind Man and the Elephant.” In this parable, a man who touched the elephant’s ear said, “An elephant is flat,” while a man who touched the leg said, “An elephant looks like a tall pole.” In short, when taken from the partial perspective, each opinion would be correct. Taken as a whole, these opinions would be completely wrong. The same thing can be said about the features of the Kumon Method. People outside of Kumon have various opinions about Kumon’s features, but if I do say so myself, the situation resembles that of the parable. (Kumon North America, 2000, pp. 5–6)

When Toru Kumon passed away in 1995, he left the organization with an extensive body of writing about his creation and philosophy. For many people, this learning methodology often seems philosophically dense, or even abstract, and difficult to follow. However, the employees and franchisees involved in Kumon's operations believe it is their obligation and calling to bring this exciting learning method and philosophy to as many communities as possible. They believe

that Kumon offers the best learning method for math and reading comprehension and can significantly impact children's education.

When Toru Kumon was alive, he frequently urged his instructors (franchisees) to follow this philosophy: "There is never 'good enough'; there must always be 'something better.'" He argued that in education, one can never say that something is good enough. In an internal publication, Kumon argued that learning from children is more important than Kumon's mission, and that knowing the Kumon method of instruction well also means knowing children. He believed that by learning from children and getting to know them better, instructors could further improve their instruction methods. Kumon believed that during this process, instructors might realize that even if they had been incompetent instructors in the past, they were capable of doing a better job today; also, he believed that the accumulation of these experiences was an asset to the organization. If educators continue to develop children's potential while learning from them, students' abilities naturally develop. In fact, it is the children who help the educators to develop rather than the other way around. Kumon believed that the firm's assets were the instructors, and that learning from children was the only way for instructional abilities to develop. He believed that Kumon instructors should not be satisfied with the current situation and should always aim for more competency. For Toru Kumon, the Kumon Method was about trial and error, and even he, during his first 10 years of operations, was not an expert in the learning method that he had created. He stated that one can only understand the world of Kumon after giving it a try. After giving it a try and then reflecting, one can learn from students while verifying instructional competency. This tireless process helps instructors to further their teaching. Toru Kumon's wish was for all Kumon instructors to follow this process; he wished to listen sincerely to every

instructor, learn about Kumon Centres, and work as hard as possible to learn from the centres and instructors to better understand the direction the company should head toward.

Studying and understanding the ideology of Toru Kumon is an important assignment and duty for employees and franchisees at Kumon. It is also their duty to help improve themselves and develop even further, because those who are affiliated with Kumon have now inherited Toru Kumon's creation. To ensure that this philosophy would be consistent in all regional headquarters, the parent company in Japan established the Kumon Toru Research Institute of Education to research, study, and interpret Toru Kumon's writings, manuscripts, public speeches, and personal diaries. The research institute's primary purpose is to help employees and franchisees understand the basis for Toru Kumon's theories, sense of values, principles, and thought patterns, and the ideas he supported. Toru Kumon's writings have been translated into 40 different languages to allow employees and franchisees to r his philosophy in their own native languages.

3.5 The Focal Organization in Japan

From the very beginning of the Kumon Method, Toru Kumon was confident that this learning method was better than any other. He knew that students could develop their abilities steadily and without an experienced teacher. He believed that the number of students would increase to over a million in five years, eventually leading to the "industrialization" of math education, which would significantly raise the level of national academic standards. Kumon used the term industrialization to mean the enabling of many children to develop their math abilities effectively without having to rely on teachers.

The Birth of the Kumon Centre

Because Takeshi's grades were outstanding, many of his friends' parents wanted Kumon to help their children, too. Toru Kumon began offering math tutoring in his home three times a week, using his own materials. At first, he had only about 10 students. He wrote the worksheet for each student by hand, and his wife, Teiko, would lead the study session. In 1955, Teiko became the first Kumon instructor in the Kumon Institute of Education (at that time, it was the Kumon Institute of Mathematics). After operating for a short while, the couple gained confidence in their results, witnessing a failing student get a B after six months. They dreamed, "if only we had as many centres as there are public baths in the city" (Kinoshita, 2008, p. 19).

One of Toru's former high school students Yukiko Asano, came forward wanting to open a centre in her home in the West Yodogawa Ward of Osaka (Kinoshita, p. 19). Kumon gladly handed over his worksheets, and Asano started running a centre three times a week. After a short time, she reported that "the children only have to come every second day, but they turn up every day, saying how much fun the questions are!" (Kinoshita, p. 19). In fact, she would send them outside to play while she copied out questions by hand (p. 19). It is worth mentioning that the worksheets were produced during a time when photocopiers did not exist; schools and small businesses used mimeograph machines to create copies, and in November of 1958, Yukiko Asano began to use a mimeograph to produce worksheets for her students. Her centre was to become the first "franchised" Kumon Centre, and this was the first non-family-run Kumon Centre. Shortly afterwards, two former high school students of Kumon also opened Kumon centres; however, at the time, the business was not yet on its feet. All Kumon had known until then was teaching, and he had no knowledge about starting a business. However, an old friend

from high school suggested turning the centres into a regular business and offered office space. Kumon distributed flyers advertising for students.

In July 1958, the office of the Osaka Institute of Math was established in Toru Kumon's friend's building, which was the beginning of the establishment of the Kumon Institute of Education. In the same year, Kumon opened 13 learning centres, and the total number of students registered in the program reached about 300 (Endo, 2014b). Initially, Kumon took a direct management approach; he established classrooms for new centres, recruited students, and dispatched instructors to different centre locations. However, the cost of operations went over budget and quickly put the new company in the red. Eventually, he switched to the franchise model, in which the centre instructors/franchisees were responsible for opening their own centres and recruiting their own students. The company began to receive a fixed royalty per student; in return, printed worksheets were delivered to each individual centre location. Many instructors/franchisees were former students from the high school where Kumon taught. Kumon also ran a three-line advertisement in the newspaper to recruit instructors/franchisees, and many women responded. They were highly educated homemakers who wanted to reconnect outside of the home. One of the classified advertisements from that time is preserved at the Toru Kumon Museum in Osaka. It says, "Our goal is to develop math ability and the students enrolled in our Centers had an interest in study in about one month and were pleased with developing the academic ability" [*sic*] (Endo, 2014a). Soon, there were more than 250 centres and over 3,000 students enrolled in the program, each studying three days a week and paying monthly tuition fees of about 400 yen (Endo, 2014b).

In 1968, after 33 years in the public school system, Toru Kumon left teaching at his high school to dedicate himself to the management of his institution. The institute had been in

operation for little more than 10 years but was about to reach 10,000 students and expand to 450 centres (Kumon, 1992). The learning effectiveness was high, but the general public still did not understand the Kumon Method well; they assumed the method focused only on mathematical calculation skills. Parents continued to request the teaching of geometry and word problems rather than calculation alone, as this was what the schools were teaching. As people began to understand the Kumon Method better, the number of students increased enormously, and Toru Kumon saw this opportunity as an ocean of potential ahead.

After Kumon left teaching to focus on the management of the Institute, the business developed favourably. By 1974, there were 63,000 students and 1,090 centres in Japan. *The Secret of Kumon Math* was published in the same year. In fact, the book played an important role in increasing the name recognition of the Kumon Method in Japan, attracting a huge public response immediately after it was released. Many parents called the office to ask where the closest Kumon Centre was; according to Kumon, for a long time the phone rang all day, including on weekends. The book was also taken up by the mass media and became an instant bestseller in Japan. At that time, however, there were not enough Kumon centres, and many families signed up for correspondence courses. The number of correspondence students skyrocketed, and the book sold over 160,000 copies (Kinoshita, 2008; Kumon, 1992). Today, over 600,000 copies of *The Secret of Kumon Math* have been sold in Japan (Kinoshita, 2008; Kumon, 1992), and because of the influence of the book, the institute received an increasing number of requests to open centres and to teach on a nationwide scale. Only a year later, in 1975, the number of Kumon students increased to over 110,000, and there were 1,960 centres (Kinoshita, 2008; Kumon, 1992).

Ukai (1994, p. 97) explains that Kumon was able to flourish in Japan for the following reasons: First, Japanese mothers had a positive image of the program and learning method; second, many children seemed to enjoy doing the worksheets; third, it was convenient for families; and fourth, Japanese society placed a high value on education. Overall, parents saw Kumon as a viable after-school program that helped children study beyond their grade level and prepared them for standardized examinations.

3.6 The Focal Organization in the World

In 1974, Kumon opened his first overseas Kumon Centre in New York (Kumon, 1992), and in 1975, he established the first overseas office in Taipei (Endo, 2014a, p. 54). In fact, 1974 was a historic year for Kumon; in addition to expanding overseas, *The Secret of Kumon Math* became a bestseller in Japan as mentioned above, dramatically increasing student enrollment (Kinoshita, 2008; Kumon, 1992). In a way, the opening of the first Kumon Centre overseas happened by chance. The daughter of a Kumon instructor had to relocate to New York because of her husband's business. She wanted to keep her child in the Kumon program, so she opened a Kumon centre of her own, and that is how the Kumon Centre in New York started. In a similar fashion, Kumon spread to Taiwan and Brazil during its early days of overseas expansion; most of the Kumon students overseas in those days were the children of Japanese expatriates. Kumon's internationalization did not occur through a well-planned global expansion strategy; rather, it happened by trial and error. The organization would simply go to a country and try something, then look at the outcome and decide what would be most appropriate. In other words, the company was willing to move to other countries and regions as long as it could maintain its worksheets and keep its education method unchanged.

According to Toru Kumon, this initial overseas expansion and experience in international operations validated the Kumon Method of Education on a global level. However, the biggest challenge for Kumon was gaining understanding and acceptance of the Kumon philosophy from people in different societies and countries. Without a doubt, many people outside of Japan find value in Kumon's worksheets and education method, but it has not been easy to find partners who share Kumon's philosophy.

In April 1983, the company's name changed from the Kumon Institute of Mathematics to the Kumon Institute of Education. By changing the company name, Toru Kumon also established a new company mission, and he wanted to make the institute's new mission clear for franchisees and employees: "By discovering the potential of each individual and developing his or her ability to the maximum, we aim to foster sound, capable people and thus contribute to the global community" (Endo, 2014c, p. 30). Kumon did not consider profit in opening overseas offices; if people in an area showed interest, he would accommodate the request to the greatest possible extent. In his autobiography, the founder explained his vision of distributing the Kumon Method to the world: "I want to give it a try! I have a dream of distributing the Kumon Method of math education around the world because mathematics is the language of the universe. The mission of Kumon is to change mainstream education around the world to individualized education and contribute to world peace by nurturing capable people" (Yamabiko 138, 1993, cited in Endo, 2014a, p. 52). Kumon was also inspired by the famous Dr. Albert Schweitzer (1875–1965) from the field of medicine. The founder considered introducing the Kumon Method on the African continent and contributing to the development of math education there, just as Dr. Schweitzer had done in Lambarene, Gabon (Endo, 2014a).

Today, the Kumon Group consists of the Kumon Institute of Education (the holding company) and five regional headquarters, including Kumon North America, Kumon South America, Kumon Europe and Africa, Kumon Asia & Oceania, and Kumon China. This organizational structure was created in 2000. In April 2015, the holding company, the Kumon Institute of Education, absorbed Kumon Japan to streamline its operations in the home country.

3.7 The Focal Organization in North America

The opening of the first learning centre in New York in 1974 marked the beginning of the Kumon Method outside of Japan. It was operated by a Japanese immigrant who was living in New York whose mother had owned and operated a Kumon center in Japan. Initially, most students at the centre were the children of Japanese expatriates; however, as the value of the Kumon Method became more widely known, local children began to enrol. In 1980, the first Kumon Centre was opened in Toronto, Canada, by a Japanese immigrant. The Kumon Educational Institute USA was established in 1983. Today, Kumon has become an important source of education for local children, provided by local instructors, in the United States and Canada. At the time of data collection for this study, there are over 1,500 Kumon centres in the United States and over 330 Kumon centres in Canada.

For the first 10 years of operations, franchisees operated Kumon math centres without support from a local office or corporate employees; daily operations were guided by the head office in Japan via fax transmissions or international phone calls. Kumon Educational Institute USA (commonly referred to as Kumon USA) later became Kumon North America and one of five regional headquarters for Kumon operations. Kumon USA's first market expansion focused on the West Coast, where there was a significant Asian population (Loveman and Yanagihara,

1993). Loveman and Yanagihara (1993) describe this new overseas expansion as lacking any long-term strategy for expansion or growth in the United States—in the beginning, Kumon centres in the United States only targeted Asian populations, and while it later expanded to the south, the midwest, and the east, it still focused on the growing Asian populations in those areas.

According to Loveman and Yanagihara (1993), Kumon USA faced significant localization challenges in the 1980s. Many of its students were the children of Japanese families living temporarily in the United States, along with Asian immigrant families from Taiwan, Hong Kong, and South Korea. These families already knew what Kumon was and perceived Kumon in the United States as an extension of Kumon in their home countries, but as a new company, Kumon USA had not defined a clear customer target that would facilitate expansion in the United States, continuing to depend on the enrolment of Japanese and other Asian children. Such dependency resulted in a popular perception of Kumon as for Asian children only, and Kumon's management in the United States struggled to assimilate the Kumon Method into the American educational system. Kumon's operations in Canada experienced similar problems.

Another challenge Kumon USA and Canada faced in their early periods of operation was operating a franchise system without an appropriate franchise agreement. Contracts varied, ranging from a one-page agreement to a verbal agreement with a Kumon representative—details did not seem to matter, as long as monthly royalties were remitted on time. Also, there was no formal franchisee selection process. Individuals could easily become Kumon instructors/franchisees, as long as he or she could demonstrate understanding and belief in the Kumon learning methodology and philosophy, pass a math test, and be able to complete the required worksheets. Individuals who were willing to accept and embrace Kumon's mission and vision as their own personal mission and vision could own a Kumon franchise. In contrast,

Kumon centre owners who had initially opened their Kumon centres back in the 1970s and 1980s had negotiated their individual agreements with the parent company in Japan, securing lower royalties, which has continued until today.

Since the introduction of the first franchise agreement in the early 1990s, operations in both Canada and the United States have become more structured; however, the franchisee selection process at Kumon has remained focused on finding individuals who share the same educational philosophy and values. The initial franchise fee is one of the lowest in the industry. In 2015, Kumon ranked number three in the lowest cost franchise category in *Entrepreneur* magazine. In 2015, *Entrepreneur* ranked Kumon North America as the number one tutoring franchise in its annual Franchise 500 issue for the 14th consecutive year. It also ranked 20th overall in the Franchise 500 (see Table 1.1).

Like many other mission-driven organizations, Kumon's social mission is deeply demonstrated in its corporate slogan: "The Kumon Method for as many children as possible." This approach is explained on the Kumon Group website as follows: "We have a dream: to contribute to world peace through education. We will head towards the realization of that dream by fostering people through individualized education. [Acting] as [a] global citizen, Kumon will contribute to the growth and happiness of each individual by putting into practice our Mission, Vision, and Values" (Kumon Group, 2014).

It is clear that the central foci for Kumon are first, to provide individualized education to individuals and, second, to achieve global harmonization through education, because education is deeply rooted in the culture, history, philosophy, and outlook of every country. Toru Kumon believed that the Kumon Method was universal and adaptable to different cultures, and he hoped to spread the Kumon Method to every corner of the world, as long as people wished to study. He

believed that his learning method was better than any other, that children would be happy to learn, and that instructors would be happy to guide them in their learning. Thus, Toru Kumon believed he needed to spread his method using all means possible, and that as long as individuals, Kumon associates, and franchisees/instructors made adaptations while preserving the basic integrity of the method, its effectiveness would continue to be felt around the world (Loveman and Yanagihara, 1993). This belief is often explained by Kumon management as the unique business mechanism whereby the individualization of many best practices eventually resulted in operational standardization for the organization. After establishing the Kumon Method, Kumon continued on his path of expansion for 37 years.

Toru Kumon passed away on July 25, 1995, and Takeshi Kumon, Toru Kumon's eldest son and successor, initially took over the leadership of the company; however, he also passed away, just two years later. This sudden loss of the founder and the first Kumon student made the employees and franchisees wonder about the future of the organization, and many believed that the organization was at a crossroads. However, Toru Kumon's personal beliefs, values, vision, and education philosophy continued to inspire Kumon employees and franchisees and to be treated by them as gospel. Employees and franchisees now are like Toru Kumon's disciples or followers, treading the same path, and hoping to open the minds of as many children as possible in the pursuit of happiness and a peaceful world through the Kumon Method of Learning. Taking over the founder's dream, Kumon as a company has been moving forward on the road of overseas expansion. The pursuit of profits is not the only motivation for expansion; it is a challenge that Kumon employees and franchisees have taken on to spread the founder's philosophy, and the realization of Kumon's dream has been marked by repeated trial and error. There is still strong dedication to the founder's dream, including the management philosophy and

the company's mission, vision, and values (Appendix D). Although the social mission emphasizes education and making the Kumon Method available to many individuals, the company's values, expressed in "The Kumon Way" (Appendix D), apply to employees, instructors, customers, and stakeholders as well.

As detailed below, Kumon's social mission is carried out through both formal and informal organizational practices. The mission started when Toru Kumon began thinking about how to help his son, and the learning methodology and curriculum were based on Kumon's personal experience as a math teacher and father. The company continues to utilize the unique curriculum and learning methodology he developed, which Kumon believed would help individuals to discover their potential, even though conventional education systems and educators were not always in full agreement with his approach. As described by Ukai (1994), the Kumon method is controversial and occupies a special niche in the Japanese education system; critics dislike the rote-style progression through skill levels. The Japanese Ministry of Education is a prominent opponent of Kumon's methods, emphasizing instead the development of critical thinking skills in mathematics. The Kumon Method stresses computation and establishes curricular standards for each grade and then aims to have its students surpass those standards. Japanese parents seem to either love the learning method or hate it.

According to Ukai (1994), several features of Japan's educational culture benefitted Kumon's initial development in Japan, including cultural acceptance of repetition, memorization, and mastery as valuable, essential aspects of learning. The importance of mathematics in Japanese education has also played a crucial role in the method's development and successful execution. Kumon's management team in Japan understands that the franchise system is an

essential vehicle for global expansion, as it is the quickest method to bring their learning methodology to individuals in many different countries.

The structure of women's employment in Japan has also favoured Kumon's domestic expansion; in the past, many married women with children were denied access to the mainstream economy, but many of these well-educated women have now found a personal calling and even spiritual meaning in their jobs as educators. Kumon has become an alternative path for Japanese women to make contributions to society. Women saw Toru Kumon as a charismatic leader who was helping them to make Japan a better place by providing an unconventional and individualized learning method to the next generation. Kumon's management in the United States and Canada thought that they could duplicate this success in North America by targeting stay-at-home mothers as their prospective franchisees. This strategy did favour Kumon in the early stages of its development in North America; however, the organization has changed its franchisee recruitment method under the new business model, which now requires franchisees to be more business-savvy.

3.8 The Franchise System

Franchising is a popular business model for organizations that wish to grow rapidly. The focal organization adopted the franchise model in 1963, just five years after the first Kumon Centre opened in Osaka, Japan. Toru Kumon recalled that:

The number of centres quickly grew and exceeded more than 80 locations, with a total of 2,000 students. The centres were run on a direct-management model: I secured classrooms and students and sent instructors to particular centres. Room rent and labor costs soon went up, which resulted in a great deficit. Eventually, it

became impossible to remain in this way. I decided to change to the franchise model in 1963 so that centres could be opened at individual houses and students could be directly recruited by each centre. Each franchisee was (and still is) provided with exercise material printed by the office, and in exchange for this, the office received a specific sum per student as a royalty. (Kumon, 1992, cited in Loveman and Tsunehiko, 1993, pp. 7–8)

Indeed, the franchise model provided major operational improvements for the firm. Under this new business model, Toru Kumon was freed from the time and effort spent in securing classrooms and students, as these responsibilities had now shifted to the franchisees/instructors. The transfer of these tasks and responsibilities also significantly reduced the financial burden on the headquarters. By making each franchisee an independent operator, Kumon provided it with a sense of ownership and an incentive for expansion. The simplicity of the franchise agreement also made the franchise opportunity more attractive to a greater general population. Under the Kumon franchisee agreement in Japan, a Kumon-certified franchisee received the right to use the worksheets and the centre's know-how, copyrights, trademarks, service marks, proprietary information, and goodwill associated with or relating to learning. The agreement also contained a one-franchisee in one-location clause and described an owner-operator business model. In return, the franchisee was obligated to pay Kumon the initial franchise fee of ¥30,000 and remit to Kumon a monthly royalty, calculated to be 40% of the tuition revenue per student and per subject (Kinoshita, 2008; Kumon 1992). When Kumon began searching for potential franchisees in Japan, it advertised with this simple description—"If you have a room of six tatami size [13 square meters], you would need only ¥30,000 to start your own Kumon classroom!" (Kinoshita, 2008; Kumon 1992). The advertisement specifically targeted well-educated homemakers who

were eager to use their education, offering the convenience of doing business at home, low initial costs, and the social acceptance of being a teacher.

Today, Kumon's franchise business model remains relatively unchanged. The franchisee remains an owner-operator; the initial franchise fee is one of the lowest in the industry at \$1,000 U.S. Dollars (USD) or Canadian Dollars (CAD). Franchisees are still required to remit a monthly royalty that is calculated to be 40% of tuition revenue per student, per subject base, which ranges from \$32 to \$36. Franchise recruitment approaches similar to those first introduced in Japan were implemented in both Canada and United States in the 1980s and 1990s. Mothers and homemakers were Kumon's main franchisee candidates when it was first introduced in North America; however, many current franchise owners do have some business background while also possibly having children who are currently or were previously enrolled in a Kumon centre. Franchisees were initially told not to expect to make a profit since tutoring was a meaningful mission to discover a child's potential. Operations have now evolved from church spaces or community centres to professional retail locations.

Franchisee/Instructors

The conventional description of a franchisee is a person or a firm in a franchising agreement with legal rights to use a business's trademarks, associated brands, and other proprietary knowledge. In addition to paying a start-up franchise fee to the principal company, the franchisee must also remit a portion of its profits to the franchisor as a royalty. A franchisee's ultimate goal is to capitalize his or her investment and make a sustainable operational profit.

According to the Kumon, its franchisees are different compared to the conventional definition of a franchisee. Kumon calls its franchisees "instructors," invoking the well-respected

image of an educator. Franchisees' key objective should be learning from children rather than focusing on generating unit profitability. A franchisee's role as an instructor is to discover each student's level of academic capability and to continually provide students with worksheets that are appropriate for their respective ability levels. Instructors make sure that students always experience a sense of achievement in their daily studies, which helps students enjoy studying and enables them to increase their abilities independently. Through observing students' learning situations, instructors become keenly aware of how students are changing and improving, always searching for instruments that will aid their future instruction. The role of a Kumon instructor is to bring out the potential in each individual, and this belief is consistently communicated throughout the franchise system, from the initial franchisee training through daily operations. However, achieving unit profitability is not commonly discussed or communicated to franchisees as an essential business accomplishment. The organization devotes the majority of its resources and capabilities to developing students' learning through instruction, which is understanding which worksheets to assign to students and how to guide them through the worksheets, given each student's unique knowledge, skills, and progression. Words from an instructor provides a good indication of how this franchise system is structured and the type of franchisee this organization is looking for:

When I first had my students study with the Kumon Method, I saw right away just how superior a learning method it is—or at least I thought I did. However, after one year, two years, and even five years, I was surprised to find that the Kumon Method offered much greater benefits than I had first expected. This is not just because of the excellence of the Kumon Method. Perhaps, it is also because I had not fully understood children's vast potential to grow.

I realize that my instruction ability has improved considerably compared to what it was one year ago. However, one year from now, I am sure that I will look back and recognize that my method of instruction was not fully developed. Because of this, I cannot imagine that my students will ever say, “I am better off for having joined your Kumon centre and not any other one.” So, in order to improve my centre, I will focus all of my effort on centre visits and continued study of the Kumon instruction method so that my students will never feel that they are disadvantaged for having attended my centre. (Kumon Toru Research Institute of Education, 2010)

Prospective franchisees are evaluated on the basis of their passion for working with children, belief in the company vision and mission, passion for education, and sincere desire to help children succeed. Their financial ability to invest in the business and a background check are part of the selection process as well. Each new franchisee must complete a 12-day Development Training Program over four months before a franchise agreement will be signed and the franchisee is welcomed to the Kumon family.

Corporate Employees

The obligations of the franchisee in the focal organization are unique. What about its corporate employees? Are they also different? Based on this author’s experience, Kumon’s corporate employees are different. Unlike in other organizations, individual employees are rewarded for their expertise and performance. Employees who work at Kumon are generalists. Tenure with the organization is important, and as a result, franchisees do not typically respect new employees; they also tend to dislike employees who are business-focused. Franchisees prefer working with individuals who speak the same language, and experienced business

professionals often leave the company after a year or two because they do not feel that they fit into Kumon's corporate culture. Unlike other conventional franchise organizations, employees working at Kumon are trained to think that franchisees are leading the company, and prior experiences and expertise are not considered very valuable. A corporate employee's primary job function is to support franchisees' needs, and their understanding of the franchise relationship is limited to keeping the franchisee happy. In other words, employees are encouraged to take a laissez-faire approach and not interrupt franchisees' routines as long as they are happy with their operations. Franchisee compliance is not common at Kumon; employees are discouraged from talking about system compliance with franchisees and tend to individualize their support.

3.9 Reflections

Is Kumon unique? Indeed, a majority of employees and franchisees believe that the focal organization is distinctive because it dedicates itself to bringing world peace through education. Toru Kumon's personal ideologies, values, and beliefs deeply influenced individuals in his time and even after his death; he played a significant role as an educator and an entrepreneur. However, Kumon's success as an entrepreneur was never discussed or shared with employees and franchisees, and this may be what makes the focal organization unique and different from other for-profit franchise businesses.

The focal organization was created and managed by Kumon with his charismatic leadership style. The author of this thesis never met the founder personally but has watched video footage of his presentations. During Kumon's leadership tenure, the structure of the organization was simple and flexible, and the entire operation was controlled through his direct supervision. Management was flexible, with a centralized power system that allowed for fast

responsiveness (Mintzberg, 1989). The establishment of strategy was often the responsibility of the founder. Despite operating with a centralized power system, Kumon was able to connect his employees and franchisees with his values, beliefs, and strategy. The relationship between the corporate office and franchisees was mutual and pleasant. The disadvantage of this style of management, however, was that the operation was based on Kumon's personal vision; the strategy was locked in a single brain. A vacuum was left when Kumon passed away in 1995.

For over twenty years, the Kumon Institute of Education has continued on a path of significant growth, even without its late founder. The Institute is now managed by tenure executives who understand Toru Kumon's personal values and beliefs, and this practice ensures that the aim of the organization remains unchanged. However, the Kumon Institute has had a few challenges with bad management decisions, especially in North America, which has created tensions between the franchisor and its franchisees. Franchisees began to question the focal organization's traditional values and beliefs.

In 2015, the Kumon Institute celebrated Toru Kumon's centenary. Franchisees and employees around the world pledged that they would honour the memory of the late founder and the late president, Takeshi Kumon, by always keeping in mind the origins of the Kumon Method while at the same time striving to improve. In his message to franchisees and employees, the group president reconfirmed that the aim of the Kumon Institute (Kumon Group, 2015) is to:

- pursue the potential of each student and to develop his or her ability to the maximum through individual instruction, and to recognize that the popularization of the Kumon Method could make the greatest contribution to society;
- develop better learning materials through ongoing research;

- apply the focal organization’s educational method to fields other than education; and to
- achieve a positive cycle where franchisees and employees work together to provide more students with the opportunity to experience the focal organization’s educational method.

By preserving Toru Kumon’s values and beliefs, the Kumon Institute of Education continues to attract individuals to join the focal organization, either as franchisees or as employees. Based on the information presented in this chapter, it is clear that both franchisees and employees in the focal organization demonstrate a great level of identification with the company’s values and beliefs; therefore, it is not necessary to overemphasize core values and beliefs to franchisees and employees. Rather, Kumon must consider adopting desirable strategies to bring the company’s values and beliefs to life.

3.10 Chapter Summary

This chapter described the genesis of the focal organization, the Kumon Institute of Education—its unique educational teaching method, the philosophy of the founder, Toru Kumon, and the company's history, global operations, franchise system, franchisees, and employees. The Kumon Institute’s strong convictions regarding its philosophy and its existence to benefit children—"developing the unlimited potential of children"—are clear. No employees or franchisees will last long if they do not share the same belief system. If franchisees or employees wish to pursue profitability alone, they can dismiss the founder's philosophy and vision, but the Kumon Institute believes that its founder's philosophy is the foundation of the organization.

There is no doubt, in the case of the Kumon Institute of Education, that its philosophy is the prime driving force of its endurance as an organization.

The Kumon Institute of Education devotes the majority of its resources and capabilities to developing students' learning through instruction, which includes understanding which worksheets to assign to students and how to guide students through the worksheets, given the students' knowledge, skills, and progression. The company's strategy and assumptions are primarily focused on students' learning, and this attention has led to positive brand awareness and sustainable growth. As Kumon has maintained steady annual growth over the last 57 years, the company hasn't felt an urgent need to significantly change its product and methodologies; however, this growth might have been, at least partially, due to myriad other factors, including lack of competitors (using similar learning methodologies) and stable industry growth. By primarily focusing on students' learning through worksheet planning, the firm has put minimal focus on other areas of the operations.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

This chapter introduces the research design, research hypotheses, measurements for all the constructs, and the analytical procedures used to check the instrument's reliability and validity. In the first section of this chapter, the research design is presented. The second section presents the research hypotheses; these are based on a conceptual framework of the philosophy-oriented organizational practice (Wang, 2011). This conceptual framework suggests that the philosophy-oriented organizational practice can influence the adoption of the management philosophy based on the following dimensions: identification with the management philosophy, sensemaking of the management philosophy, organizational goal clarity, and mission valence. The philosophy-oriented organizational practice will also affect individual attitude and behaviour, including trust in management, organizational commitment, organizational citizenship behaviour, job involvement, and satisfaction with franchisor (employer) competence. These concepts of individual outcomes represent individual commitment to the franchisor–franchisee relationship. The third section of this chapter discusses the sample selection, data collection, and administration of questionnaires. The fourth section discusses the role of the researcher, secondary documents, and ethical considerations. The measurement methods used in the study are also presented in the fourth section.

4.2 Research Design

The design of this study is selected to focus on the impact of the adoption of a management philosophy on a franchisor–franchisee relationship in a global franchise system. To explore this phenomenon from a franchisor–franchisee relationship perspective, a case study design was chosen as the core research framework. A case study is an empirical inquiry that "investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2009, p. 18). A case study approach was ideal for this study because the intent was to provide a systematic understanding of franchise relations in an organizational context (Creswell, 2007). Also, a case study design provides an opportunity to study within a bounded system and allows the researcher to gain an insider perspective through closer involvement in the organization (Easterby-Smith, Thorpe and Jackson, 2008; Hammersley and Atkinson, 2007). Case studies are not restricted to a single source of data; in fact, a case study research method can benefit from the use of multiple sources of evidence (Yin, 2009). This study used the methods of direct observation, participant observation, documents analysis, and web-based questionnaires to study franchise relations and management philosophy as a social phenomenon in an organizational context.

4.3 Population and Sampling

The sample population for this study consisted of franchisees and employees within Kumon North America, one of the five regional headquarters of the Kumon Institute of Education. Franchisees and employees who were working at Kumon in both Canada and the United States at the time the study was implemented were represented. The parent company, the

Japanese-based Kumon Institute of Education located in Osaka, has global locations and a franchise network in 49 countries; a detailed description of the focal organization is provided in Chapter 3. The sample population is diverse despite the organization having a strong Japanese heritage. The primary method of data collection in this study involved a web-based questionnaire, and the sampling method used was the convenience sampling method, a non-probability sampling technique (Easterby-Smith, Thorpe and Jackson, 2008). Therefore, in the case of this study, the data selection criterion was designed to increase the understanding of the focal organization rather than to be representative of a general population of franchisees and employees in the franchising community. This study had a total sample size of 1,700 participants from the focal organization, including 1,282 franchisees and 418 employees from across the United States and Canada.

4.4 Data Gathering

Quantitative Method

In this study, the primary method of collecting data was the quantitative method. A web-based questionnaire was constructed following an extensive review of the relevant literature. Previously established scales were utilized to measure the constructs. The initial draft of the questionnaire was reviewed by one franchisee and two employees at the study site via SurveyMonkey® (www.surveymonkey.com) to ensure that online access to the survey was simple to navigate and that the questions were easily understandable by the majority of the population in the corporation. Based on the comments of those who tested the web-based questionnaire, no significant changes were made to the survey.

An email invitation to participate in the survey was distributed to a total of 1,700 email accounts, including franchisees and employees in both the United States and Canada, in which the purpose of the research and the time required to complete the questionnaire were explained. A link to the web-based questionnaire, which included the consent and participant information forms, was embedded in the email. Participation was voluntary; individual participants were free to withdraw at any time without explanation and without incurring any consequences. In total, 152 responses were returned; the overall response rate was 8.9%. The survey instrument is included in Appendix C.

Observations

In this study, two forms of observation were used: participant observation and direct observation. Participant observation is an important element of information gathering involving fieldwork. It targets the identification of accounts that have not yet been collected by the quantitative method (Thorpe and Holt, 2008); it also allows researchers to get closer to the lived experiences of the participants—in this case, the employees, franchisees, and management in the focal organization. Throughout this process, the goal was to uncover the real issues affecting the relationship between the franchisor and franchisees. Additionally, as a member of the management team, the author of this thesis was required to participate in meetings, field visits, and events, and this direct observation allowed access to the viewpoints of participants and first-hand understanding of how individual participants interact with one another.

Secondary Documents

Secondary documents were used as a source of background information in this study. These documents provided information about the organization being studied and the key figures of the organization. Hammersley and Atkinson (2007) believe that secondary documents are equally as important as observations, because they may be of value in provoking analytical ideas, not only by providing organizational information but also by serving as an observational method in themselves. In this study, the focal organization's internal franchisee publications, employee publications, past surveys, meeting minutes (for management meetings, operations meetings, and franchisee advisory council meetings), and communication records between employees and franchisees were reviewed. Third-party market research reports, intranet discussions, and other online sources were also reviewed for the purpose of better understanding the organizational context.

Data Management and Storage

In this study, the primary form of data management and storage was electronic, in order to take advantage of the convenience and capacity of these storage methods. Data collected through online surveys via SurveyMonkey[®] were downloaded and stored in the researcher's personal computer after data collection was completed, and the raw data on SurveyMonkey[®] were removed at the completion of this study. Predictive analytics software, Statistical Package for the Social Sciences (SPSS), was used for the statistical analysis. The secondary data in this study was kept in PDF format. For both security and protection against data loss, all electronic documentation was stored in two places: on the researcher's personal computer where it was password protected and on an external hard drive in a folder that was also password protected.

4.5 The Role of the Researcher

In this study, the role of the researcher was to determine the direction of the research, define the research questions, and design the study to answer the organizationally based problem (see Section 1.3). The researcher in this study was instrumental to the process, taking on the roles of planner, designer, listener, observer, and reporter. The knowledge, competency, and consistency that the researcher applied affected the reliability and validity of the research outcomes. The researcher was an "insider researcher" (Easterby-Smith, Thorpe and Jackson, 2008), acting as both employee and researcher in the focus organization. This role has the advantage of eliminating restrictions on collecting data; however, there are also risks when studying one's own organization. Glesne and Peshkin (1992, cited in Creswell, 2007) explain that data gathered by an inside investigator can be political and risky if unfavourable information is discovered. Creswell (2007) cautions the insider researcher to be certain that good data is collected when the act of data collection may present a power imbalance between the research and the individuals being studied. It is important for the researcher to acknowledge how personal background and biases may influence what is observed and how to understand what has been observed (Creswell, 2007; Patton, 2002).

The author of this thesis brought 18 years of practitioner experience to this study from the franchising, retail, and education industries. Over his corporate career, the author has held various management positions, including in retail management, sales management, multi-account management, territory management, franchise advisory board management, and corporate and strategic planning management. The author is currently a member of the management team, responsible for managing corporate strategic planning and the franchisee advisory council in Canada, while also working on various task forces involving employees and franchisees in both

the United States and Canada. This background gave the author the opportunity to enter this study with confidence, to access corporate documents and data, and to connect with associates and franchisees.

Insider Researcher

The author of this thesis has adopted different roles as an insider researcher in the focal organization. In the role of academic researcher, the author used the quantitative research method to collect responses from participants through a web-based survey. In the role of observer and participant, the author attended the focal organization's management meetings in both the United States and Canada on a monthly basis; he participated in over 300 hours of management meetings as an employee. As a member of the corporate strategy planning team, the author was regularly involved with the regional headquarters executive management team in various taskforces and research projects, and this direct observation and interaction with the executive management team gave the author a clear understanding of management philosophy and management practices. It is noteworthy that during this research, the author participated in an internal assessment of the focal organization and an external assessment of franchisees, with Kumon franchisees and franchisees of other companies. This assessment was conducted by an external management consulting firm with the objective of understanding the strengths and weaknesses of the focal organization, as related to the goals of increasing new customer acquisition, growing the organization, and learning from competitors and other franchise owners.

Furthermore, the author managed and worked directly with the Franchisee Advisory Council (FAC), accumulating over 200 hours of meetings and direct interaction with the council's members. Through this process, the author also involved different stakeholders from

the focal organization to resolve concerns and complaints from franchisees, which provided great insight into how different corporate departments, branch offices, and individual employees deal with franchisors and franchisees.

During the research period, the author visited over 20 franchisee-owned locations in both the United States and Canada. These field visits contributed further insights from talking to franchisees in person. Routine franchisee meetings and professional development sessions were also attended, enabling observations of interactions between corporate employees and franchisees as well as franchisees' reactions to the corporate agenda.

4.6 Ethical Considerations

This study followed the highest ethical standards and complied with the University of Liverpool's ethical standards, which includes full disclosure of any potential personal conflicts. To ensure that all ethical precautions were addressed, this research carefully followed the submission guidelines as outlined by the Committee on Research Ethics of the University of Liverpool. Special attention was given to make known any potential conflicts which could have occurred due to the researcher's current employment association with the study site. Research participants in this study had only professional working relationships with the researcher; there were no dependent relationships, as the researcher was not a direct supervisor of any participant. Because the familiarity of the research participants with the researcher was on a professional level and not a personal level, there was no latent conflict with participants.

The Participant Consent Form and Participant Information Sheet (Appendix B) were provided to the participants, and it was explained that participation in the study was strictly voluntary. Both documents were created and used based on the recommendations of the

Committee on Research Ethics. The title of the study, the purpose of the study, the expectations of participants, the voluntary nature of the study, the option of withdrawal from the study, and information on the use of contact information were outlined in documents provided to all participants. Participants had the opportunity to review the Participant Consent Form and Participant Information Sheet and were asked to give consent before commencing to the web-based survey. Participants provided their consent by clicking "next" as their digital signatures to participate in the study, and they were informed that their responses would be kept strictly confidential, that their names would not be linked to the research materials, and that they would neither be identified nor identifiable in the report(s) that would result from the research.

4.7 Research Hypotheses

There has been insufficient understanding and research about how the franchisor—franchisee relationship evolves over time (Dant, 2008; Dant, Li, and Wortzel, 1995), as most studies done in the past were aimed toward maximizing the economic benefits of the franchisor and franchisee. The metaphor used most frequently in the franchise industry to describe the franchisor-franchisee relationship is that of a “marriage,” which is governed by a business contract with terms written in favour of the franchisor. This imbalanced contract stipulates the expectations and obligations of the parties and creates a structure for the relationship, but it does not describe the actual conduct of the relationship (Bradach, 1998; Macauley, 1963; Macneil, 1978). Competing values and behaviours are a concern in franchising, because franchisors and franchisees have different focuses and financial needs. Having commonly shared values and an ethical management philosophy is essential, because ideology can produce stronger partnerships

and have the ability to keep stakeholders together (Mintzberg, 1989). Thus, a philosophy-oriented organizational practice can yield significant relationships between stakeholders.

This study adapted a hypothesized framework of the philosophy-oriented organizational practice (Figure 2.1) from Wang (2011). In Wang's original study, there are three main research categories: the individual adoption of the management philosophy, the philosophy-oriented organizational practice, and individual outcomes. The individual adoption of the management philosophy is organized into two-dimensional models: the identification with the management philosophy and sensemaking of the management philosophy. In this study, two new dimensions were also introduced—organizational goal clarity and mission valence—and it was predicted that these two new variables would also encourage individuals to adopt the management philosophy.

The philosophy-oriented organizational practice is measured in this study, as it could potentially influence the perceptions of individuals; for example, in a mission-driven organization, philosophy-oriented organizational practices can cultivate and boost individuals' personal understanding of the management philosophy through daily practices (Wang, 2011, p. 114). This study adapted this construct with the same intent indicated by Wang (2011) in the previous study.

Individual outcomes included two constructs: job involvement and organizational citizenship behaviour. In Wang's (2011) research, these two constructs were identified as being positively related to identification with the management philosophy and sensemaking of the management philosophy. In this study, both constructs were adapted, and the author added three new constructs—trust in management, organizational commitment, and satisfaction with franchisor (employer) competence—to measure individual outcomes related to franchise relations.

The extended framework of the philosophy-oriented organizational practice was presented in Chapter 2, Figure 2.2. Based on this newly developed framework, six research hypotheses were introduced, which are presented in Table 4.1.

Table 4.1 Research Hypotheses

Hypothesis	
H1a	Philosophy-oriented practice is positively related to individual identification with the management philosophy (Wang, 2011).
H1b	Philosophy-oriented practice is positively related to individual sensemaking of the management philosophy (Wang, 2011).
H1c	Philosophy-oriented practice is positively related to organizational goal clarity.
H1d	Philosophy-oriented practice is positively related to mission valence.
H2a	Identification with the management philosophy is positively related to job involvement (Wang, 2011).
H2b	Identification with the management philosophy is positively related to organizational citizenship behaviour (Wang, 2011).
H2c	Identification with the management philosophy is positively related to trust in management.
H2d	Identification with the management philosophy is positively related to organizational commitment.
H2e	Identification with the management philosophy is positively related to satisfaction with franchisor (employer) competence.
H3a	Sensemaking of the management philosophy is positively related to job involvement (Wang, 2011).
H3b	Sensemaking of the management philosophy is positively related to organizational citizenship behaviour (Wang, 2011).
H3c	Sensemaking of the management philosophy is positively related to trust in management.
H3d	Sensemaking of the management philosophy is positively related to organizational commitment.
H3e	Sensemaking of the management philosophy is positively related to satisfaction with franchisor (employer) competence.
H4a	Organizational goal clarity is positively related to job involvement.
H4b	Organizational goal clarity is positively related to organizational citizenship behaviour.
H4c	Organizational goal clarity is positively related to trust in management.
H4d	Organizational goal clarity is positively related to organizational commitment.
H4e	Organizational goal clarity is positively related to satisfaction with franchisor (employer) competence.
H5a	Mission valence is positively related to job involvement.
H5b	Mission valence is positively related to organizational citizenship behaviour.
H5c	Mission valence is positively related to trust in management.
H5d	Mission valence is positively related to organizational commitment.
H5e	Mission valence is positively related to satisfaction with franchisor (employer) competence.
H6a	The relationship between the philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor (employer) competence is mediated by identification with the management philosophy (Wang, 2011).
H6b	The relationship between the philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction

	with franchisor (employer) competence is mediated by sensemaking of the management philosophy (Wang, 2011).
H6c	The relationship between the philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor (employer) competence is mediated by organizational goal clarity.
H6d	The relationship between the philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor (employer) competence is mediated by mission valence.

4.8 Measures

The web-based questionnaire used in this study was organized into 11 sections. Section 1 was designed to collect participant demographic variables. Section 2 was intended to measure the participant's adoption of the management philosophy and was classified into the following dimensions: identification with the management philosophy and sensemaking of the management philosophy. Section 3 was designed to measure the philosophy-oriented organizational practice. Section 4 was designed to measure job involvement. Section 5 was designed to measure organizational citizenship behaviour. Section 6 was designed to measure organizational goal clarity. Section 7 was designed to measure mission valence. Section 8 was designed to measure trust in management. Section 9 was designed to measure organizational commitment. Section 10 was designed to measure satisfaction with franchisor (employer) competence. In Sections 2 through 10, respondents were asked to respond to each question using a five-point Likert-type scale in which (1) = Strongly Disagree, (2) = Disagree, (3) = Neutral, (4) = Agree, and (5) = Strongly Agree. Section 11 was made up of four open-ended questions and was designed to collect qualitative data.

There are ongoing debates over whether researchers should use a five- or a seven-point scale and whether it is better to use a scale with an even number of points, as with five- or seven-point scales, respondents may tend to select the middle of the scale without committing to a clear

answer. Likert (1932) suggests a five-point scale. Dawes (2008) argues that results attained from scales ranging between seven and ten points may provide more information. In a recent study, Revilla, Saris, and Krosnick (2013) suggest that if a researcher wants to use agree-disagree scales, he or she should consider a five-point scale over a seven- or eleven-point scale, because large scales produce lower-quality responses. In this study, a five-point Likert scale was used based on the researcher's personal preference.

Measurement of Adoption of the Management Philosophy

1. Identification with the management philosophy

In Wang's study (2011), adoption of the management philosophy was categorized into two dimensions: identification with the management philosophy and sensemaking of the management philosophy. In this study, the adoption of the management philosophy was categorized into four dimensions: identification with the management philosophy, sensemaking of the management philosophy, mission valence, and organizational goal clarity. In studying how a management philosophy might influence individuals, Wang (2011, p. 113) notes that members of a mission-driven organization are very much motivated by the mission and that they identify with management philosophies that are designed to carry out that mission. According to Wang (2011), the real reason individuals want to identify with a management philosophy originates from both social identity theory (Tajfel, 1982, 1978, cited in Wang, 2011) and self-categorization theory (Turner et al., 1987, cited in Wang, 2011). The management philosophy of the mission-driven organization can function as a social classification that supports individuals in defining their own attributes (Wang, 2011). The following survey questions were adapted from Wang (2011) to measure identification with the management philosophy:

1. I identify with the management philosophy and ethical codes of my [franchisor] employer.
2. The management philosophy of my [franchisor] employer is valuable in helping me overcome the difficulties at work.
3. I could not accept the management philosophy of my [franchisor] employer because it is opposed to my individual values [This is a reversed item].

2. Sensemaking of the management philosophy

The term “sensemaking” simply means “the making of sense” (Weick, 1995, p. 4). It is the process by which individuals develop cognitive maps of their environment and is a method of constructing the unknown (Ring and Rands, 1989, cited in Wang, 2011; Waterman, 1990, cited in Ancona, 2012). It follows that sensemaking of the management philosophy is the process by which individuals develop cognitive maps of the management philosophy (Wang 2011). The mission-driven organization often provides the management philosophy and principles in abstract form and does not articulate them in full detail. Therefore, the process of sensemaking allows individuals to understand management's ideas, concepts, principles, and attitudes guiding the business management philosophy in the organization (Wang, 2011). Sensemaking is a personal concern of identity; thus, individuals need to make sense of the philosophy and know what to do to practice it themselves. The following questions were adapted from Wang (2011) to measure the sensemaking of the management philosophy:

1. I could make sense of the management philosophy of my [franchisor] employer very well.

2. I am able to interpret the management philosophy of the [franchisor] employer in my own words.
3. I can explain the management philosophy to people outside the company if required.

The original Cronbach's alphas of the overall adoption of the management philosophy, the identification of the management philosophy, and the sensemaking of the management philosophy were 0.83, 0.70, and 0.90, respectively (Wang, 2011, p. 117). In this study, the alphas of adoption of the management philosophy, the identification of the management philosophy, and the sensemaking of the management philosophy were 0.85, 0.69, and 0.91, respectively.

3. Organizational goal clarity

Well-articulated organizational goals help individuals see relationships between their values and the values of the organization (Wright, Moynihan and Pandey, 2012). In return, goal clarity increases individuals' commitment to the organization's mission and helps individuals embrace management's philosophy. Goal clarity also has a positive impact on job satisfaction, because individuals are well informed about management expectations and can grow the organization. The following questions were adapted from Wright and Pandey (2011) to measure organizational goal clarity:

1. It is easy to explain the goals of this organization to outsiders.
2. This organization's mission is clear to everyone.
3. This organization has clearly defined goals.

The original alpha was 0.86 (Wright and Pandey, p. 30). The alpha in this study was 0.69.

4. Mission valence

Mission valence is "an individual's perceptions of the attractiveness of the organization's purpose or social contribution" (Wright, Moynihan and Pandey, 2012). Wright (2007) explains that mission valence can improve the satisfaction that the individual experiences. Wright, Moynihan, and Pandey (2012) and Wright (2007) confirm that transformational leadership has a significant indirect effect on mission valence through the influence of public service motivation and goal clarity. These questions were adapted to measure mission valence of employees and franchisees in a mission-driven organization. The following questions were adapted from Wright and Pandey (2011) to measure the mission valence:

1. This organization provides valuable services to society.
2. I believe that the priorities of this organization are quite important.
3. The work of this organization is not very significant in the broader scheme of things.
4. For me, the mission of this organization is exciting.
5. The mission of [Kumon] is not that important to me. [This is a reversed item.]
6. I have a dream to [contribute to world peace through education].
7. [Kumon] will contribute to the growth and happiness of each individual by putting into practice our mission, vision, and values.

The original alpha was 0.73 (Wright and Pandey, p. 30). The alpha in this study was 0.78.

5. Measurement of the philosophy-oriented organizational practice

The ideology of a mission-driven organization can serve as a mechanism for managing work and reaching control through standardization of norms (Mintzberg, 1989). In other words, philosophy-oriented organizational practices can direct, promote, and reinforce individual understanding of the management philosophy through everyday practices (Wang, 2011). Gatewood and Riordan (1997) explain that an organizational practice can help employees develop appropriate job skills necessary for implementing the organization's norms, values, and goals. These organizational practices can decrease disorientation and increase individuals' faith in the organization while also aiding positive sensemaking of the management philosophy (Wang, 2011). The following questions were adapted from Wang (2011) to measure the philosophy-oriented organizational practice:

1. The philosophy-oriented training and education programs are implemented very well in my company.
2. The management philosophy of the company has been clearly communicated to every [franchisee] employee.
3. The philosophy-oriented behaviours are preferred and favoured in [franchisee] employee evaluation and promotion.
4. The senior managers and my supervisor [my field consultant/branch manager] prefer to follow the instructions of the management philosophy whenever they encounter difficulties.
5. My supervisor [field consultant and branch manager] respect the management philosophy very much.

6. The top-level managers do not change their attitudes and stances even when faced with harsh problems.

The original alpha was 0.77 (Wang, p. 118). The alpha in this study was 0.81.

6. Measurement of individual outcomes

Job Involvement

The following questions were originally from the Japan Institute for Labour Policy and Training (1999, cited in Wang, 2011). Job involvement speaks to how individuals identify with their situations and how they feel about their participation in the organization. Identification with the management philosophy can bring an individual to integrate the philosophy as the collective goal of all company members (Wang, 2011). The questions presented by Wang were adapted to measure job involvement of the franchisees and employees:

1. I feel that the most fulfilling time of my life is working at work [the center].
2. I feel great satisfaction with my work [center] operations.
3. I am very much involved in my company [franchise business].

The original alpha from the Japan Institute for Labour Policy and Training (Wang, p. 118) was 0.81. The alpha in this study was 0.72.

7. Organizational citizenship behaviour

Mission-driven organizations appeal to individuals with high levels of prosocial inspiration (a social behaviour committed to benefit other individuals or society as a whole) (Grant and Sumanth, 2009); such individuals are expected to take part in organizational

citizenship behaviour (Bolino, 1999). The following questions were adapted from Wang (2011) to measure organizational citizenship behaviour:

1. I always stay informed about change in the company.
2. I always help others who are in need of support.
3. I never take a break without a legitimate reason.
4. I would not hurt others' feelings even as a joke.
5. I always stay informed about the developments and situation of the company.
6. I would like to help others even by sacrificing my own time.
7. I try to avoid creating problems for others.
8. I attend and participate in events regarding my company even though it is not required.
9. I do not complain a lot about trivial matters.
10. I always try to give others useful advice for avoiding failure.

The original alpha was 0.70 (Wang, p. 118). The alpha in this study was 0.76.

8. Trust in management

Trust is an essential element that controls satisfaction and organizational commitment (Cho and Park, 2011, p. 552). In the organizational context, trust can be divided into different categories: trust in management, trust in immediate supervisors, and trust in colleagues.

Management that demonstrates integrity and communicates the truth in the organization are likely to be respected by the employees (Caldwell et al., 2007, cited in Sankar, 2003). Indeed, trust will bring loyalty and commitment; however, to secure it, autonomy and control must be

exchanged. Another way to gain trust is through clear communication with individuals. This method allows transparency to exist within the organization, which will enable individuals to realize that they can influence and contribute to decision-making processes within the organization (Chen and Indartono, 2011, p. 538). Fairness and justice are other elements with which to gain trust from individuals (Chen and Indartono, 2011, p. 538). This level of trust is based on the emotions and perceptions of individuals. Demir (2011, p. 217) argues that trust is an emotional factor, so an increase in commitment means there is a reduction in deviant attitudes and behaviours. The following questions were adapted from Caceres and Paparoidamis (2007) to measure trust in management:

1. My franchisor [employer] representative really takes care of my needs as a customer.
2. I trust my franchisor [employer] completely.
3. The [employer is] franchisor's representatives are very friendly, human, and non-authoritarian.
4. There is a good support system offered by the franchisor [employer].
5. I have problems with specific [manager] franchisor representatives.
6. My franchisor [employer] is honest in its dealings with me.
7. I can expect my franchisor [employer] to tell the truth.

The original alpha was 0.80 (Caceres and Paparoidamis, p. 849). The alpha in this study was 0.79.

9. Organizational commitment

According to Morgan and Hunt (1994, p. 22), commitment and trust are crucial to a successful relationship between a franchisor and its franchisees. Commitment and trust can lead directly to mutually beneficial behaviours, because they encourage the franchisor and franchisees to work together and expect long-term benefits (Morgan and Hunt, 1994, p. 22). However, trust does not necessarily grow gradually over time, while commitment does appear to grow over time (Croonen, 2007, 2008, 2010; Tikoo, 2005). Therefore, commitment is the foundation for building trust. The following questions were adapted from Caceres and Paparoidamis (2007) and Davies et al. (2011) to measure organizational commitment:

1. I feel involved with my franchisor [employer].
2. I am very proud to have this company as my franchisor [employer].
3. My franchisor [employer] and I are committed to a positive, long-term relationship.
4. My association with the franchisor [employer] has been a highly successful one.
5. Generally, I am very satisfied with my overall relationship with the franchisor [employer].

The original alpha was 0.89 (Caceres and Paparoidamis, 2007, p. 849). The alpha in this study was 0.92.

10. Satisfaction with franchisor (employer) competence

Satisfaction with their franchisor can positively affect a franchisee's performance. Empirical research suggests that trust is the source of satisfaction and that satisfaction is

intimately connected to trust and a strong relationship (Dickey, McKnight and George, 2007). Positive experiences related to franchisor ability can produce positive trust and belief in franchisor competence, which can lead to satisfaction with the franchisor. However, the franchisor's integrity, ethics, and honesty will influence the franchisee's behaviour and attitude toward the franchisor. The following questions were adapted from Davies et al. (2011) and Dickey, McKnight, and George (2007) to measure satisfaction with franchisor (employer) competence:

1. My franchisor [employer] is skillful and effective in its work.
2. My franchisor [employer] performs its work very well.
3. My franchisor [employer] has good communication practices and interaction with the employees and franchisees.
4. Overall, my franchisor [employer] is technically competent.
5. Overall, I have a capable and proficient franchisor [employer].
6. My franchisor [employer] ensures that the organization's actions are consistent with its values.
7. As a franchisee [employee], I am satisfied with the way the franchisor handles its franchisees.
8. As a franchisee [employee], I am satisfied with the competence of the franchisor in making decisions.
9. As a franchisee [employee], I am satisfied with the way franchisor policies are put into practice.

The alpha in this study was 0.96.

11. Open-ended questions

There were four open-ended questions developed in this study that aimed to collect additional responses from participants identifying personal points of view that were not otherwise captured.

1. Please describe your reasons for becoming a Kumon Associate or Kumon Instructor.
2. What do you think of the management of the franchising company? Are they good leaders for the franchise system? Do they do what they say?
3. If you could change your relationship with the franchisor to be the ideal situation, what would it look like, feel and be like?
4. Is there a better alternative for supporting the relationship with the franchisee and franchisor?

4.9 Statistical Analysis

IBM SPSS version 23 and IBM SPSS AMOS version 23 were employed in this study to perform statistical analysis and to test the research hypotheses. The statistical analysis used in this study was based on the empirical research of Wang (2011).

First, reliability analysis was used to confirm the internal consistency of variables of this study. Cronbach's alpha coefficient was measured and the resulting values were used as indicator of internal consistency (Pallant, 2013). Nunnally (1978) suggests Cronbach's alpha a threshold value of 0.7. More recently, however, Field (2013) and Pallant (2013) have suggested that Cronbach's alpha values above 0.7 are considered acceptable and probably indicate good reliability, and that Cronbach's alpha values above 0.8 are preferable.

Second, the theoretical validity of the four-dimensional model of the individual adoption of the management philosophy—identification with the management philosophy, sensemaking of the management philosophy, organizational goal clarity, and mission valence (Wang, 2011)—was evaluated. The author used factor analyses as the method for identifying clusters of variables while reducing variables into a smaller set of factors (Field, 2013; Pallant, 2013). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was calculated to verify that the data set was suitable for factor analysis (Field, 2013; Pallant, 2013). Bartlett's test of sphericity was also applied to identify the level of significance and confirm variances are equal across groups or samples. A principal factor method with a varimax factor rotation was performed on the sixteen items developed to measure the individual adoption of the management philosophies. Field (2013) suggests that for the first analysis, it is generally a good approach to select a varimax rotation that simplifies the interpretation of factors. A varimax rotation simply attempts to “maximize the dispersion loadings within factors” (Field, 2013, p. 681).

Third, a correlation analysis was used to illustrate the strength and direction of the linear relationship between all variables. Hierarchical regression analyses were tested to confirm the hypotheses with regard to the relationships between the different variables in this study.

Last, in order to evaluate a structure equation modeling (SEM) and hypothesis test of this study, the guidance of James, Mulaik and Brett (2006) was reviewed. These researchers suggest that the traditional Baron and Kenny (1986) method is less applicable and that a full and partial mediation model is more appropriate; a full mediation model was selected and tested. This method was also utilized by Wang (2011, p. 121). IBM SPSS AMOS was utilized in the SEM analysis to demonstrate the integrated framework involving organizational practice, the individual adoption of management philosophy, and individual behavioural outcomes.

4.10 Chapter Summary

This chapter introduced the research approach and hypotheses that guided the study. The following chapter presents the results of the analysis and hypothesis testing.

CHAPTER FIVE

DATA ANALYSIS AND RESULTS

5.1 Introduction

The purpose of this chapter is to present a description of the survey respondents and the results of the analysis. The profiles of the franchisees and employees participating in this survey are reported in Section 5.2. The empirical elements of the scale developed for the measure of each variable are presented in Section 5.3, followed by a discussion of the reliability and validity of the measures used in this research. The responses from the four qualitative survey questions are examined and discussed in Section 5.3. The results of the SEM (Wang, 2011) with the hypotheses are reviewed and presented in Section 5.3. Finally, reflections on the observations and document analysis are presented in Section 5.4.

5.2 Profile of the Sample

In this study, a total of 1,700 emails were sent to potential survey participants throughout the focal organization in both Canada and the United States, including 1,282 franchisees and 418 employees; 152 responses were received, including 83 responses from franchisees and 69 responses from corporate employees. The overall response rate was 8.9%. There were 25 incomplete surveys. The sample for this study included 127 usable questionnaires that contained complete data on all questions; however, completion of the open-ended questions was optional and so was not complete in all cases where data was used. Table 5.1 presents the sample characteristics. The respondents consisted of 39 men (30.7%) and 88 women (69.3%). Approximately 25.2% of respondents were between the ages of 25 and 34, 26.8% were between

the ages of 35 and 44, 31.5% were between the ages of 45 and 54, 11.8% were between the ages of 55 and 64, and 4.7% were 65 or older. About 46.5% of respondents said they had bachelor's degrees, 37% said they had master's degrees, 2.4% said they had professional degrees, 5.5% said they had doctoral degrees, 2.4% said they had associate degrees, and 6.3% said they had college diplomas. A majority of respondents identified their ethnicity as White (50.4%), while 2.4% identified as Black, 18.1% as South Asian, 11% as Chinese, 4.7% as Filipino, 0.8% as Arab, 3.1% as Latin American, 3.1% as Southeast Asian, 0.8% as West Asian, 1.6% as Korean, and 3.9% as Japanese. There was no representation from the Aboriginal community. In total, 44% of respondents identified as Asian. Regarding years of service, approximately 41.7% of respondents had between 2 and 5 years, 7.9% had less than a year, 22.8% had between 6 and 10 years, 11% had between 11 and 15 years, 6.3% had 16 to 20 years, and 10.2% had more than 20 years. Approximately 87.1% of franchisee respondents reported that they owned one franchise location, while 12.9% owned two locations. Approximately 35.7% of franchisee respondents said they had between 101 and 200 subjects at their centres, while 8.6% had less than 50 subjects, 8.6% had between 51 and 100 subjects, 18.6% had between 201 and 300 subjects, 14.3% had between 301 and 400 subjects, and 14.3% had more than 401 subjects. Approximately 52.9% of franchisees had enrolment of 200 subjects or less. Of the 57 corporate employees who fully completed the questionnaire, 73.7% identified as non-management, while 26.3% identified as management. Finally, 86.6% of respondents understood that the focal organization was both a business and an educational institute, while 5.5% said it was only a business and 7.9% said it was only an educational institute. In this study, gender, age, ethnicity, and years of service were added to the model as control variables.

Table 5.1 Sample Characteristics

		Total Survey Respondents (N = 127)	
Gender	Male	39	30.7%
	Female	88	69.3%
Age	18 to 24	0	0.0%
	25 to 34	32	25.2%
	35 to 44	34	26.8%
	45 to 54	40	31.5%
	55 to 64	15	11.8%
	65 or older	6	4.7%
Education	College Diploma	8	6.3%
	Associate Degree	3	2.4%
	Bachelor's Degree	59	46.5%
	Master's Degree	47	37.0%
	Professional Degree	3	2.4%
	Doctorate Degree	7	5.5%
Ethnicity	White	64	50.4%
	Black	3	2.4%
	South Asian (e.g., East Indian, Pakistani, Sri Lankan, etc.)	23	18.1%
	Chinese	14	11.0%
	Filipino	6	4.7%
	Arab	1	0.8%
	Latin American	4	3.1%
	Southeast Asian (e.g., Vietnamese, Cambodian, Malaysian, Laotian, etc.)	4	3.1%
	West Asian (e.g., Iranian, Afghan, etc.)	1	0.8%
	Korean	2	1.6%
	Japanese	5	3.9%
Aboriginal	0	0.0%	
Years of Service	Less than 1 year	10	7.9%
	2 to 5 years	53	41.7%
	6 to 10 years	29	22.8%
	11 to 15 years	14	11.0%
	16 to 20 years	8	6.3%
	More than 20 years	13	10.2%
Location Ownership¹	1 year	61	87.1%
	2 years	9	12.9%
	3 or more	0	0.0%
Student Enrolment¹	401 subjects or more	10	14.3%
	301 to 400 subjects	10	14.3%
	201 to 300 subjects	13	18.6%
	101 to 200 subjects	25	35.7%
	51 to 100 subjects	6	8.6%
	Less than 50 subjects	6	8.6%
Position²	Full-Time Employee – Management	15	26.3%

	Full-Time Employee – Non-Management	42	73.7%
	Part Time Employee	0	0.0%
Kumon is	A Business	7	5.5%
	An Educational Institute	10	7.9%
	Both a Business and an Educational Institute	110	86.6%

1. This category is only applicable to franchisees. 2. This category is only applicable to corporate employees.

5.3 Analysis and Results

Descriptive Statistics

An independent-sample t-test was conducted to compare scores for all items on each of the ten scales for franchisees and employees. Table 5.2 shows the group statistics (i.e., the means and standard deviations for the franchisee group and employee group). Table 5.3 shows the results for the independent sample tests. Table 5.4 shows the eta squared results. The results of the analysis can be summarized as follows.

For identification with the management philosophy, there was no significant difference in scores between franchisees ($M = 11.07, SD = 2.42$) and employees ($M = 11.65, SD = 2.17; t(125) = -1.403, p = 0.16$, two-tailed). The magnitude of the difference in means (mean difference = $-.58$, 95% Confidence interval (CI): -1.39 to 0.24) was very small (eta squared = 0.01).

Regarding sensemaking of the management philosophy, there was no significant difference in scores between franchisees ($M = 10.99, SD = 2.84$) and employees ($M = 10.82, SD = 2.56; t(125) = 0.332, p = .74$, two-tailed). The magnitude of the difference in means (mean difference = 0.16 , 95% CI : $-.80$ to 1.12) was very small (eta squared = 0.001).

Regarding philosophy-oriented organizational practice, there was no significant difference in scores for franchisees ($M = 21.14, SD = 4.67$) and employees ($M = 20.72, SD = 4.26; t(125) = 0.529, p = .60$, two-tailed). The magnitude of the difference in means (mean difference = 0.42 , 95% CI : -1.16 to 2.01) was very small (eta squared = 0.008).

With organizational goal clarity, there was no significant difference in scores between franchisees ($M = 10.7$, $SD = 3.04$) and employees ($M = 11.18$, $SD = 2.18$; $t(123.135) = -1.024$, $p = .31$, two-tailed). The magnitude of the difference in means (mean difference = $-.48$, 95% CI : -1.39 to 0.44) was very small (eta squared = 0.008).

Regarding mission valence, there was no significant difference between the scores for franchisees ($M = 27.06$, $SD = 3.61$) and employees ($M = 26.84$, $SD = 3.36$; $t(125) = 0.344$, $p = .73$, two-tailed). The magnitude of the difference in means (mean difference = 0.22 , 95% CI : -1.02 to 1.45) was very small (eta squared = 0.001).

For job involvement, there was a significant difference in scores for franchisees ($M = 12.57$, $SD = 2.16$) and employees ($M = 10.28$, $SD = 2.32$; $t(125) = 5.75$, $p = 0.000$, two-tailed). The magnitude of the difference in means (mean difference = 2.29 , 95% CI : 1.50 to 3.08) was large (eta squared = 0.2).

For organizational citizenship behaviour, there was no significant difference between scores for franchisees ($M = 41.44$, $SD = 4.80$) and employees ($M = 40.35$, $SD = 3.89$; $t(125) = 1.386$, $p = 0.17$, two-tailed). The magnitude of the difference in means (mean difference = 1.09 , 95% CI : $-.47$ to 2.65) was small (eta squared = 0.015).

Regarding trust in management, there was no significant difference between scores for franchisees ($M = 22.33$, $SD = 5.41$) and employees ($M = 23.49$, $SD = 4.43$; $t(125) = -1.304$, $p = .19$, two-tailed). The magnitude of the difference in means (mean difference = -1.16 , 95% CI : -2.93 to 0.60) was small (eta squared = 0.013).

Regarding organizational commitment, there was a significant difference in scores for franchisees ($M = 17.73$, $SD = 4.30$) and employees ($M = 19.30$, $SD = 3.94$; $t(125) = -2.123$, $p =$

0.04, two-tailed). The magnitude of the difference in means (mean difference = -1.57, 95% *CI*: -3.03 to -.11) was small (eta squared = 0.03).

For satisfaction with franchisor competence, there was no significant difference in scores for franchisees ($M = 28.39$, $SD = 8.73$) and employees ($M = 31.12$, $SD = 6.98$; $t(125) = -1.92$, $p = .057$, two-tailed). The magnitude of the difference in means (mean difference = -2.74, 95% *CI*: -5.56 to 0.09) was small (eta squared = 0.03).

In this research, the franchisee and employee surveys were combined as one data set for the following reasons. First, eta squared was used to calculate the effect size for the independent-sample t-tests (Pallant, 2013). The guidelines for interpreting the eta squared value are as follows: 0.01 = small effect, 0.06 = moderate effect, and 0.14 = large effect (Cohen, 1998, pp. 284–287). The results indicated that only one item, “job involvement,” had a large difference in means. However, the rest of the items, 9 out of 10, showed small difference in means. Second, there is a belief that franchisees may show more “distance” (Johnson, and Droege, 2004) toward the franchisor than the employees in a conventional franchise system. Since the focal organization is mission-driven and exhibits the characteristics of a non-profit organization, it is logical to combine the results into one data set. Lastly, both franchisees and employees received the same initial indoctrination training and ongoing, time-to-time re-indoctrination training, and therefore, the distance between these groups and the franchisor should be relatively similar.

Table 5.2 Group Statistics t-Test

Identity		N	Mean	Std. Deviation	Std. Error Mean
Total Identification with the Management Philosophy	Franchisee	70	11.0714	2.41566	0.28873
	Employee	57	11.6491	2.16705	0.28703
Total Sensemaking of the Management Philosophy	Franchisee	70	10.9857	2.83607	0.33897
	Employee	57	10.8246	2.56434	0.33965
Total Philosophy-Oriented Organizational Practice	Franchisee	70	21.1429	4.66652	0.55776
	Employee	57	20.7193	4.26260	0.56460
Total Organizational Goal Clarity	Franchisee	70	10.7000	3.04245	0.36364
	Employee	57	11.1754	2.18046	0.28881
Total Mission Valence	Franchisee	70	27.0571	3.61112	0.43161
	Employee	57	26.8421	3.35830	0.44482
Total Job Involvement	Franchisee	70	12.5714	2.15737	0.25786
	Employee	57	10.2807	2.32036	0.30734
Total Organizational Citizenship Behaviour	Franchisee	70	41.4429	4.80228	0.57398
	Employee	57	40.3509	3.88905	0.51512
Total Trust in Management	Franchisee	70	22.3286	5.41260	0.64693
	Employee	57	23.4912	4.42849	0.58657
Total Organizational Commitment	Franchisee	70	17.7286	4.30342	0.51436
	Employee	57	19.2982	3.94138	0.52205
Total Satisfaction with Franchisor Competence	Franchisee	70	28.3857	8.72659	1.04303
	Employee	57	31.1228	6.98486	0.92517

Table 5.3 Independent Samples t-Test

		Levene's Test for Equality of Variances		Equality of Means t-test						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Diff	Std. Error Diff.	95% Confidence Interval of the Difference	
									Lower	Upper
Total Identification with the Management Philosophy	Equal variances assumed	1.378	0.243	-1.403	125	0.163	-0.57769	0.41169	-1.39249	0.23710
	Equal variances not assumed			-1.419	123.795	0.158	-0.57769	0.40713	-1.38352	0.22813
Total Sensemaking of the Management Philosophy	Equal variances assumed	0.671	0.414	0.332	125	0.740	0.16115	0.48486	-.79844	1.12075
	Equal variances			0.336	123.596	0.738	0.16115	0.47986	-.78866	1.11097

	not assumed									
Total Philosophy-Oriented Organizational Practice	Equal variances assumed	0.779	0.379	0.529	125	0.598	0.42356	0.80106	-1.16185	2.00897
	Equal variances not assumed			0.534	123.317	0.595	0.42356	0.79364	-1.14736	1.99447
Total Organizational Goal Clarity	Equal variances assumed	5.353	0.022	-0.990	125	0.324	-0.47544	0.48003	-1.42548	0.47461
	Equal variances not assumed			-1.024	123.135	0.308	-0.47544	0.46438	-1.39464	0.44376
Total Mission Valence	Equal variances assumed	0.557	0.457	0.344	125	0.731	0.21504	0.62445	-1.02083	1.45090
	Equal variances not assumed			0.347	122.767	0.729	0.21504	0.61980	-1.01184	1.44192
Total Job Involvement	Equal variances assumed	0.052	0.820	5.753	125	0.000	2.29073	0.39818	1.50267	3.07878
	Equal variances not assumed			5.710	115.955	0.000	2.29073	0.40118	1.49613	3.08532
Total Organizational Citizenship Behaviour	Equal variances assumed	1.691	0.196	1.386	125	0.168	1.09198	0.78795	-0.46748	2.65144
	Equal variances not assumed			1.416	124.998	0.159	1.09198	0.77123	-0.43439	2.61835
Total Trust in Management	Equal variances assumed	3.208	0.076	-1.304	125	0.194	-1.16266	0.89128	-2.92662	0.60130
	Equal variances not assumed			-1.331	124.995	0.185	-1.16266	0.87326	-2.89094	0.56563
Total Organizational Commitment	Equal variances assumed	2.781	0.098	-2.123	125	0.036	-1.56967	0.73953	-3.03329	-0.10606
	Equal variances not assumed			-2.142	123.240	0.034	-1.56967	0.73287	-3.02032	-0.11903
Total Satisfaction with Franchisor (Employer) Competence	Equal variances assumed	3.495	0.064	-1.919	125	0.057	-2.73709	1.42608	-5.55949	0.08530
	Equal variances not assumed			-1.963	124.970	0.052	-2.73709	1.39422	-5.49643	0.02224

Table 5.4 Eta Squared Calculations of the Effect Size for Independent-Samples t-Test

	Eta squared		
	Total Identification with the Management Philosophy	0.01	1%
Total Sensemaking of the Management Philosophy	0.001	less than 1%	Small Effect
Total Philosophy-Oriented Organizational Practice	0.008	less than 1%	Small Effect
Total Organizational Goal Clarity	0.008	less than 1%	Small Effect
Total Mission Valence	0.001	less than 1%	Small Effect
Total Job Involvement	0.2	20%	Large Effect
Total Organizational Citizenship Behaviour	0.015	1.5%	Small Effect
Total Trust in Management	0.013	1.3%	Small Effect
Total Organizational Commitment	0.03	3%	Small Effect
Total Satisfaction with Franchisor (Employer) Competence	0.028	2.8%	Small Effect

Table 5.5 shows the means scores and standard deviations of all items on each of the ten scales. For example, Mission Valence 1 (MV1), "This organization provides valuable services to the society," has a mean value of 4.5669 with a standard deviation of 0.59882. This shows that many survey participants, both franchisees and employees, believe that the research organization's products and services are beneficial to its clients. The rest of the table can be interpreted in the same way.

Table 5.5 Means and Standard Deviations of Items

Variable	Item	N	Mean	Standard Deviation	Minimum	Maximum
Identification with the Management Philosophy ¹	Idn1 ¹	127	3.8031	0.95152	1.000000	5.000000
	Idn2	127	3.4567	1.05225	1.000000	5.000000
	Idn3*	127	4.0709	0.94433	1.000000	5.000000
Sensemaking of the Management Philosophy ²	Sen1	127	3.5748	1.04289	1.000000	5.000000
	Sen2	127	3.6535	0.93756	1.000000	5.000000
	Sen3	127	3.6850	0.95702	1.000000	5.000000
Philosophy-Oriented Organizational Practice ³	POP1	127	3.4094	1.07905	1.000000	5.000000
	POP2	127	3.3150	1.15951	1.000000	5.000000
	POP3	127	3.2598	1.10707	1.000000	5.000000
	POP4	127	3.6929	0.93020	1.000000	5.000000
	POP5	127	3.9370	0.85215	1.000000	5.000000
	POP6	127	3.3386	1.09993	1.000000	5.000000
Organizational Goal Clarity ⁴	GC1	127	3.7953	1.01839	1.000000	5.000000

¹⁻¹⁰ Please see Appendix C – Survey Questionnaire, Section 2 to Section 11.

	GC2	127	3.5118	1.07546	1.000000	5.000000
	GC3	127	3.6063	1.13500	1.000000	5.000000
Mission Valence ⁵	MV1	127	4.5669	0.59882	2.000000	5.000000
	MV2	127	4.0630	0.87965	1.000000	5.000000
	MV3	127	2.1260	0.95943	1.000000	5.000000
	MV4	127	3.9843	0.87273	1.000000	5.000000
	MV5*	127	4.2362	0.77107	2.000000	4.000000
	MV6	127	3.9843	0.95106	1.000000	5.000000
	MV7	127	4.0000	0.94281	1.000000	5.000000
Job Involvement ⁶	Job1	127	3.1811	1.29968	1.000000	5.000000
	Job2	127	3.9291	0.97737	1.000000	5.000000
	Job3	127	4.4331	0.77245	1.000000	5.000000
Organizational Citizenship Behaviour ⁷	OCB1	127	3.8661	0.93742	1.000000	5.000000
	OCB2	127	4.2913	0.70272	2.000000	5.000000
	OCB3	127	4.0551	0.87566	2.000000	5.000000
	OCB4	127	4.2835	0.67727	2.000000	5.000000
	OCB5	127	3.9685	0.86315	1.000000	5.000000
	OCB6	127	4.0236	0.68388	2.000000	5.000000
	OCB7	127	4.3386	0.59389	2.000000	5.000000
	OCB8	127	3.9843	0.86359	1.000000	5.000000
	OCB9	127	3.8661	0.92892	1.000000	5.000000
	OCB10	127	4.2756	0.63842	2.000000	5.000000
Trust in Management ⁸	Trust1	127	3.4094	1.11522	1.000000	5.000000
	Trust2	127	3.0236	1.09446	1.000000	5.000000
	Trust3	127	3.5512	1.00561	1.000000	5.000000
	Trust4	127	3.4961	1.06811	1.000000	5.000000
	Trust5	127	2.5039	1.09017	1.000000	5.000000
	Trust6	127	3.3937	1.04013	1.000000	5.000000
	Trust7	127	3.4724	1.10430	1.000000	5.000000
Organizational Commitment ⁹	OC1	127	3.6142	1.03162	1.000000	5.000000
	OC2	127	3.8425	0.83974	1.000000	5.000000
	OC3	127	3.7165	0.95865	1.000000	5.000000
	OC4	127	3.5669	0.95610	1.000000	5.000000
	OC5	127	3.6929	1.00405	1.000000	5.000000
Satisfaction with Franchisor (Employer) Competence ¹⁰	SF1	127	3.4488	0.99769	1.000000	5.000000
	SF2	127	3.3780	0.99146	1.000000	5.000000
	SF3	127	3.1339	1.17758	1.000000	5.000000
	SF4	127	3.3150	0.97346	1.000000	5.000000
	SF5	127	3.5276	0.96631	1.000000	5.000000
	SF6	127	3.4331	1.04343	1.000000	5.000000
	SF7	127	3.2283	1.07045	1.000000	5.000000
	SF8	127	3.1417	1.06700	1.000000	5.000000
	SF9	127	3.0079	1.07272	1.000000	5.000000

*Reversed item

Open-Ended Questions

There were four open-ended questions at the end of the survey. The goals of these questions were to encourage full, meaningful answers using the participant's own knowledge and feelings. These four questions covered the following topics: reasons for joining the company, day-to-day experience, leadership in the organization and its competency, the franchise relationship, and recommendations to establish a better relationship between the franchisees and franchisor.

Of the survey respondents, 127 completed the quantitative part of the survey. Table 5.6 presents the four questions and the number of individuals who completed both the quantitative part of the survey and the four open-ended questions.

Table 5.6 Open-Ended Question Responses

	Question	Responses
1	Please describe your reasons for becoming a Kumon Associate or Kumon Instructor	98
2	What do you think of the management of the franchising company? Are they good leaders for the franchise system? Do they do what they say?	95
3	If you could change your relationship with the franchisor to be the ideal situation, what would it look like, feel and be like?	85
4	Is there a better alternative for supporting the relationship with the franchisee and franchisor?	90

Question 1: Please describe your reasons for becoming a Kumon Associate or Kumon Instructor (Franchisee).

This question is commonly used at Kumon, usually asked during a corporate job interview or prospective franchisee interview. It is also a frequently asked question during training, or as an icebreaker. A total of 98 individuals answered this question. Approximately 50% of respondents identified the primary reason for joining the focal organization as the company's mission, education philosophy, and methodology. Roughly 27.55% of respondents

indicated that a love of education and working with children were the key reasons for joining the organization.

Question 2: What do you think of the management of the franchising company? Are they good leaders for the franchise system? Do they do what they say?

A total of 95 individuals answered this question. Around 51.58% of participants indicated that they were satisfied with the management of the focal company. Individuals who replied in favour of management also identified their managers as good leaders who put students and the company's mission first. These good leaders were recognized by these participants because they did what they said they would, which illustrates good management practices. In contrast, 32.63% believed the management of the focal company was weak, inconsistent, and out of touch, had no credibility, only cared about profit, and had no idea what it was doing.

Question 3: If you could change your relationship with the franchisor to be the ideal situation, what would it look, feel, and be like?

A total of 85 individuals answered this question. According to respondents, "trust" (32.94%) and "open communication" (21.18%) are the two most desirable situations when describing an ideal franchise relationship. Franchisee profitability (14.12%) was the third most mentioned answer. It is also important to highlight that "franchise agreement compliance" (9.42%) was the fourth most mentioned answer. Employees were the only respondents.

Question 4: Is there a better alternative for supporting the relationship between the franchisee and franchisor?

A total of 90 individuals answered this question. Of these, 38.89% believed that leadership at Kumon is the key to supporting better franchisor and franchisee relationships, and 26.67% suggested that Kumon should pay more attention to fulfilling franchisees' needs. Communication was suggested by 3.33% of respondents as a better alternative to supporting the relationship between the franchisee and franchisor.

Reliability Analysis

Results of the reliability analysis are presented in Table 5.7. According to Wang (2011), the adoption of the management philosophy, identification with the management philosophy, and sensemaking of the management philosophy dimensions have good internal consistency, with Cronbach's alpha coefficients reported as 0.83, 0.70, and 0.90, respectively (Wang, 2011, p. 117). In the current study, the Cronbach's alpha coefficients were 0.85, 0.69, and 0.91, respectively, which are similar to the values found in prior research. As for the two additional dimensions of organizational goal clarity and mission valence, the original Cronbach's alpha coefficient values were 0.86 and 0.73, respectively (Wright and Pandey, 2011, p. 30), while in this study, the Cronbach's alpha coefficients were 0.69 and 0.78, which are lower compared to the values found in prior research.

The philosophy-oriented organizational practice dimension had an acceptable Cronbach's alpha coefficient of 0.77 in Wang's study (2011, p. 118), while in this study, the Cronbach's alpha coefficient was higher (0.81). The dimensions of job involvement and organizational citizenship behaviour also showed good internal consistency in the original study, with Cronbach's alpha coefficient values of 0.81 and 0.70, respectively (Wang, p. 118), while in this study, the Cronbach's alpha coefficients were 0.72 and 0.76, comparable with the past research.

The trust in management and organizational commitment dimensions indicated good internal consistency with Wang's reported Cronbach's alpha coefficients of 0.80 and 0.89, respectively (Caceres and Paparoidamis, 2007, p. 849), while in this study, equivalent values of 0.79 and 0.92 were reported. The dimension of satisfaction with franchisor (employer) competence for this study had good internal consistency, with Cronbach's alpha reported as 0.96.

A minimum Cronbach's alpha value of 0.7 was selected for this study; this decision was based on Nunnally's (1978) suggestion of this threshold. However, Nunnally (1978, cited in Field, 2013) also suggests that in the early stages of research, Cronbach's alpha values as low as 0.5 are adequate. Pedhazur and Schmelkin (1991, cited in Field, 2013) suggest not using the general guideline, but rather thinking about what the value means within the context of the research. The lowest Cronbach's alpha value in this reliability analysis was 0.69 while the highest was 0.96, which indicates good reliability.

Table 5.7 Reliability Analysis

Item	Cronbach's Alpha
Adoption of the management philosophy	0.854
Philosophy-oriented organizational practice	0.809
Identification with the management philosophy	0.688
Sensemaking of the management philosophy	0.910
Organizational goal clarity	0.688
Mission valence	0.778
Job involvement	0.722
Organizational citizenship behaviour	0.762
Trust in management	0.791
Organizational commitment	0.924
Satisfaction with franchisor (employer) competence	0.957

Factor Analysis

To demonstrate the theoretical validity of the four-dimensional model of adoption of the management philosophy, identification with the management philosophy, sensemaking of the management philosophy, organizational goal clarity, and mission valence, Wang's (2011) factor analysis step was followed. A principal factor analysis with a varimax rotation was performed on the sixteen items developed to measure the individual adoption of the management philosophy. Inspection of the correlation matrix revealed the presence of many coefficients of 0.3 and above. The Kaiser-Meyer-Olkin (KMO) value was 0.84, exceeding the recommended value of 0.6 (Kaiser 1970, 1974). Also, Bartlett's test of sphericity (Bartlett, 1954) reached statistical significance, supporting the factorability of the correlation matrix (Table 5.8).

The principal factor analysis showed the presence of four components with eigenvalues exceeding 1, explaining 40.75%, 11.25%, 8.28%, and 6.75% of the variance, respectively (Table 5.9). Four clear factors emerge as a result: The first factor, defined by items 4 to 6, is based on sensemaking of the management philosophy. The second factor, defined by items 10 to 16, is based on the mission valence. The third factor, defined by items 7 to 9, is based on organizational goal clarity. The fourth factor, defined by items 1 to 3, reflects identification with the management philosophy.

Table 5.8 KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.844
Bartlett's Test of Sphericity	Approx. Chi-Square	1058.962
	Df	120
	Sig.	0.000

Table 5.9 Varimax Factor Loading of the Four-Dimensional Model (Identification with the Management Philosophy, Sensemaking of the Management Philosophy, Organizational Goal Clarity, and Mission Valence Dimensions) (N = 127)

Item	1	2	3	4
1 I am identified with the management philosophy and ethical codes of my franchisor (employer)	0.302	0.164	0.219	0.701
2 The management philosophy of my franchisor (employer) is valuable in helping me overcoming the difficulties at work	0.530	0.167	0.341	0.329
3 I could not accept the management philosophy of my franchisor because it is opposed to my individual value (reversed item)	0.096	0.078	0.039	0.653
4 I could make sense of the management philosophy of my franchisor very well	0.750	0.102	0.307	0.305
5 I am able to interpret the management philosophy of the franchisor in my own words	0.864	0.212	0.161	0.156
6 I can explain the management philosophy to people outside the company if required	0.844	0.213	0.191	0.059
7 It is easy to explain the goals of this organization to outsiders	0.409	0.329	0.463	0.072
8 This organization's mission is clear to everyone	0.164	0.037	0.784	0.181
9 This organization has clearly defined goals	0.389	0.233	0.591	0.107
10 This organization provides valuable services to the society	0.121	0.518	0.241	0.047
11 I believe that the priorities of this organization are quite important	0.237	0.417	0.595	0.026
12 The work of this organization is not very significant in the broader scheme of things	0.021	-0.519	0.076	-0.126
13 For me, the mission of this organization is exciting	0.257	0.664	0.321	0.202
14 The mission of Kumon is not that important to me (reversed item)	0.159	0.676	0.049	0.133
15 I have a dream: to contribute to world peace through education	0.191	0.556	0.238	-0.132
16 Kumon will contribute to the growth and happiness of each individual by putting into practice our Mission, Vision, and Values	0.253	0.557	0.345	0.084
Percentage of variance explained	40.75	11.25	8.28	6.76

All bolded values are statistically significant at $p < 0.001$

Correlations

The corrected item-total correlation was computed for all 56 observed variables. Table 5.10 shows that the overall Cronbach's alpha is 0.9. A few values in the column labeled "Corrected Item-Total Correlation" of Table 5.10 are below 0.3; these low values indicate that these items do not correlate indubitably with the scale overall (Pallant, 2013). However, the values for the great majority of variables in this study were above 0.3 and illustrated correction.

Both Field (2013) and Pallant (2013) used 0.3 as the lowest value, which is why it was also used in this study. Therefore, any corrected item-total correlation value that is less than 0.3 must be dropped. There were six items below the value of 0.3 that were eliminated from the analysis: POP6, OCB3, OCB4, OCB6, MV3, and Trust5.

Table 5.10 Corrected Item-Total Correlation

Variable	Item	Corrected Item-Total Correlation
Identification with the Management Philosophy	Idn1	0.63
	Idn2	0.674
	Idn3r	0.319
Sensemaking of the Management Philosophy	Sen1	0.677
	Sen2	0.577
	Sen3	0.541
Philosophy-Oriented Organizational Practice	POP1	0.738
	POP2	0.63
	POP3	0.625
	POP4	0.498
	POP5	0.548
	POP6	0.190*
Organizational Goal Clarity	GC1	0.643
	GC2	0.498
	GC3	0.661
Mission Valence	MV1	0.406
	MV2	0.579
	MV3	-0.218*
	MV4	0.622
	MV5r	0.435
	MV6	0.421
	MV7	0.569
Job Involvement	Job1	0.328
	Job2	0.463
	Job3	0.43
Organizational Citizenship Behaviour	OCB1	0.462
	OCB2	0.319
	OCB3	0.247*
	OCB4	0.217*
	OCB5	0.386
	OCB6	.253*
	OCB7	0.36
	OCB8	0.361

	OCB9	0.421
	OCB10	0.327
Trust in Management	Trust1	0.703
	Trust2	0.717
	Trust3	0.698
	Trust4	0.794
	Trust5	-.534*
	Trust6	0.741
	Trust7	0.661
Organizational Commitment	OC1	0.658
	OC2	0.748
	OC3	0.799
	OC4	0.758
	OC5	0.787
Satisfaction with Franchisor (Employer) Competence	SF1	0.808
	SF2	0.789
	SF3	0.773
	SF4	0.602
	SF5	0.811
	SF6	0.747
	SF7	0.778
	SF8	0.842
	SF9	0.745
Cronbach's Alpha 0.961		

Table 5.11 shows the means, standard deviations, and intercorrelations for all variables in this study. Notable correlations were found among gender, age, ethnicity, and years of service. As indicated by Table 5.11, the genders of participants showed no connection with other variables except for two: years of service ($r = -0.19, p < 0.05$) and trust in management ($r = 0.19, p < 0.05$). Respondents' ages showed correlations with years of service ($r = 0.58, p < 0.01$), identification with the management philosophy ($r = -0.19, p < 0.05$), job involvement ($r = 0.38, p < 0.01$), and satisfaction with franchisor (employer) competence ($r = -0.26, p < 0.01$). Respondents' ethnicity showed a correlation with identification with the management philosophy ($r = 0.23, p < 0.01$), sensemaking of the management philosophy ($r = 0.27, p < 0.01$), and satisfaction with franchisor (employer) competence ($r = 0.19, p < 0.05$). Respondents' years of service also showed correlations with philosophy-oriented organizational practice ($r = -0.19, p <$

0.05), job involvement ($r = 0.21, p < 0.05$), and satisfaction with franchisor (employer) competence ($r = -0.30, p < 0.01$).

Identification with the management philosophy is positively associated with five variables shown in Table 5.11, philosophy-oriented organizational practice ($r = 0.40, p < 0.01$), job involvement ($r = 0.340, p < 0.01$), organizational citizenship behaviour ($r = 0.413, p < 0.01$), trust in management ($r = 0.55, p < 0.01$), organizational commitment ($r = 0.612, p < 0.01$), and satisfaction with franchisor (employer) competence ($r = 0.605, p < 0.01$).

Sensemaking of the management philosophy was positively related to philosophy-oriented organizational practice ($r = 0.52, p < 0.01$), job involvement ($r = 0.275, p < 0.01$), organizational citizenship behaviour ($r = 0.386, p < 0.01$), trust in management ($r = 0.374, p < 0.01$), organizational commitment ($r = 0.476, p < 0.01$), and satisfaction with franchisor (employer) competence ($r = 0.538, p < 0.01$).

Organizational goal clarity was also positively related to philosophy-oriented organizational practice ($r = 0.46, p < 0.01$), job involvement ($r = 0.34, p < 0.01$), organizational citizenship behaviour ($r = 0.41, p < 0.01$), trust in management ($r = 0.60, p < 0.01$), organizational commitment ($r = 0.52, p < 0.01$), and satisfaction with franchisor (employer) competence ($r = 0.65, p < 0.01$).

Mission valence was positively associated with philosophy-oriented organizational practice ($r = 0.60, p < 0.01$), job involvement ($r = 0.27, p < 0.01$), organizational citizenship behaviour ($r = 0.30, p < 0.01$), trust in management ($r = 0.56, p < 0.01$), organizational commitment ($r = 0.52, p < 0.01$), and satisfaction with franchisor (employer) competence ($r = 0.66, p < 0.01$).

Philosophy-oriented organizational practice was positively correlated with identification with management philosophy, sensemaking of the management philosophy, organizational goal clarity, and mission valence, which is consistent with hypotheses 1a, 1b, 1c, and 1d (see Table 4.1 for research hypotheses). These results support Wang's (2011) findings with identical correlations between philosophy-oriented practice, identification with the management philosophy, and sensemaking of the management philosophy. In addition, they are also consistent with hypotheses 2a, 2b, 2c, 2d, 2e, 3a, 3b, 3c, 3d, 3e, 4a, 4b, 4c, 4d, 4e, 5a, 5b, 5c, 5d, and 5e.

Some of the correlations in Table 5.11 are high, especially between variables 12, 13, and 14, raising a concern with multicollinearity issues. A variance inflation factor (VIF) analysis was used to determine whether a predictor had a strong linear relationship with other predictors (Field, 2013, p. 325). Tables 5.12 to 5.21 illustrate the VIFs calculated in this study. According to Bowerman and O'Connell (1990) and Myers (1990), if the VIF value is greater than 10, there is cause for concern as this threshold is often considered as showing multicollinearity; however, if the VIF value is greater than 1, there may be a concern regarding a multicollinearity issue, but the regression may also only be biased. The values of the VIFs ranged from 1.322 to 5.296. Therefore, there is no concern of multicollinearity issues because all results were below the cut-off of 10; however, there may be bias in the regression because the VIFs were greater than 1 (Bowerman and O'Connell, 1990; Myers, 1990).

Table 5.11 Means, Standard Deviations, and Intercorrelations of Study Variables

Variable	N	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13
1 Gender	127	1.31	0.46	---												
2 Age	127	3.44	1.13	-0.03	---											
3 Ethnicity	127	2.95	2.71	0.01	-0.01	---										
4 Year of Service	127	2.97	1.43	-0.19*	0.58**	-0.02	---									
5 Identification with Management Philosophy	127	3.78	0.77	0.03	-0.19*	0.23**	-0.09	---								
6 Sensemaking of Management Philosophy	127	3.64	0.90	-0.07	-0.12	0.27**	-0.07	0.59**	---							
7 Organizational Goal Clarity	127	3.49	0.75	0.04	-0.02	0.11	-0.11	0.61**	0.58**	---						
8 Mission Valence	127	3.64	0.90	0.09	-0.12	0.09	-0.16	0.48**	0.59**	0.71**	---					
9 Philosophy-oriented Organizational Practice	127	3.85	0.50	0.06	-0.14	0.15	-0.19*	0.40**	0.52**	0.46**	0.60**	---				
10 Job Involvement	127	3.85	0.83	-0.06	0.38**	0.13	0.21*	0.34**	0.28**	0.34**	0.27**	0.40**	---			
11 Organizational Citizenship Behaviour	127	4.10	0.44	-0.07	0.08	0.16	0.09	0.41**	0.39**	0.41**	0.30**	0.52**	0.50**	---		
12 Trust in Management	127	3.26	0.72	0.19*	-0.10	0.10	-0.10	0.55**	0.37**	0.60**	0.56**	0.46**	0.34**	0.38**	---	
13 Organizational Commitment	127	3.69	0.84	0.16	-0.16	0.16	-0.12	0.61**	0.48**	0.52**	0.52**	0.55**	0.41**	0.52**	0.82**	---
14 Satisfaction with Franchisor (Employer) Competence	127	3.29	0.90	0.12	-0.26**	0.19*	-0.30**	0.61**	0.54**	0.65**	0.66**	0.56**	0.33**	0.42**	0.81**	0.83**

*Correlation is significant at the 0.05 level (2-tailed) ** Correlation is significant at the 0.01 Level (2-tailed)

Table 5.12 Variance Inflation Factor (VIF) #1

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Sensemaking of Management	.511	1.956
	Philosophy-oriented Organizational Practice	.370	2.705
	Job Involvement	.697	1.435
	Organizational Citizenship Behaviour	.538	1.859
	Organizational Goal Clarity	.342	2.923
	Mission Valence	.466	2.145
	Trust in Management	.236	4.242
	Organizational Commitment	.195	5.118
	Satisfaction with Franchisor (employer) Competence	.199	5.022
a. Dependent Variable: Identification with Management			

Table 5.13 Variance Inflation Factor (VIF) #2

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Philosophy-oriented Organizational Practice	.357	2.800
	Job Involvement	.695	1.438
	Organizational Citizenship Behaviour	.539	1.857
	Organizational Goal Clarity	.355	2.816
	Mission Valence	.474	2.108
	Trust in Management	.251	3.980
	Organizational Commitment	.189	5.290
	Satisfaction with Franchisor (employer) Competence	.201	4.983
	Identification with Management	.503	1.987
a. Dependent Variable: Sensemaking of Management Philosophy			

Table 5.14 Variance Inflation Factor (VIF) #3

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Job Involvement	.700	1.429
	Organizational Citizenship Behaviour	.556	1.799
	Organizational Goal Clarity	.404	2.472
	Mission Valence	.469	2.131
	Trust in Management	.250	4.008
	Organizational Commitment	.198	5.057
	Satisfaction with Franchisor (employer) Competence	.202	4.946
	Identification with Management	.489	2.046
	Sensemaking of Management	.480	2.085
a. Dependent Variable: Philosophy-oriented Organizational Practice			

Table 5.15 Variance Inflation Factor (VIF) #4

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Organizational Citizenship Behaviour	.585	1.709
	Organizational Goal Clarity	.341	2.931
	Mission Valence	.471	2.124
	Trust in Management	.236	4.238
	Organizational Commitment	.189	5.296
	Satisfaction with Franchisor (employer) Competence	.200	5.005
	Identification with Management	.460	2.175
	Sensemaking of Management	.466	2.147
	Philosophy-oriented Organizational Practice	.349	2.865
	a. Dependent Variable: Job Involvement		

Table 5.16 Variance Inflation Factor (VIF) #5

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Organizational Goal Clarity	.351	2.846
	Mission Valence	.504	1.984
	Trust in Management	.238	4.201
	Organizational Commitment	.200	5.003
	Satisfaction with Franchisor (employer) Competence	.200	5.003
	Identification with Management	.459	2.180
	Sensemaking of Management	.466	2.144
	Philosophy-oriented Organizational Practice	.359	2.789
	Job Involvement	.756	1.322
	a. Dependent Variable: Organizational Citizenship Behaviour		

Table 5.17 Variance inflation Factor (VIF) #6

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Mission Valence	.532	1.878
	Trust in Management	.237	4.212
	Organizational Commitment	.190	5.272
	Satisfaction with Franchisor (employer) Competence	.208	4.814
	Identification with Management	.460	2.175
	Sensemaking of Management	.485	2.063
	Philosophy-oriented Organizational Practice	.411	2.432
	Job Involvement	.695	1.438
	Organizational Citizenship Behaviour	.554	1.805
	a. Dependent Variable: Organizational Goal Clarity		

Table 5.18 Variance Inflation Factor (VIF) #7

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Trust in Management	.236	4.233
	Organizational Commitment	.190	5.272
	Satisfaction with Franchisor (employer) Competence	.200	5.002
	Identification with Management	.462	2.165
	Sensemaking of Management	.477	2.096
	Philosophy-oriented Organizational Practice	.352	2.845
	Job Involvement	.707	1.415
	Organizational Citizenship Behaviour	.585	1.708
	Organizational Goal Clarity	.392	2.549
a. Dependent Variable: Mission Valence			

Table 5.19 Variance Inflation Factor (VIF) #8

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Organizational Commitment	.246	4.066
	Satisfaction with Franchisor (employer) Competence	.217	4.601
	Identification with Management	.458	2.183
	Sensemaking of Management	.496	2.016
	Philosophy-oriented Organizational Practice	.367	2.726
	Job Involvement	.695	1.438
	Organizational Citizenship Behaviour	.543	1.843
	Organizational Goal Clarity	.343	2.913
	Mission Valence	.464	2.157
a. Dependent Variable: Trust in Management			

Table 5.20 Variance Inflation Factor (VIF) #9

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Satisfaction with Franchisor (employer) Competence	.245	4.086
	Identification with Management	.477	2.097
	Sensemaking of Management	.469	2.134
	Philosophy-oriented Organizational Practice	.365	2.739
	Job Involvement	.699	1.431
	Organizational Citizenship Behaviour	.572	1.748
	Organizational Goal Clarity	.344	2.903
	Mission Valence	.468	2.139
	Trust in Management	.309	3.237
a. Dependent Variable: Organizational Commitment			

Table 5.21 Variance Inflation Factor (VIF) #10

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Identification with Management	.459	2.179
	Sensemaking of Management	.470	2.129
	Philosophy-oriented Organizational Practice	.352	2.838
	Job Involvement	.698	1.433
	Organizational Citizenship Behaviour	.540	1.851
	Organizational Goal Clarity	.356	2.809
	Mission Valence	.465	2.150
	Trust in Management	.258	3.881
	Organizational Commitment	.231	4.329
a. Dependent Variable: Satisfaction with Franchisor (employer) Competence			

Hierarchical Regression Analysis

Hierarchical regression analysis was used to confirm the hypotheses regarding the relationships between different variables. The results of multiple hierarchical regression analyses are shown in Tables 5.22 and 5.23. For the regressions on identification with the management philosophy, sensemaking of the management philosophy, organizational goal clarity, and mission valence, the significance of the analyses of variance (ANOVAs) reached the $p < 0.001$ level. As presented in models 1b, 2b, 3b, and 4b, philosophy-oriented organizational practice was positively related with identification with the management philosophy ($\beta = 0.60, p < 0.001$), sensemaking of the management philosophy ($\beta = 0.57, p < 0.001$), organizational goal clarity ($\beta = 0.70, p < 0.001$), and mission valence ($\beta = 0.44, p < 0.001$). These results suggest that the following hypotheses are supported: 1a: Philosophy-oriented organizational practice is positively related to individual identification with the management philosophy, 1b: Philosophy-oriented organizational practice is positively related to individual sensemaking of the management philosophy, 1c: Philosophy-oriented organizational practice is positively related to organizational

goal clarity, and 1d: Philosophy-oriented organizational practice is positively related to mission valence.

For the regression on job involvement (Model 5), organizational citizenship behaviour (Model 6), trust in management (Model 7), organizational commitment (Model 8), and satisfaction with franchisor (employer) competence (Model 9), the significance of the ANOVAs reached the $p < 0.05$ and $p < 0.001$ levels. Model 5b shows that identification with the management philosophy ($\beta = 0.32, p < 0.001$) and mission valence ($\beta = 0.38, p < 0.001$) were positively correlated with job involvement. Neither sensemaking of the management philosophy ($\beta = -0.04$, no significance) nor organizational goal clarity ($\beta = -0.03$, no significance) were positively correlated with job involvement. These results indicate that hypotheses 2a: Identification with the management philosophy is positively related to job involvement, and 5a: Mission valence is positively related to job involvement, are supported. However, hypotheses 3a: Sensemaking of the management philosophy is positively related to job involvement, and 4a: Organizational goal clarity is positively related to job involvement, are not supported.

Model 6b shows that identification with the management philosophy ($\beta = 0.28, p < 0.01$) and mission valence ($\beta = 0.50, p < 0.001$) were positively correlated with organizational citizenship behaviour. Neither sensemaking of the management philosophy ($\beta = 0.06$, no significance) nor organizational goal clarity ($\beta = -0.13$, no significance) were related to organizational citizenship behaviour. These results indicated that hypotheses 2b: Identification with the management philosophy is positively related to organizational citizenship behaviour (Wang, 2011), and 5b: Mission valence is positively related to organizational citizenship behaviour, are supported. However, the results also indicated that hypotheses 3b: Sensemaking of the management philosophy is positively related to organizational citizenship behaviour

(Wang, 2011), and 4b: Organizational goal clarity is positively related to organizational citizenship behaviour, are not supported.

Model 7b shows that identification with the management philosophy ($\beta = 0.39, p < 0.001$) and organizational goal clarity ($\beta = 0.35, p < 0.001$) are positively correlated with trust in management. Neither sensemaking of the management philosophy ($\beta = -0.13$, no significance) nor mission valence ($\beta = 0.16$, no significance) were related to trust in management. These results indicate that hypotheses 2c: Identification with the management philosophy is positively related to trust in management, and 5c: Mission valence is positively related to trust in management, are not supported. However, hypotheses 3c: Sensemaking of the management philosophy is positively related to trust in management, and 4c: Mission valence is positively related to trust in management, are not supported.

Model 8b shows that identification with the management philosophy ($\beta = 0.42, p < 0.001$) and mission valence ($\beta = 0.30, p < 0.001$) were positively correlated with organizational commitment. Neither sensemaking of the management philosophy ($\beta = 0.01$, no significance) nor organizational goal clarity ($\beta = 0.12$, no significance) were related to organizational commitment. These results indicate that hypotheses 2d: Identification with the management philosophy is positively related to organizational commitment, and 5d: Mission valence is positively related to organizational commitment, are supported. However, hypotheses 3d: Sensemaking of the management philosophy is positively related to organizational commitment, and 4d: Organizational goal clarity is positively related to organizational commitment, are not supported.

Model 9b shows that identification with the management philosophy ($\beta = 0.31, p < 0.001$), organizational goal clarity ($\beta = 0.36, p < 0.001$), and mission valence ($\beta = 0.16, p < 0.05$)

were positively correlated to satisfaction with franchisor (employer) competence. Sensemaking of the management philosophy ($\beta = 0.03$, no significance) was the only variable not related to satisfaction with franchisor (employer) competence. These results indicate that the following hypotheses are supported: 2e: Identification with the management philosophy is positively related to satisfaction with franchisor (employer) competence, 3e: Sensemaking of the management philosophy is positively related to satisfaction with franchisor (employer) competence, and 5e: Mission valence is positively related to satisfaction with franchisor (employer) competence. Hypothesis 3e: Sensemaking of the management philosophy is positively related to satisfaction with franchisor (employer) competence, is not supported.

Structural Equation Modeling

This study intended to test a model with four possible mediators; James, Mulaik, and Brett (2006) assert that the traditional Baron and Kenny (1986) method is less applicable because they adopted the partial mediation model as the focal model. According to James and colleagues (2006, p. 242), the “complete mediation model is the most parsimonious mediation model, and parsimonious models are taken as the theoretical baselines in science because they are the easiest to reject (they have more degrees of freedom and thus are subject to more tests).” Structural equation modeling (SEM) permits the analysis of more than one mediator at once, and it tests both full and partial mediation models. Therefore, structural equation modeling was used to test hypotheses 6a, 6b, 6c, and 6d, and to confirm other hypotheses (Table 5.24).

H6a: The relationship between philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor

competence is mediated by the identification with the management philosophy (Wang, 2011).

H6b: The relationship between philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor competence is mediated by the sensemaking of the management philosophy (Wang, 2011).

H6c: The relationship between philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor competence is mediated by organizational goal clarity.

H6d: The relationship between philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor competence is mediated by mission valence.

James and Brett (1984, cited in James, Mulaik and Brett, 2006) suggest that a full mediation model should be the starting point for mediation testing. Figure 5.1 illustrates the basic mediation model adopted in this study, where X is the antecedent, M is the mediator, and Y is the consequence (James, Mulaik and Brett, 2006). In the full mediation model, "all the effects of antecedent X on the consequence Y are transferred through the mediator M, [which] has one degree of freedom because the direct path from X to Y has been set theoretically" (James, Mulaik and Brett, 2006, p. 236). This approach allowed this study to empirically test the absence of a direct link between antecedent X and the consequence Y (James, Mulaik and Brett, 2006).

Figure 5.2 illustrates the partial mediation model. The difference between the complete mediation model and the partial mediation model is the addition of a direct effect of X on Y (James, Mulaik and Brett, 2006). The partial mediation model “is just identified, meaning that it has no degrees of freedom. The model is less parsimonious than the complete mediation model and thus harder to reject (or easier to accept)” (James, Mulaik and Brett, 2006, p. 237).

Figure 5.1 Complete Mediation Model

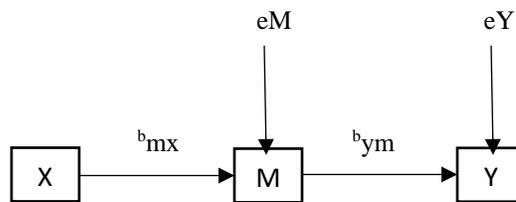


Figure 5.2 Partial Mediation Model

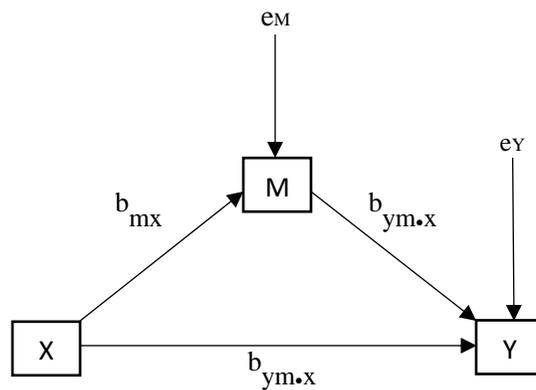


Table 5.22 Results of Hierarchical Regression Analyses (1)

Control Variables	Identification with the Management Philosophy		Sensemaking of the Management Philosophy		Organizational Goal Clarity		Mission Valence	
	Model 1a	Model 1b	Model 2a	Model 2b	Model 3a	Model 3b	Model 4a	Model 4b
Gender	0.03	0.02	-0.08	-0.08	0.07	0.06	0.02	0.02
Age	-0.21	-0.25**	-0.11	-0.15	-0.05	-0.09	-0.04	-0.07
Ethnicity	0.23	0.17**	0.27**	0.21**	0.09	0.02	0.15	0.10
Years of Service	0.04	0.12	-0.02	0.06	-0.12	-0.02	-0.16	-0.10
Philosophy-Oriented Organizational Practice		0.60***		0.57***		0.70***		0.44***
Identification with the Management Philosophy								
Sensemaking of the Management Philosophy								
Organizational Goal Clarity								
Mission Valence								
<i>F</i>	3.04*	75.24***	3.03*	64.40***	1.18	117.13***	1.96	29.50***
ΔR^2		0.35		0.32		0.47		0.18
<i>R</i> ²	0.09	0.66	0.09	0.09	0.04	0.51	0.60	0.25

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 5.23 Results of Hierarchical Regression Analyses (2)

Control Variables	Job Involvement		Organizational Citizenship Behaviour		Trust in Management		Organizational Commitment		Satisfaction with Franchisor (Employer) Competence	
	Model 5a	Model 5b	Model 6a	Model 6b	Model 7a	Model 7b	Model 8a	Model 8b	Model 9a	Model 9b
Gender	-0.05	-0.07	-0.06	-0.07	0.18*	0.13*	0.15	0.13	0.08	0.04
Age	0.39***	0.47***	0.05	0.13	-0.09	0.00	-0.15	-0.05	-0.14	-0.05
Ethnicity	0.14	0.02	0.16	0.02	0.10	-0.01	0.16	0.01	0.19*	0.05
Years of Service	-0.02	0.03	0.05	0.10	-0.01	0.04	0.00	0.05	-0.20	-0.15
Philosophy-Oriented Organizational Practice										
Identification with the Management Philosophy		0.32***		0.28**		0.39***		0.42***		0.31***
Sensemaking of the Management Philosophy		-0.04		0.06		-0.13		0.01		0.03
Organizational Goal Clarity		-0.03		-0.13		0.35***		0.12		0.36***
Mission Valence		0.38***		0.50***		0.16		0.30***		0.16*
<i>F</i>	6.09***	13.71***	1.24	16.42***	1.74	21.67***	2.47*	26.16***	5.06***	34.61***
ΔR^2		0.26		0.34		0.40		0.44		0.46
<i>R</i> ²	0.17	0.43	0.04	0.38	0.05	0.46	0.08	0.51	0.14	0.61

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

This conceptual model included four mediators—identification with the management philosophy, sensemaking of the management philosophy, organizational goal clarity, and mission valence—which it intended to test simultaneously. All four mediators were measured at the ordinal level. For this reason, the conceptual model in this study was tested with SEM techniques, starting with, following the recommendation from James, Mulaik, and Brett (2006), the complete mediation model.

A conceptually similar mediation model was tested with SEM by Wang (2011) in a study examining how management philosophy might influence Japanese employees. A similar analytical strategy was employed in this study as that performed by Wang (2011). Figures 5.3, 5.4, 5.5, and 5.6 present the results for the full mediation model. The numbers shown along the paths in Figure 5.3 to 5.6 represent standardized regression coefficients. The fit of the model was shown as $\chi^2 = 2189.55$, $df = 1151$, $p < 0.001$, $RMSEA = 0.085$, $GFI = 0.609$, $AGFI = 0.566$, and $CFI = 0.798$. The philosophy-oriented organizational practice variable was positively related to identification with the management philosophy ($\beta = 0.93$, $p < 0.001$), sensemaking of the management philosophy ($\beta = 0.73$, $p < 0.001$), organizational goal clarity ($\beta = 0.97$, $p < 0.001$) and mission valence ($\beta = 0.66$, $p < 0.001$). The partial mediation model—which included direct paths from philosophy-oriented organizational practice to job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor (employer) competence—did not improve fitness significantly, $\chi^2 = 2172.14$, $df = 1146$, $p < 0.001$, $RMSEA = 0.084$, $GFI = 0.608$, $AGFI = 0.564$, $CFI = 0.80$. Moreover, philosophy-oriented organizational practice indicated no direct significance with respect to job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor (employer) competence. Therefore, the full

mediation model is desired. The results of the structural equation model support hypotheses 1a, 1b, 1c, 1d, 2a, 2c, 2d, 2e, 3c, 3d, 3e, 4a, 4d, 5a, 5b, 5d, and 5e. Table 5.24 presents the summary of hypothesis tests based on the SEM Model.

Indirect effects were also tested. The indirect effect of philosophy-oriented organizational practice on job involvement through identification with the management philosophy was significant at the 0.05 level, $p = .04$. The indirect effect of philosophy-oriented organizational practice on organizational citizenship behaviour was significant at the 0.01 level, $p = 0.01$. The indirect effects of philosophy-oriented organizational practice on trust in management, organizational commitment, and satisfaction with franchisor (employer) competence were significant at the 0.01 ($p = 0.01$), 0.05 ($p = 0.012$), and 0.05 ($p = 0.02$) levels, respectively. Therefore, hypotheses 6a–6d speculate that the relationship between philosophy-oriented organizational practice and job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor (employer) competence is mediated by the adoption of management philosophy (identification with the management philosophy, sensemaking of the management philosophy, organizational goal clarity, and mission valence).

Figure 5.3 Structural Equation Modeling Analysis #1

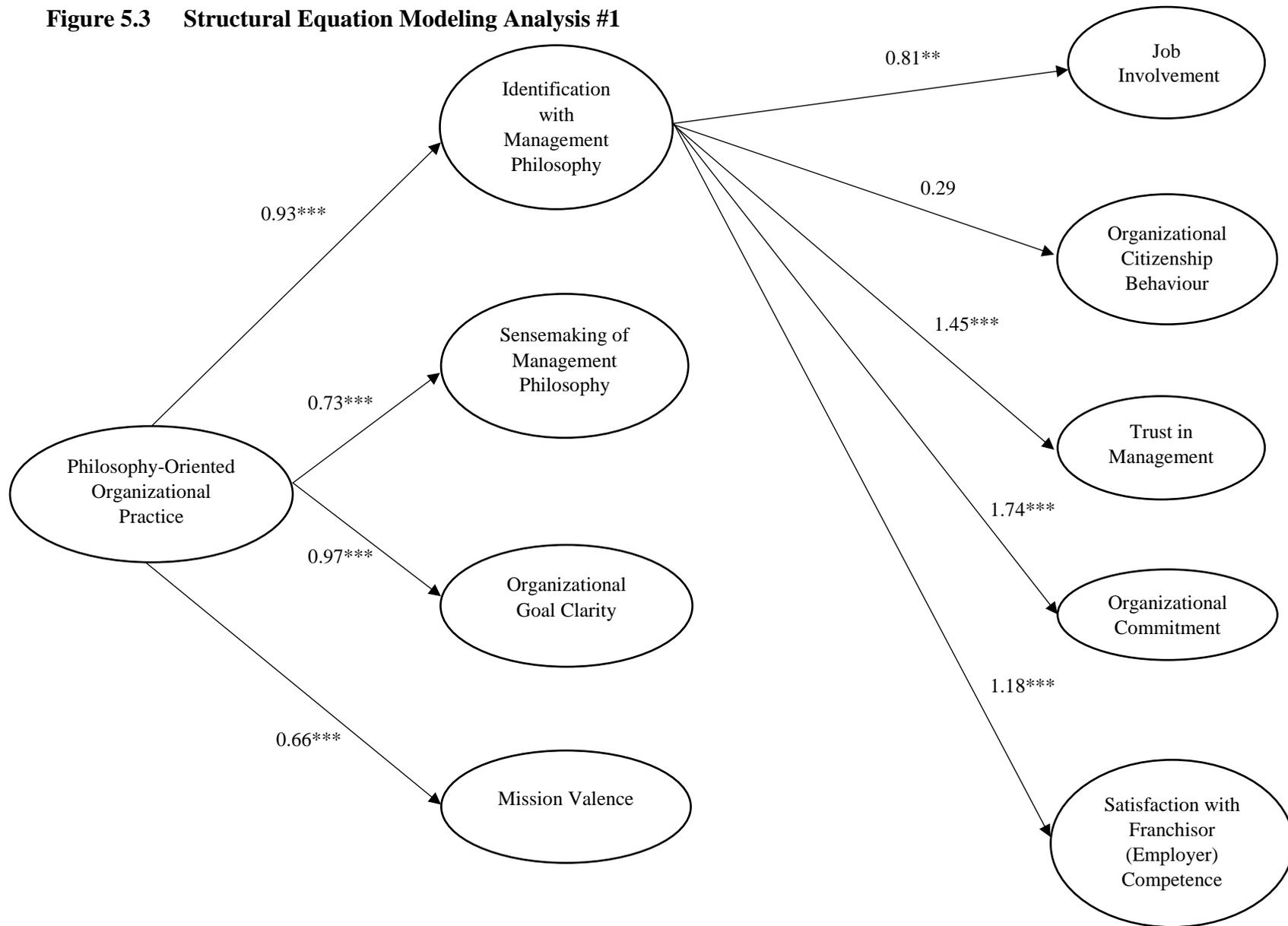


Figure 5.4 Structural Equation Modeling Analysis #2

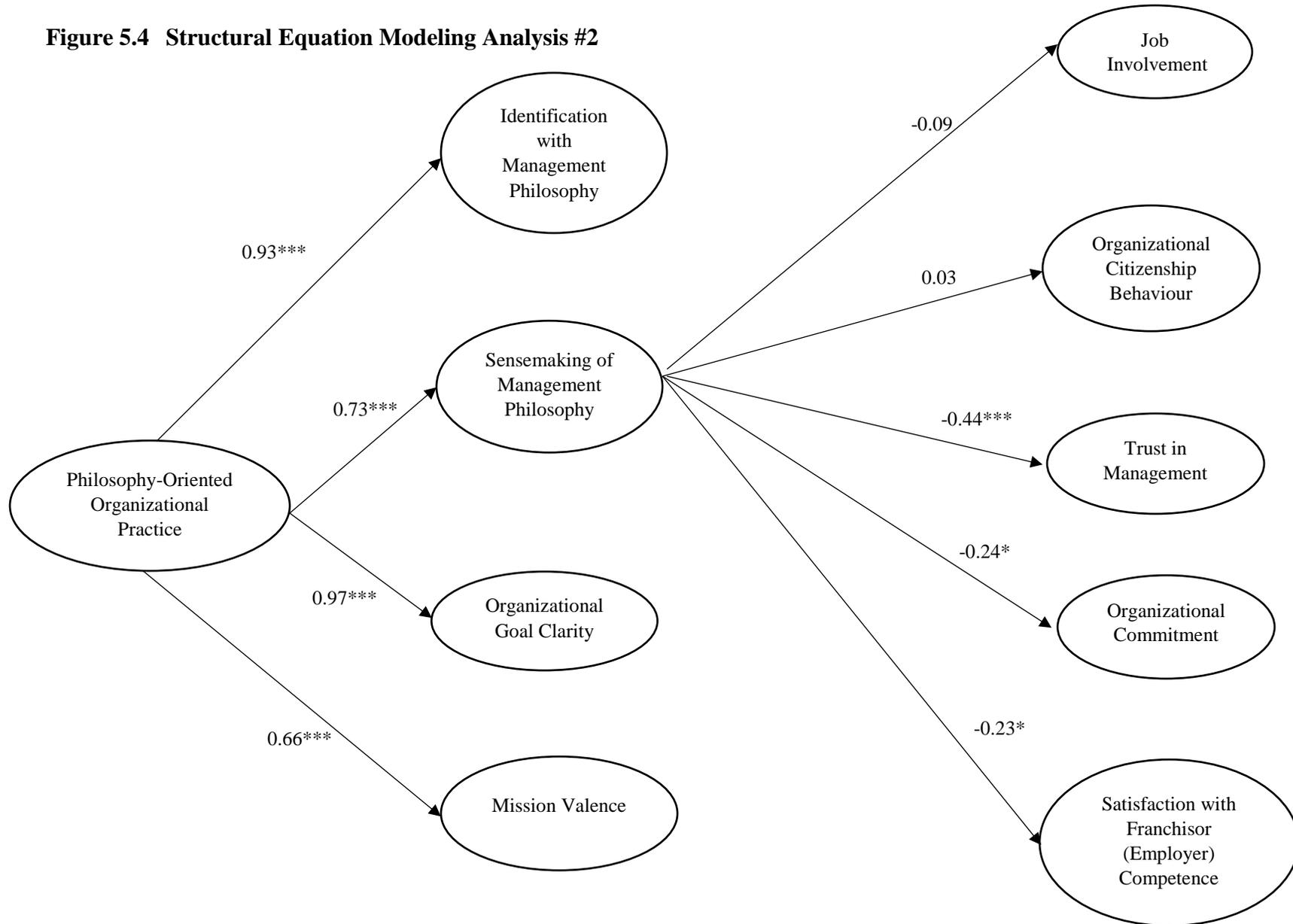


Figure 5.5 Structural Equation Modeling Analysis #3

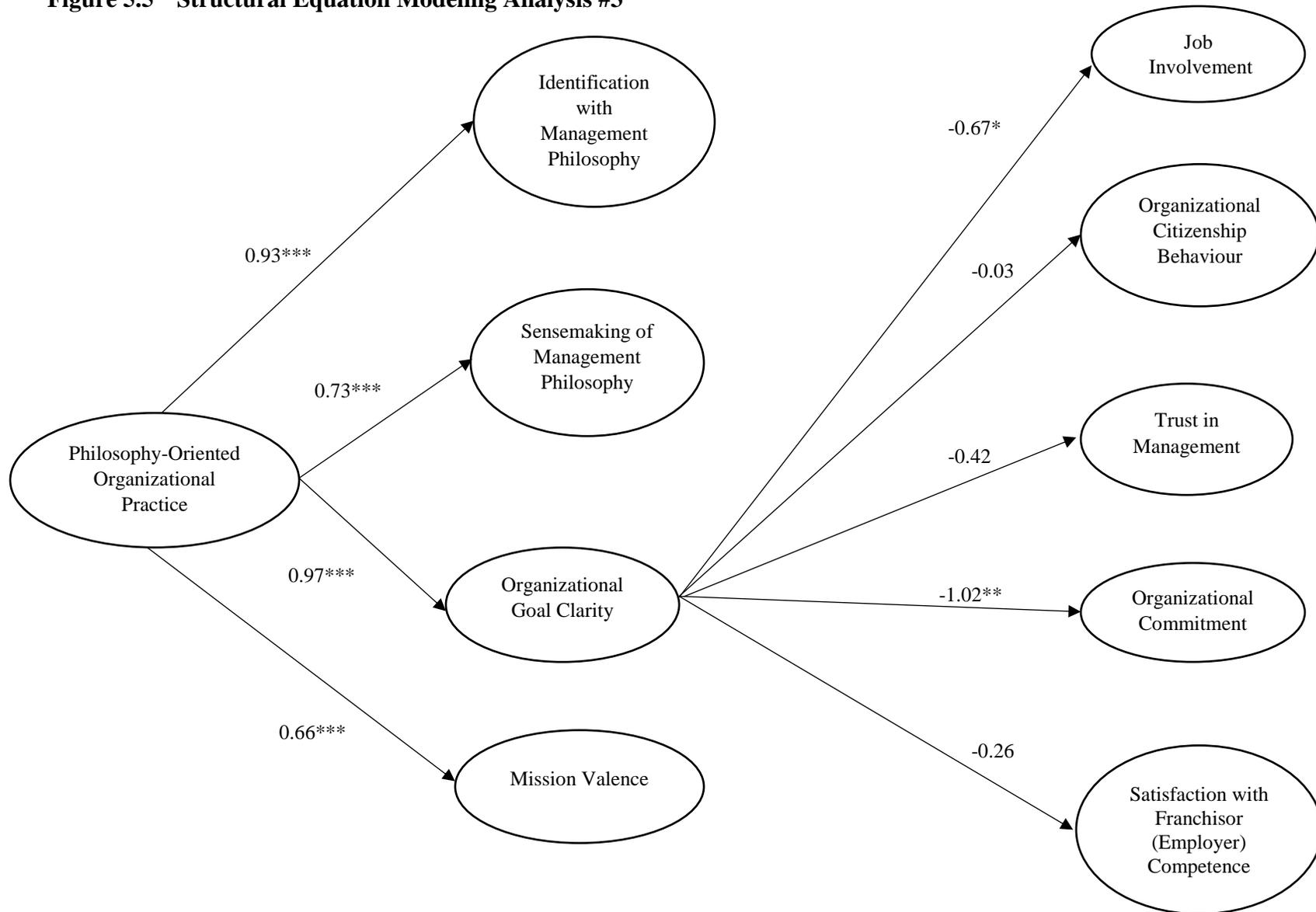


Figure 5.6 Structural Equation Modeling Analysis #4

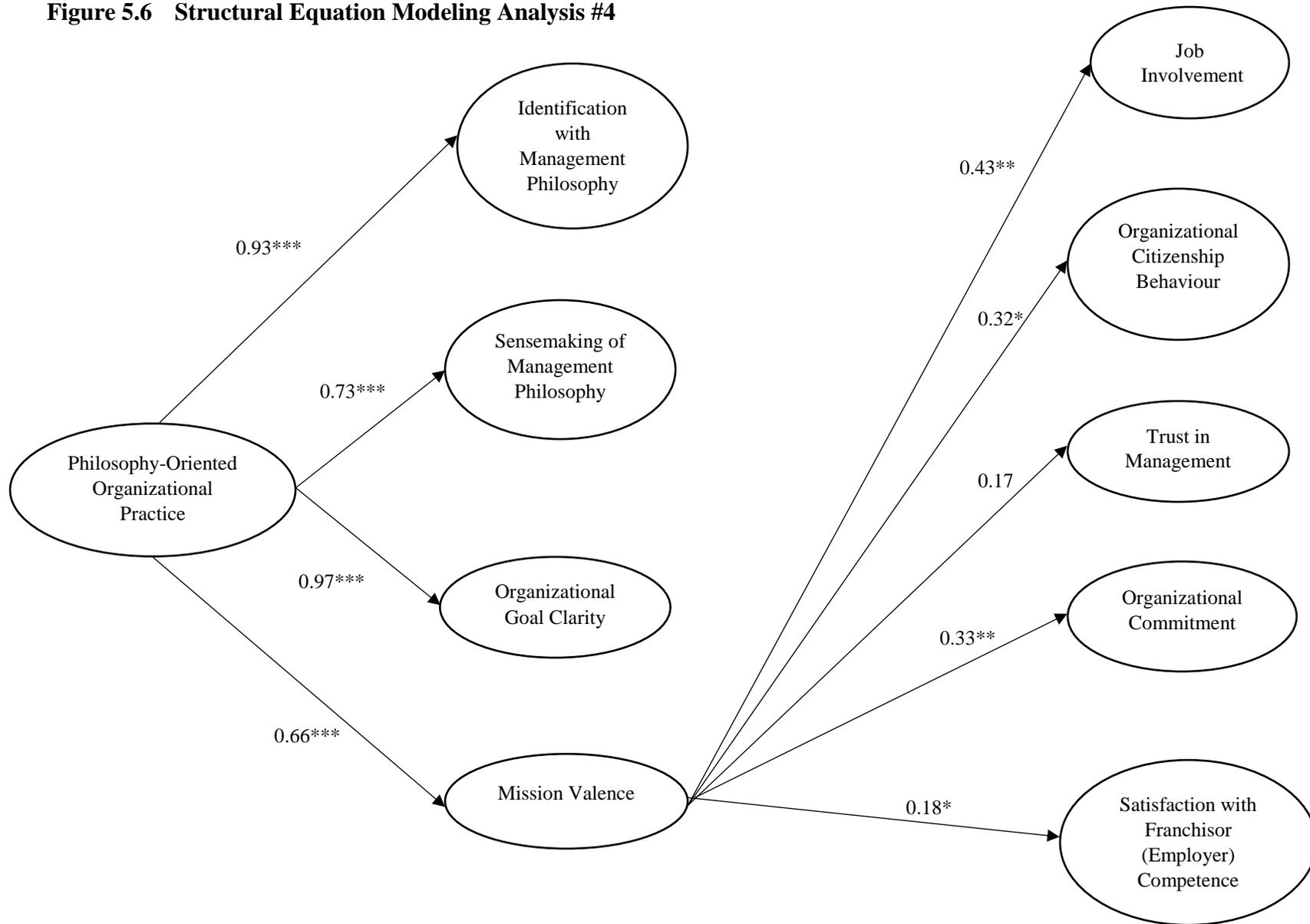


Table 5.24 Summary of Hypothesis Tests (SEM Model)

Hypothesis		Results
H1a	Philosophy-oriented practice is positively related to individual identification with the management philosophy (Wang, 2011).	Supported
H1b	Philosophy-oriented practice is positively related to individual sensemaking of the management philosophy (Wang, 2011).	Supported
H1c	Philosophy-oriented practice is positively related to organizational goal clarity.	Supported
H1d	Philosophy-oriented practice is positively related to mission valence.	Supported
H2a	Identification with the management philosophy is positively related to job involvement.	Supported
H2b	Identification with the management philosophy is positively related to organizational citizenship behaviour (Wang, 2011).	Not Supported
H2c	Identification with the management philosophy is positively related to trust in management.	Supported
H2d	Identification with the management philosophy is positively related to organizational commitment.	Supported
H2e	Identification with the management philosophy is positively related to satisfaction with franchisor (employer) competence.	Supported
H3a	Sensemaking of the management philosophy is positively related to job involvement.	Not Supported
H3b	Sensemaking of the management philosophy is positively related to organizational citizenship behaviour (Wang, 2011).	Not Supported
H3c	Sensemaking of the management philosophy is positively related to trust in management.	Supported
H3d	Sensemaking of the management philosophy is positively related to organizational commitment.	Supported
H3e	Sensemaking of the management philosophy is positively related to satisfaction with franchisor (employer) competence.	Supported
H4a	Organizational goal clarity is positively related to job involvement.	Supported
H4b	Organizational goal clarity is positively related to organizational citizenship behaviour.	Not Supported
H4c	Organizational goal clarity is positively related to trust in management.	Not Supported
H4d	Organizational goal clarity is positively related to organizational commitment.	Supported
H4e	Organizational goal clarity is positively related to satisfaction with franchisor (employer) competence.	Not Supported
H5a	Mission valence is positively related to job involvement.	Supported
H5b	Mission valence is positively related to organizational citizenship behaviour.	Supported
H5c	Mission valence is positively related to trust in management.	Not Supported
H5d	Mission valence is positively related to organizational commitment.	Supported
H5e	Mission valence is positively related to satisfaction with franchisor (employer) competence.	Supported
H6a	The relationship between philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor competence is mediated by the identification with the management philosophy (Wang, 2011).	Supported
H6b	The relationship between philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor competence is mediated by the sensemaking of the management philosophy (Wang, 2011).	Supported
H6c	The relationship between philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor competence is mediated by organizational goal clarity.	Supported
H6d	The relationship between philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor competence is mediated by mission valence.	Supported

5.4 Reflections on Analysis of Observations and Documents

As an insider researcher, the author has the opportunity to access documents and meetings as discussed in Chapter 4, Section 4.5. In this study, only observations from August 2014 to December 2015 are discussed, although the author is a regular participant in these meetings. Table 5.25 presents a summary of observations.

Table 5.25 Observations Summary

Meeting	Location	Topics	Participant	Frequency	Researcher Participation
Management Meeting	North American Headquarters	Project Update Country Update	President, Director, Vice-Presidents, Regional General Managers and Managers (upon request)	Monthly	Over 300 Hours
Operations Meeting	United States Canada	Regional Topics	Country President, Vice-President, Regional General Managers, and Managers/Branch Manager (upon request)	Monthly	
Field Support Centre (FSC) Managers Meeting	United States Canada	Corporate Update Project Update Field Visit Update	Country President, Country Vice-President, and FSC Managers	Monthly	
2018 Taskforce	North American Headquarters	Planning Topics and Research	Project members selected by executive management	Monthly	
Annual Franchisee Conference	Various	Instruction	Franchisees, Management, and Field Consultants	Annual	
All-Staff Conference	Various	Corporate Topic Sharing	All Corporate Employees	Annual	
Franchisee Advisory Council	United States Canada Mexico	Corporate Topics Franchisee Topics	Executive Managers, Franchisee Representatives, and Corporate Representatives	3 times a year	Over 200 Hours

The focal organization holds many different meetings. Different management team members have created different meetings to meet their specific needs, although in general, they are utilized for the purpose of sharing corporate and regional information, to discuss issues, and

to make collective decisions. Managers from each country are required to present a country update on a monthly basis. Most of the time, topics are driven by activities and managers only present the good side of the story. Also, over time, these meetings have become an opportunity for managers to showcase themselves in front of other managers.

Conferences are events that are structured to combine learning and festivities. The franchisees' conference is often utilized to encourage franchisees to re-identify with the corporate direction and Toru Kumon's ideologies, and it also offers networking between franchisees and corporate employees and a chance for management to express appreciation of support from franchisees.

The annual staff conference is used as a venue to announce corporate goals. It is also structured as a review process for employees to reflect on what they have accomplished and what they need to improve on in the coming year. The franchise relationship has been a hot topic in the last few years. Continuing education is also planned at this annual event for employees; the long-term effect of these communications is dependent on leadership style. The current management team expects to have a lasting effect, as they are more effective and transparent than previous management in communicating current affairs with average employees.

The author also works with the Franchise Advisory Council, a group of franchisees elected by other franchisees, on a daily basis. Each member represents his or her local constituency and meets with the management team three times a year. Kumon's management team has successfully utilized this group of franchisees to bridge gaps and repair damaged relationships between corporate employees and franchisees. This council group has asked management to focus on improving unit profitability with more support from the corporate office.

During the 300 hours of observation carried out by the author, he has identified the following. First, management at Kumon has a tendency to take the approach of believing that if franchisees and employees are more committed to Kumon's core values and philosophy the company can be more profitable and that this will also be true if franchisees are committed to Kumon's core values and beliefs. However, in practice, this is often not the case. Second, there is a lack of long-term goal alignment with Kumon's long-term vision and mission. Senior managers are working on many short-term objectives. Third, although franchisees and management do communicate with each other, they are not always on the same page. Of course, corporate profitability is frequently mentioned and discussed; however, each individual franchisee's profitability is not. Fourth, the focal organization tends to oversimplify the relationship between identification with the management philosophy and profit, making the assumption that the two are directly linked, which can mislead employees and franchisees.

During the documents analysis, including review of mainly meeting minutes, internal reports, and internal publications, the following observations were made. First, all of the internal publications in the focal organization are primarily dedicated to praising and preaching Toru Kumon's philosophy, values, and beliefs. In other words, the late founder is the corporate hero. The story of the corporate hero is publicized in all formal socialization processes. For instance, there is a video and biography about how Toru Kumon struggled to build up the company. Other similar publications include a group president's personal reflections on the late founder's values and beliefs, and a retired franchisee's personal biography on her experience as an instructor and how Toru Kumon made a significant impact on her life. These resources have one purpose, and that is to help employees and franchisees to identify with the organizational mission and vision.

During the document analysis process, several franchisee surveys conducted prior to 2013 were found. These surveys showed an ongoing challenge in the relationship between the corporate office and franchisees. Here are some of the comments:

“I make a lot less than I would as a teacher, which somewhat bothers me, but I do appreciate the benefit of running my own business, such as setting my own hours and being my own boss.”

“Royalty fees are unfair fees, they should be a bigger reduction once you have your full licence, and it is probably the only franchise company that never stops royalty fees. At least there should be a great reduction. After all, we all have bills to pay.”

“Profitability has been under attack with all the new rules rolled out in the last five years.”

“It has already been done, but not by the corporate office.”

“I do not trust the office’s research methodology in this area.”

“I am reluctant to give the office too much information.”

“This information is not for the office since this is not a trustworthy company.”

“The information given may be used against me. I could be closed down because I am not profitable enough rather than help to make the centre profitable.”

“I feel you need to look into Japanese management styles and leadership tactics. I do not know if any of us, even those on the committee, really know how to deal with the Japanese style of management.”

“IAKF [International Association of Kumon Franchisees] should be our representative; this committee is merely a stop-gap; I do not believe the corporate office gives a damn, not until they make the franchisee advisory council a policy making body.”

“The corporate office will always do whatever it wants to do anyway. One side can talk, but they must listen, not just hear.”

“The franchisee advisory council is worth a try, at least when dealing with an arbitrary, autocratic, hierarchical organization that is run from Japan via the USA.”

These comments indicate an imbalance of power between the franchisees and the focal organization. It is clear that franchisees want to be included in the decision-making process with

the franchisor. Strutton, Pelton, and Lumpkin (1993, p. 214) have suggested that franchisees pay significant attention to the decision-making process of the franchisor. These researchers also suggest that franchisors could effectively change franchisees' perceptions of fairness by performing reliably, truthfully, respectfully, and fairly in all forums of association with their franchisees (p. 214). Moreover, the focal organization needs to understand that the franchise relationship is comprised of many layers. The franchisor should not oversimplify when issues occur, because individuals rarely forgive an organization if they believe the organization has acted in bad faith (Galford and Drapeau, 2003, p. 92).

5.5 Chapter Summary

This chapter first examined the results of the statistical analysis of the data drawn from the mission-driven education franchise system survey. Profiles of the research participants were developed. Text analysis was conducted on the four open-ended questions. The empirical portion of the scale developed for the measures of each variable was presented. A confirmatory factor analysis was employed to test the measurement models, and reliability and validity issues were examined. SEM was used to test the hypothesized relationships of the theoretical model. A completed mediation model was used. The analysis of indirect effects was tested, which confirmed the relationships between philosophy-oriented practice and individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor (employer) competence. This analysis was mediated by identification with the management philosophy and sensemaking of the management philosophy, organizational goal clarity, and mission valence. This analysis revealed that 21 of the 28 hypothesized relationships were statistically significant. Reflections on the author's observations and document analysis were presented. The following chapter will discuss

the major findings of these results, as well as their implications and limitations. Directions for future research will also be suggested.

CHAPTER SIX

DISCUSSION

It is our wish that as many children as possible have the opportunity to develop their potential...We want to see every child grow to the limit of their capabilities...We consider our mission to be the expansion of the potential of each and every child to the maximum degree. Through this dedication to education, we hope to contribute to the progress of humankind.

You will definitely be able to provide much more information for improving our instruction method and worksheets as you gain the experience of instructing more and more students. Actively exchanging this information between instructors, branch offices, and the head office will allow us to develop even better instruction methods and worksheets.

-Toru Kumon, Founder, Kumon Institute of Education Co., Ltd.

6.1 Introduction

This research investigates the interactions between organizational practices, the adoption of a management philosophy and individual outcomes in a mission-driven multinational education franchise system. The focal organization, Kumon North America, is a regional headquarters and subsidiary of the Kumon Institute of Education, a mission-driven franchise company in the private tutoring and supplemental education industry. In this chapter, the author summarizes the main findings and presents recommendations for the focal organization.

6.2 Adoption of Management Philosophy and Individual Outcomes

The author adapted a conceptual model devised by Wang (2011) that explains how "the philosophy-oriented organizational practice might affect the adoption of a management philosophy, which in turn affects individual attitudinal and behavioral outcomes" (p. 116).

Twenty-eight hypotheses were tested in this study. Twenty-one hypotheses were supported and the other seven hypotheses—H2b, H3a, H3b, H4b, H4c, H4e, and H5c—were not supported (Table 5.24).

The results of the structural equation modeling (SEM) indicated that the individual adoption of the management philosophy includes the following dimensions: identification with the management philosophy, sensemaking of the management philosophy, organizational goal clarity, and mission valence, and these dimensions may well mediate the relationships between a philosophy-oriented organizational practice and the individual outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor (employer) competence. These results are consistent with Wang's (2011) study and a previous study on organizational spirituality (Kolodinsky et al., 2008, cited in Wang, 2011).

Previous studies have claimed that corporate leaders who have the capacity to influence the attitudes of employees or followers are likely to receive support in their efforts to achieve corporate objectives and realize the overall organizational mission (George, 2000; Lewis, 2000). Identification with the management philosophy in a mission-driven organization means the individuals will carry out the organizational mission in practice (Wang, 2011). Research participants in this study showed that identification with the management philosophy is positively related to job involvement, trust in management, organizational commitment, and satisfaction with franchisor (employer) competence. This result confirms that management philosophy and its associated practices can influence individuals' job satisfaction and commitment to the organization and can inspire individuals to be more productive (Huselid, 1995; MacDuffie, 1995; Moncare, Zhao and Kay, 2009; Newman, Moncarz and Kay, 2014;

Osterman, 1994; Suskind et al., 2000). However, a positive relationship to organizational citizenship behaviour was not validated here, which raises a concern about why the individuals in this study lack better organizational citizenship behaviour. Research in the past explains that leaders who have control over the organizational climate and culture within the organization will have a greater impact on employees' commitment to their work and employer (Treviño, Butterfield and McCabe, 1998, cited in Newman, Moncarz and Kay, 2014). In addition, the effects of ethical leadership behaviour also indicate a positive connection with commitment, satisfaction with leaders, more trust, and better organizational citizenship behaviour (Brown, Treviño and Harrison, 2005; Den Hartog and De Hoogh, 2009; De Hoogh and Den Hartog, 2008; Kalshoven, Den Hartog and De Hoogh, 2011; Kalshoven and Den Hartog, 2009; Mayer et al., 2009; Newman, Moncarz and Kay, 2014; Piccolo et al., 2010). Yet, in this study, in the second open-ended question, 32.63% of individuals expressed a belief that the leadership of the focal company was weak, inconsistent, and out of touch, had no credibility, only cared about profit, and had no idea what it was doing. This result may explain the invalidation in organizational citizenship behaviour.

Chaudry et al. (2008) concludes that communication and sharing of knowledge creates trust and cooperation and leads to high levels of performance. According to Wang (2011, p. 114), sensemaking of management philosophy is critical in a mission-driven organization because philosophy by itself does not always tell an individual what to do, and individuals need to make sense of philosophy and know what to do to practice the philosophy itself. The positive relation between sensemaking of the management philosophy and trust in management, organizational commitment, and satisfaction with franchisor (employer) competence is in

agreement with findings in past research. However, job involvement and organizational citizenship behaviour were not validated in this study.

Job involvement describes how individuals feel about their participation in the organization. It is arguable that individuals in this study do not feel their efforts are fulfilled or recognized. Individuals may feel a lack of support from management and that their efforts and financial return are not comparable. This outcome is in line with some of the comments from the past franchisee surveys presented above. In addition, lack of validation in organizational citizenship behaviour is problematic because it is inconsistent with participants' responses in the first open-ended question, in which they acknowledge that the primary reason for joining the focal organization is because of its mission, philosophy, and education methodology. This outcome is similar to the discussion: individuals can embrace and realize the management philosophy, but that does not necessarily mean that they will engage in organizational citizenship behaviour. The author believes this result poses similar concerns with regard to leadership, as discussed above.

Well-articulated organizational goals help individuals to see the relationship between their values and the values of the organization, and in return, it increases the commitment of individuals to the organization's mission and has a positive impact on job satisfaction (Wright, Moynihan and Pandey, 2012). Research participant statements and scores validated the notion that organizational goal clarity is positively related to job involvement and organizational commitment. However, organizational citizenship behaviour, trust in management, and satisfaction with franchisor (employer) competence were not validated. The author believes that this lack of validation is rooted in the undesirable relationship between the individuals and

management and the other issues discussed above, even when individuals feel good about their participation in the organization.

Mission valence is a value or attitude a person embraces with respect to a specific social purpose (Besharovc, 2008). Wright (2007) explains that mission valence can improve the job satisfaction that an individual experiences. In this study, mission valence is positively related to job involvement, organizational citizenship behaviour, organizational commitment, and satisfaction with franchisor (employer) competence. However, trust in management was not validated; this particular result highlights an interesting characteristic of the mission-driven organization: individuals may have already embraced a particular social purpose before joining the organization regardless of their trust in management (Besharovc, 2008). This is in agreement with individuals' responses to the first open-ended question, in which they state that they joined the focal organization because of its mission, philosophy, and education methodology. However, it is also important to know that leadership style such as transformational leadership has a significant indirect effect on mission valence and goal clarity (Wright, Moynihan and Pandey, 2012; Wright, 2007). The author believes the lack of trust in management is caused by "values violations" (Besharovc, 2008). This is the perception by individuals in the focal organization of inconsistencies between the firm's espoused social mission and the way in which this mission is carried out in practice by the management. This outcome is also evidenced in the past franchisee surveys and in the open-ended questions of this research.

The results of this study did not completely support Wang's original conceptual model; however, the SEM in this study revealed that adoption of the management philosophy may well mediate individual behavioural outcomes. It is important to acknowledge that individuals in this study have revealed different individual outcomes, which was not identified in Wang's (2011)

study. These results introduce new insights into how other causes can have emotional impact on “individual attitudinal and behavioral outcomes” (Wang, 2011). The author also believes these emotional impacts may perhaps affect relationships in a franchise setting.

6.3 The Franchisor–Franchisee Relationship

In this study, the author explores a mission-driven multinational franchise system in the sector of supplemental education. Like many franchise organizations, maintaining high-quality franchisor and franchisee relationships is a top priority for the focal organization. As mentioned in this study, the focal organization wants to repair and enrich its relationship with the franchisees, and the president of the North America operation wants to develop a mutual trust relationship with all franchisees in North America. His goal is creating an environment in which franchisor and franchisees can have honest discussions about how everyone can come together to make the organization better. For example, in the literature, franchise systems are described as not only economic systems but also social systems in which the franchisor and franchisee have an intimate working relationship (Etgar, 1979, cited in Tiko, 2005; Strutton, Pelton and Lumpkin, 1995). However, in conventional franchising setting, the franchise organizations commonly use franchise contracts to protect the financial interests of both the franchisor and franchisee (Castrogiovanni and Justis, 1998) and establishes operational criteria for the franchisee to validate this franchise relationship (Brickley, Dark and Weisbach, 1991; Hadfield, 1990; Rubin, 1978, cited in Pizanti and Lerner, 2003). In other words, a franchise contract simply defines the obligations and rights of the franchisor and franchisee (Brickley, Dark and Weisbach, 1991, cited in Pizanti and Lerner, 2003).

As discussed in Section 6.2, the results of this study support the notion that “the philosophy-orientated organizational practice might affect the adoption of the management philosophy, and affects individual attitudinal and behavioral outcomes” (Wang, 2011, p. 116). The results of this study present an alternative for organizations in the franchising industry, suggesting that when individuals (franchisees and employees) accept the management philosophy of a franchisor, this acceptance will mediate the relationship between philosophy-oriented organizational practices and individual outcomes. In other words, individuals who embrace the management philosophy of the franchisor will follow organizational norms and practices and demonstrate positive attitudes and behaviours towards the franchisor, which can lead to a positive relationship between the franchisor and the franchisee. In contrast, hypotheses H2b, H3a, H3b, H4b, H4c, H4e, and H5c, were not validated in this study, which suggests potential threats to the franchisor–franchisee relationship as they may potentially negatively affect “individual attitudinal and behavioral outcomes” (Wang, 2011, p. 116).

First, as an insider researcher, the author of this thesis believes that “goal incompatibility” (Dees, 1992, cited in Heath, 2009) exists in the focal organization and that it is noticeable. For example, corporate profitability is frequently discussed in management meetings; however, each individual franchisee’s profitability is not. The focal organization often oversimplifies the relationship between identification with the management philosophy and profit, making the assumption that the two are directly linked, which can mislead individuals. On the contrary, franchisees are looking for better unit profitability while supporting Kumon’s mission. This may explain why corporate citizenship behaviour in hypotheses H2b, H3b, and H4b was not validated—“self-interest takes priority over all organizational goals and values” (Brown 1998, cited in Castrogiovanni and Kidwell, 2010, p, 229) and the franchisor and

franchisee have different preferences (Heath, 2009). Franchisees may choose to not take part in organizational citizen behaviour even when they are inspired and attracted by the prosocial mission of the focal organization.

Second, through observations, the author identified a power imbalance between the franchisees and the franchisor in the focal organization. As discussed previously, the franchisor regularly focuses on its own objectives. In this study, a majority of franchisees indicated that they were satisfied with management, but on the other hand, others believed management is weak, inconsistent, and out of touch, has no credibility, only cares about profit, and has no idea what it is doing. A significant numbers of participants in this study stated that “trust and open communication” are the two most desirable factors in a good quality franchise relationship, which corresponds to the lack of trust in management in hypothesis H5c and the lack of satisfaction with the franchisor’s competence in hypothesis H4e.

In the focal organization, franchisees in general want respect, profitability, and to be a part of the decision-making process with the franchisor. Past research suggests that franchisees pay a great deal of attention to the decision-making process of the franchisor (Strutton, Pelton and Lumpkin, 1993, p. 214). Scholars recommend that franchisors could effectively change franchisees’ perceptions of fairness by performing reliably, truthfully, respectfully, and fairly in all forums of association with franchisees (Strutton, Pelton and Lumpkin, 1993, p. 214). Trust is a crucial element that influences satisfaction, loyalty, and organizational commitment (Cho and Park, 2011). The relationship between a franchisor and a franchisee exists in a similar context. Without mutual trust between the franchisor and the franchisee, it is unlikely that franchisees will be entirely committed and work in good faith with the franchisor; in return, the franchisor will spend countless hours managing unhappy franchisees and repairing meaningless conflicts

that can sidetrack management from developing the franchise system (Davies et al., 2011). The franchisor should not oversimplify issues when they occur, because individuals rarely forgive an organization if they believe the organization has acted in bad faith (Galford and Drapeau, 2003, p. 92). Based on respondents' comments, the management in the focal organization should include franchisees in its decision-making process and allow transparency so both sides can freely communicate and share essential information to improve the system.

Third, management in the focal organization has a tendency to take the approach of believing that if franchisees are more committed to Kumon's core values and beliefs, the company and the franchisees can both be more profitable. In this study, franchise agreement compliance was not mentioned by the franchisees when describing a good franchise relationship. The franchisor's corporate employees were the only participants that expressed franchise agreement compliance as a desirable situation in a franchise relationship. In contrast, franchisees believe that "trust and open communication" are the two most desirable elements of a good franchise relationship. This corresponds to the lack of validation of hypothesis H3a regarding job involvement, where franchisees do not find compliance motivating, but rather redundant, because it does not fulfill their needs. It is essential for the focal organization to recognize that formal control is disliked by the franchisees because many franchisees who join a franchise may do so because they desire freedom, independence, and entrepreneurial self-fulfillment (Peterson and Dant, 1990).

Without question, the focal organization needs to understand that the franchise relationship is comprised of many layers and that it is more than a contractual relationship. Franchisees may see management in the focal organization as difficult to understand, autocratic and hierarchical because of its grounding in Japanese management style. However, management

has worked hard to overcome cultural differences and has tried to replicate Kumon culture in North America. At the end of the day, management's goal is that all local franchisees and corporate associates understand the Kumon mission, vision, and values and are committed to the organization. Management's intention characterizes the collectivist culture approach, in which social interaction is more important than market-based interactions, while Western societies that are inherently individualistic focus on market-based interactions (Johnson and Droege, 2004).

6.4 A Mission-Driven Franchise Organization

The results of this study confirm that it is possible for a mission-driven organization to change individual attitudes and behaviours through the adoption of the management philosophy into one's self-perspective (Wang, 2011, p. 123).

The ideology of mission-driven organizations includes a rich system of values and beliefs shared by their members, and these collective values and beliefs bring individuals together and connect individuals to the organization. All organizations have an ideology component; however, the ideology of the mission-driven organization can serve as a mechanism for managing work and achieving control through standardization of norms; as a result, there are fewer rules and regulations in mission-driven organizations (Mintzberg, 1989). The author has had similar experiences as an insider researcher and an employee of the focal organization, as have participants in this study.

The focal organization operates an education franchise system and its primary responsibility is managing a franchise system with a set of rules and obligations laid out in a franchise contract. As a mission-driven education organization, it encourages individuals to follow the founder's values, beliefs, and philosophy in order to develop students and society and

to bring world peace through education. These two distinctive features create conflicts between the franchisor and the franchisees. As indicated in the study, conflicts occur when the focal organization enforces compliance with the franchise agreement and the organization's core values and ideology while disregarding the profitability of the franchisees. The author believes this is why hypothesis H5c was not supported: management in the focal organization often makes the assumption that franchisee profitability is directly linked to identification with the company core values and beliefs and franchise agreement compliance; this can both mislead individuals and at the same time promote distrustful feelings towards the management.

With increased demand for tutoring and supplemental education services in North America, the focal organization has enjoyed steady growth; however, an increase in competition has also had an impact on market share and profitability. Participants in this study have suggested that being "mission-driven" is essential but not satisfactory because the focal organization is a both an education and business organization. They feel the focal organization has not put enough emphasis on franchisee unit profitability, trust, and open communication; instead, the franchisor has imposed rules and practices that undercut franchisees' profits and that even deviate away from its own core values and beliefs.

There was a time when the core values and beliefs of the focal organization collided with individual franchisee's profitability. However, management of the focal organization has not abandoned its core values and beliefs, including Toru Kumon's ideologies and education philosophy. Many of its internal publications and conferences are primarily dedicated to praising and teaching Toru Kumon's philosophy, values, and beliefs. In other words, the late founder is the corporate hero. In fact, the focal organization's mission, values, and beliefs continue to attract individuals to join the organization either as franchisees or as corporate associates, and

these individuals continue to identify with the management philosophy with a high level of mission valence, as supported by hypotheses H5a, H5b, H5d, and H5e (with the exception of hypothesis H5c) (Table 5.24).

Besharov (2008, p. 140) suggests that mission-driven organizations should focus on retaining individuals who demonstrate high mission valence, as they tend to have better performance and meet financial objectives. However, the disadvantage is that these individuals may become resistant to formal control when they perceive inconsistencies between the espoused mission and the actual work practices (Besharov, 2008). Through research observations, the author has also learned that the focal organization is more inclined to change the world than to change itself. It depends heavily on sharing values and beliefs among franchisees and employees, using education to develop and reinforce identification with the management philosophy. However, not all the individuals clearly see these abstract, long-term goals as defined by the focal organization. Outsiders may think that the focal organization controls not just an individual's behaviour, but also their souls; in reality, the management does not need to overemphasize identification with the management philosophy because identification occurs as expected when a new member is attracted to the organization's values and beliefs (Mintzberg, 1989). For example, new corporate associates and new franchisees may choose to "fit in" with the existing values and beliefs because management and elite franchisees are selected from among members exhibiting the strongest devotion to the organization's values and beliefs; however, this identification may be select or brief, as Mintzberg (1989) warned. The focal organization has used formal training programs, conferences, and informal social events to strengthen members' dedication to its system of beliefs, because identification with corporate values and beliefs can be reinforced (Mintzberg, 1989).

The focal organization needs to understand how to evaluate and measure identification with management philosophy (Mintzberg, 1989). Individuals may adopt management philosophy, values, and beliefs not because they identify naturally with them but because there is a monetary incentive to identify with those beliefs through employment or franchise opportunities. Even further, franchisees may be motivated to adapt to values and beliefs because unit profitability also rewards them; but this type of identification is temporary and weak. Individuals may begin to challenge values and belief systems when their personal interests including desire for profitability are not fulfilled. This particular threat is mentioned by the participants in this research and represents a significant obstacle.

6.5 Recommendations

This research is a journey requiring personal reflection on why this study needs to be carried out at Kumon North America. The franchise system is fascinating in that the two parties, the franchisor and the franchisee, depend on each other to be successful while at the same time acting as if they do not depend on each other at all. The franchisor–franchisee relationship is a social phenomenon, not limited to a contractual relationship. It is more vigorous than many would expect.

The results of this research offer opportunities for Kumon to continue to make improvements in its operations. Over the last decade, Kumon North America has made some substantial changes in its existing franchise operations with the goal of standardizing operations and improving the corporate profitability of its franchise system in North America. Like many other mature organizations, dramatic strategic transformation in operations is crucial to make the organization more competitive in the global economy.

Is Kumon different from other franchise organizations? The vast majority of employees and franchisees believe that Kumon is unique because it is an educational organization that dedicates itself to bringing world peace through education. Kumon has successfully established its leadership in the tutoring and supplemental education industry in North America, and even in the world. Every business organization has its individuality and area of specialization; however, Kumon has many similarities to other mission-driven organizations discussed in the literature, as well as having ongoing challenges in maintaining high-quality franchisor–franchisee relationships. Its products and services may be unique, but in general it is just like any other business organization with a social mission and a hope to change the world and make it a better place for future generations.

During its infancy, the focal organization considered itself an education institution, and it still does even today. Relationships between the corporate office and franchisees are mutual and pleasant. Franchisees are considered teachers and are greatly respected by the corporate employees; indeed, they were admired by the founder himself. This corporate culture exists in every Kumon overseas operation, including the operation in North America. In its overseas operations, expatriates from the parent company hold executive management positions as a means of “cultural control” (Chang and Taylor, 1999, p. 546) by the parent company. They import the organization’s core values and ideologies and Japanese management style and try to replicate Kumon culture in North America, and they expect franchisees and corporate associates to understand. They do not appreciate conflict. They often bend the rules and make exceptions to franchise agreement compliance just to keep the franchisees happy, because a number of top franchisees have connections in the parent company or bring in a large portion of the revenue. Simply, these expatriate managers allow franchisees to do anything they wish, as long as they

identify with the founder's values and beliefs. As a result, the founder's values and beliefs serve as the mechanism for managing the franchise system and achieving control through standardization of norms (Mintzberg, 1989).

With Toru Kumon's death in 1995, the Kumon program continued to spread to more countries and reach more students. There was a period particularly in the North American operation during which management lost sight of the organization's values, mainly, the roots of Toru Kumon's ideology. It has not been until recently that Kumon has had an executive management leadership team with a genuine conviction in those original values and beliefs, and, most importantly, an honest dedication to the people involved in the organization. In the past, executive management often contradicted the focal organization's traditional values and belief system, which led to inconsistency in managing the franchise system. Also, frequent movement at the executive level resulted in many unnecessary changes in the organization, which became a burden for franchisees and corporate associates in addition to making the company's direction more ambiguous.

As a mission-driven organization, Kumon's greatest strength is its ability to attract passionate individuals who are motivated to help school-age children achieve their goals and who are able to use Toru Kumon's personal values, beliefs, and ideology to fire up its franchisees and corporate associates. This form of control mechanism may result in individuals identifying with Kumon's core values and ideology; however, it is important to recognize that individuals' behaviours are not controlled by the organization (Besharov, 2008). As discussed in this chapter, lack of organizational citizenship behaviour, job involvement, satisfaction with the franchisor, and trust in management were demonstrated by individual respondents in this study

and confirmed with past research; however, it also revealed tensions between Kumon and its franchisees.

A franchise system is an economic system and a social system in which the franchisor and franchisees share an intimate working relationship (Etgar, 1979, cited in Tikoo, 2005; Strutton, Pelton and Lumpkin, 1995). In this community, the franchisor and the franchisees share knowledge and experience to improve the system. This exchange of knowledge and information sharing in the franchise system allows both franchisor and franchisees to make better decisions (Newman, Moncarz and Kay, 2014). These practices can potentially minimize agency cost as more detailed and thorough information and knowledge is exchanged between the franchisor and the franchisees.

First, it is important to minimize the reoccurring conflicts between Kumon's mission and franchisee's profitability. Kumon must be aware that it is an education institution and a business organization operating in the franchising industry, as identified by research participants in this study. Therefore, in addition to the organization's core values and ideology, as a for-profit, mission-driven organization, it must pay attention to profitability, too, especially individual franchisee's profitability. Franchise ownership is motivated by profitability, even when the franchisees are also motivated by Kumon's values and ideology. Although, no one can predict and guarantee profitability, it is important for Kumon to demonstrate genuine intention to support its franchisees to become successful as both educators and business owners. In the last few years, both the management and the Franchisee Advisory Council have engaged in a number of taskforces to facilitate the revision of operations manuals, marketing programs and campaigns, franchisee incentive programs, and royalty fees; all with the intention of improving corporate and franchisee profitability. These undertakings have not only improved profitability; at the same

time, they have increased communication, accountability, and transparency between the franchisor and franchisees.

Second, to develop a relationship of mutual trust with the franchisees, the management in the focal organization have included franchisees in its decision-making process, allowing transparency so both sides can freely communicate and share essential information to improve the system. For example, the discussion on royalty increases has involved FAC and communications with franchisees in advance with clear expectations, which has minimized potential conflicts while increasing communication and trust, as expected by the franchisees in this study. Throughout this process, the management has committed to an internal audit to reduce corporate spending while inviting FAC and franchisees to offer recommendations on how management should prioritize the sharing of financial resources with franchisees. This initiative was welcomed and recognized as a positive improvement amongst franchisees because they are involved in the decision-making process, even though royalty increases may potentially impact their profitability.

Third, as a franchise organization, Kumon must come to a realization that franchisees are not employees and franchisees dislike rigid control because they frequently join a franchise out of a desire for freedom, independence, and entrepreneurial self-fulfillment (Peterson and Dant, 1990); also, rigid controls eventually have a negative impact on the mutual trust between the franchisor and franchisee (Inkpen and Curren, 2004). Only newer franchisees need more frequent contact and support from the franchisor, when their operating knowledge is limited, and over time, franchisees will require less contact and support from the franchisor as they adopt their own standards and gain better local knowledge about their markets than the franchisor (Baucus, Baucus and Human, 1996; Dant and Gundlach, 1999; Gassenheimer, Baucus and Baucus, 1996).

Fourth, conflicts do transpire in franchisor-franchisee relations, as the franchisor and the franchisee simply have different preferences and goals, and it does not matter whether the individuals are self-interested or not (Heath, 2009). Therefore, Kumon is obligated to be responsible for providing dependable operational standards and opportunities to exchange and share best practices to avoid conflicts between the franchisor and the franchisee. However, this practice is not limited to Kumon's core values, ideology, and instructional knowledge. Kumon must dedicate time and effort to supporting individual franchisee's profitability because franchisees tend to demonstrate satisfaction and a positive relationship with the franchisor when the franchise system has a strong competitive advantage in the market. Kumon should lead its franchisees to realize Kumon's advantage in the tutoring industry and regularly share information on competition and market share. Both the franchisees and the Franchisee Advisory Council have made this request frequently; they just want to know they are doing well. Although Kumon has tried to collect financial statements from franchisees in the past, participation was minimal. Little by little, management has invited keynote speakers to speak at the franchisees conference on franchise relationship, customer service, marketing, and even profitability. Business topics have also been present regularly at the local monthly meetings, which has received many positive responses from franchisees.

Finally, Kumon should make use of its Franchise Advisory Council to foster a "franchisee community" (Bradach, 1998, p. 290) to encourage collaborative behaviours and entrepreneurial teamwork between franchisees. Research suggests interactions between franchisees is equality effective as those between franchisor and franchisee (Clarkin and Rosa, 2005; Cochet and Ehrmann, 2007; Dormann and Ehrmann, 2007, cited in Akremi, Mignonac and Perrigot, 2010). FAC was re-established in 2012 and it was only utilized to deal with conflicts

and disputes between the franchisor and the franchisees. Kumon should empower its FAC members to reach out to franchisees and to mediate between the franchisees and the franchisor. Regular town hall meetings have been established to connect local franchisees with their FAC representative at least once a year in both the United States and Canada. Feedback from franchisees and FAC representatives has been positive because there are opportunities for franchisees to connect with one another to share challenges and best practices; they also have opportunities to offer suggestions to the franchisor to improve the system. The author of this thesis and his colleagues are the primary management delegation to the FAC and have attended town hall meetings as observers and have gained many insights from franchisees. FAC has brought back franchisee lead lectures on best practices and North American wide study tours are also being brought back to encourage learning and knowledge sharing within the franchisee community.

With regard to the leadership at Kumon, the participants in this study expressed cultural distance from the Japanese management style and low trust in management. According to the literature, ethical leadership behaviour leads to a positive connection with commitment, satisfaction with the leaders, more trust, and better organizational citizenship behaviour (Brown, Treviño and Harrison, 2005; Den Hartog and De Hoogh, 2009; De Hoogh and Den Hartog, 2008; Kalshoven, Den Hartog and De Hoogh, 2011; Kalshoven and Den Hartog, 2009; Mayer et al., 2009; Newman, Moncarz and Kay, 2014; Piccolo et al., 2010). It is important for Kumon to overcome these cultural differences and ensure that its leadership is consistent and able to develop trustworthy relationships with franchisees and corporate associates, rather than just making them happy.

The appointment of local managers in 2013 as the regional headquarters president and other senior positions in North America, rather than filling these positions with typical Japanese expatriates, has made a positive influence amongst the franchisees and corporate associates. This decision disregarded concerns about Japanese management style in preference to understanding the North American education market and operations. It also reduced cultural distance between the franchisees, corporate associates, and executive management. The parent company has followed the same practices in the most recent reorganization in 2017.

Last, there is only one corporate hero, and that is the late founder. Current and future leadership must understand that no other individual can replace the late founder. Leadership should not deviate from the core organization values and beliefs.

6.6 Chapter Summary

This chapter presented key research findings and recommendations to improve the focal organization. The next chapter presents the conclusion, in which the author will present the research contributions of this study, its managerial implication, the limitations of the research, and opportunities for future studies.

CHAPTER SEVEN

CONCLUSION

As we all know, the mission of Kumon is to change the world's educational trends by introducing individualized education and contribute to world peace by developing capable people. Without wavering we need to move on, keeping in mind the slogan, "The Kumon Method for as many children as possible."

-Toru Kumon, Founder, Kumon Institute of Education Co., Ltd.

7.1 Introduction

The chapter presents the ways in which this research contributes to existing knowledge of the field, its managerial implications, the limitations of the research, and opportunities for future studies.

7.2 Contributions

This study makes several contributions. First, it advances our understanding of mission-driven organizations in a for-profit franchise system in North America. Past studies have focused on mission-driven organizations in Japan and have suggested that philosophy-oriented practices can transform individual attitudes and behaviours through the adoption of a management philosophy (Wang, 2011). This study provides a more complete understanding of the possible relationship between adoption of the management philosophy of the franchisor and its impact on the franchisor–franchisee relationship.

Second, a limited amount of research has focused on investigation of the impact of individual dimensions of the adoption of management philosophy on outcomes (Mayer, David and Schoorman, 1995). This study expands the findings of the existing literature by extending

the model to additional dimensions of adoption of management philosophy such as organizational goal clarity and mission valence. Also, little is known about how these dimensions empirically impact individual outcomes such as job involvement, organizational citizenship behaviour, trust, commitment, and satisfaction with franchisor competence. Therefore, it is important to conduct investigations into the impact of organizational practices on outcomes (Becker, 2005; Liu and Dorren, 2013). In the process, this study provides an integrated theoretical framework that may be useful for practitioners while also empirically examining these relationships.

Third, this research advances the understanding of the tutoring and supplemental education industry. Previous research has focused on the demand for private tutoring (Davies, 2004; Safarzyńska, 2013); private tutoring as both an individual and a collective choice (Lee, 2007); growth and transformation in the tutoring industry (Aurini, 2004; Davies, Aurini and Quirke, 2004); assessing the efficiency and equity of tutoring (Dang and Rogers, 2008); public policy and regulation of the private tutoring industry (Bray, 2006); and the implications of private supplementary tutoring (Safarzyńska, 2013). Current research findings provide management implications for those organizations that are franchising in the tutoring and supplemental education industry, identifying an alternative management approach that uses the influence of the social mission and adoption of the management philosophy to develop a positive relationship between franchisor and franchisees.

Fourth, past academic studies on franchisor–franchisee relationships have focused on relational trust and commitment to the franchise system (Combs et al., 2011; Croonen, 2007, 2008, 2010). This study provides information about essential management practices to franchise practitioners and franchise organizations that are either mission driven or that wish to adopt

social missions and management philosophies, to improve their operational efficiency, effectiveness, and relationships with franchisees.

Lastly, this research offers an alternative franchise management approach to franchising practitioners. Results illustrate that it is important for franchisors to select individuals who identify with their management philosophy rather basing selection solely on investment qualifications. Franchisees' attitudes and behaviours are important factors that contribute to the franchisor–franchisee relationship.

7.3 Managerial Implications

The findings of this study have several implications for managers. First, a franchisor's priority is to ensure unit profitability and sustain a positive relationship between the franchisor and the franchisee. This study suggests that it is possible for a franchise organization to utilize management philosophy to manage individual stakeholder's behavioural outcomes in a franchise system. In fact, franchise organizations that encourage high quality relationships between key stakeholders are more flexible and able to adapt to change because trust and commitment are required to nurture creativity, knowledge transfer, and ongoing organizational learning (Cardona and Rey, 2008). This study also offers a different management approach to franchise organizations that are exclusively motivated by profitability. Cardona and Rey (2008) suggest that organizations must be vigilant not to overlook the relationship between consent and profit. ServiceMaster, a global company devoted to offering services to people as well as to making a profit, shares this belief:

If we focused exclusively on profit, we would be a company that has forgotten to feed its soul. Companies which do that experience a loss of direction and purpose

among their people, a loss of customers, and eventually a loss of profit. Both people and profit are part of our mission (ServiceMaster Annual Report, 1995, cited in Cardona and Rey, 2008, p. 8).

Second, in this study it was noted that the focal organization's greatest strength is its ability to attract passionate individuals who are motivated to espouse its corporate mission and management philosophy. This organizational strength has attracted many individuals who also share similar belief systems and social values, as discussed above. However, mission-driven organizations have a tendency to become closed systems when they focus only on protecting their unique ideologies and fail to connect with the external environment (Mintzberg, 1989, p. 229). Mission-driven organizations must avoid this oversimplification and management must realize that the management philosophy and corporate mission that define a company's purpose and practices are not just for the management team; they must communicate it throughout the organization and support every member. Executive management must be aware that its management philosophy and corporate mission affect the company's competitive position in the external environment. They must thoroughly communicate an image of the future that the organization wants to attain to avoid potentially isolating franchisees. Furthermore, management in franchise organizations that practice this communication strategy can improve their franchise system's competitiveness, because its franchisees are engaged and encouraged to espouse the corporate purpose; this alignment helps franchisees to see that their business ownership is about more than just making a profit.

The other concern is the threat of assimilation by the mission-driven organization, that mission-driven organizations may be motivated to change the world but not able to transform themselves, and these organizations that are unable to adapt to the external environment could

eventually be assimilated (Mintzberg, 1989). For this reason, mission-driven organizations must be open to attracting new individuals who are not predisposed to pro-social values, since the organization can encourage individuals to gain pro-social values through the adoption of the management philosophy (Mintzberg, 1989; Wang, 2011). This practice could diversify the organization and increase its competitiveness.

7.4 Limitations

Any research has limitations regarding time, financial concerns, the research site, and the nature of the research design. Specifically, there are several limitations associated with this study that are worth mentioning.

The first limitation is the nature of the research design. This research was based on a convenience sample, and a web-based survey was used to collect data from a large, diverse population across the United States and Canada. The resulting problem is that in such cross-sectional research, the data for both the dependent and independent variables were taken from the same informants. The author acknowledges that informant-based, cross-sectional research is of a highly attitudinal and perceptual nature; therefore, there is the problem of potential common method variance (CMV), which may lead to some inaccurate conclusions (Armstrong and Overton, 1977; Atif, Richards and Bilgin, 2012).

The second limitation relates to the single organization case study methodology employed in this study. By concentrating solely on a subsidiary operation in North America, the findings are specific to this particular operation. The results of this research may not represent the focal organizations' operations in other regions; the overall generalizability is thus limited.

The third limitation is the validity of the data collected. Research data in this study is based on the participants' understanding of the questions and willingness to answer them in good conscience. False data may have been collected in the online survey because the questions were interpreted in various ways, or participants' biases and personal preconceptions may have negatively influenced the data.

The fourth limitation relates to the researcher's position within the research organization; his relationship with employees and franchisees may have potentially affected the survey results. For example, respondents may have been reluctant to give honest answers because they did not want to offend the researcher.

The fifth limitation is the researcher's personal bias and experience with the focal organization. The researcher's tenure and experience in the franchise industry might have had some impact on his interpretation of the research data and results.

The sixth limitation is that the majority of franchisees and employees did not participate in this study, and these nonparticipants might have different biases and perceptions compared to the participants. It is important to be aware that the current findings in this study may be biased because they represent only the participants' biases and perspectives.

Finally, the sampling design of this study can be considered a limitation because it favoured the current employee and franchisee population. Previous management, employees, and franchisees who make up the history of the organization were not included in this study, and perhaps their perspectives would have provided different information.

7.5 Implications for Further Research

The franchising industry has attracted considerable academic attention. Combs et al. (2011) argues that franchising has offered great perspective and potential for more research queries because of its diverse nature. This study examines the possible relationship between the management philosophy of the franchisor and its impact on the franchisor–franchisee relationship. The findings of this study show that the management philosophy of the franchisor can have a positive impact on the franchisor–franchisee relationship.

Future research is needed to address some of the limitations mentioned above. First, another study could be conducted in a similar organization, preferably in a tutoring and supplemental education franchise system (any of the companies mentioned in Table 1 would be ideal). This expansion of results would provide us with a greater understanding of the tutoring and supplemental education industry and how each system utilizes management philosophy to manage the franchise relationship.

Second, to gain a greater understanding of the Kumon system, it would be beneficial to conduct similar research involving all six Kumon regional headquarters. This approach would provide opportunities to compare countries or regional differences and to examine individual countries' strategies and relationships with franchisees, and it could provide the parent company with opportunities to advance their strategies.

Third, this research has examined the individual behavioural outcomes of job involvement, organizational citizenship behaviour, trust in management, organizational commitment, and satisfaction with franchisor (employer) competence. Future research could include new performance variables to study the returns on the adoption of a management philosophy.

Finally, leadership styles and their influence on the adoption of management philosophies and organizational practices could be considered for future studies.

7.6 Chapter Summary

This chapter presented research contributions, management implications, research limitations, and potential directions for further research. In the following chapter, the author will share his personal journey as a researcher and his experience in the Liverpool DBA programme.

CHAPTER EIGHT

MY PERSONAL JOURNEY

There is never “good enough”, there must always be “something better.”
-Toru Kumon, Founder, Kumon Institute of Education Co., Ltd.

8.1 Introduction

This thesis has focused on the interactions between organizational practices, the adoption of a management philosophy, and individual outcomes in a mission-driven multinational education franchise system. The Doctor of Business Administration (DBA) studies have been the impetus for my own personal transformation in addition to fulfilling a personal quest to develop my knowledge in both the academic and professional arenas. The final chapter is an account of my personal journey through the DBA program and how it has developed me as a scholar-practitioner.

8.2 My Transformation

I have always had an interest in business management and entrepreneurship, and this has made me naturally curious to explore and engage in activities and events beyond my own organization. My involvement in the Canadian Franchise Association, International Franchise Association and International Society of Franchising have offered many opportunities to expand my understanding and update my professional and academic skills in management and entrepreneurship, but I was looking for more formal learning. When I discovered the University of Liverpool DBA program, I knew it was the right educational program to develop my academic and professional skills further.

Commitment to my DBA studies has presented challenges in terms of finding the time and stamina to dedicate to this undertaking. Having a full-time job, traveling for business, taking on new projects, and relocating due to reorganization have posed additional considerable personal challenges in terms of the amount of time available to devote to the DBA; however, at the same time, I was able to draw connections between my work and my studies and enable myself to successfully fulfill my career and school obligations. Despite the considerable pressure of meeting the demands of studies, personal life, business travels, and career over these last six years, I consider it a privilege to undertake the DBA studies.

This academic quest has expanded my understanding of business management and has enabled me to see management and entrepreneurship in a more holistic and universal context. This has also allowed me to understand my own role more clearly and how I might develop further in my own or another organization. Truthfully, I feel empowered as I have acquired great knowledge and confidence to shape my own career and destiny.

I have detected changes in the way I operate. Through action learning and action research, I have begun to reflect on my own practices and actions as a manager. I reflect on the effectiveness of my management approach, the way I execute my job, and the way I interact with my team, with franchisees, and with other stakeholders. This has had an immediate and direct effect on my daily experience and has led me to introduce new practices acquired through the DBA experience. It has also enhanced my leadership style, not only giving me the confidence to lead but also making me more aware of the individuals with whom I am working. It has also changed how I engage with the franchisees and other key stakeholders in the organization.

I have developed stronger critical and analytical skills through the completion of different assignments, interactions with colleagues, and completion of this thesis. The

assignments in the DBA studies were the key learning development, as I was able to use real business topics in my own organization as a researcher rather than an employee of that organization; they gave me the skills and the confidence to tackle this thesis. This abundant learning experience was greatly enhanced through the two optional residencies, during which I learned research methodologies from faculty members and interaction with other colleagues pursuing their DBA. I cannot imagine that I would have been able to complete the DBA program without support, guidance, and encouragement from faculty members, colleagues, and my thesis advisor. I am fortunate to have met such a fine group of individuals who have inspired me throughout these six years.

8.3 Changes in the Focal Organization

Despite the corporate politics while at the same time trying to balance personal and professional life, I was given the opportunity to act as a change agent and work with different groups within the focal organization. I have been involved in projects that aim to create a new corporate strategy beyond 2020, and I have performed the role of liaison between the franchisor and the franchisee advisory council (FAC) representatives to deal with operational issues and consult on current and future corporate strategy, with a primary emphasis on developing a mutual trust relationship with the franchisees.

Through this work, a blueprint emerged for the future with the support of an external consultancy that would assess Kumon's operations and develop a plan for change. The blueprint focuses on five key areas for development. Two other corporate project leader and I were responsible for reviewing and enhancing the current business model, franchisee selection

process, and franchisee training and development program with the intention of increasing franchise unit profitability and franchisee compatibility and quality.

Franchisee recruitment strategy was modified, and behavioural tests were introduced as an additional step to the current franchisee recruitment and approval process in an attempt to limit personal biases and aiming to identify new franchisees who would adopt Kumon's mission and management philosophy and be compliant with the Kumon system. This new process would enable my organization to collect cumulative franchisee data and benchmark an ideal franchisee profile as the system continues to grow; also, we are developing individualized training requirements for new franchisees as they join the system.

The second area of development requires an overhaul of the existing learning management system (LMS). This development enriched our e-Learning platform and offered additional learning options for franchisees. It also allowed my organization to share its knowledge and updates beyond the traditional training room setting. Most importantly, through this process, governance of franchisee training and development has been reviewed, discussed, and updated.

The third area of development is review of Kumon's core franchise business model. An internal study was carried out to explore the role of the franchisee, franchisee unit operation, unit profitability, and franchisor's support. New strategies were introduced to meet the expectation of franchisees and the new market environment. For the first time, documentation was created to guide franchisees in their operations in addition to the existing operations manual. This new development is significant and was difficult for many long-term corporate associates and managers because they believe Kumon is about education and child development, not

profitability, while a majority of the franchisees demand that the franchisor focus on both education and business operations.

Performing the role of liaison to the FAC is an interesting and challenging experience. I am able to listen to and realize the concerns of the franchisees in person. This role also gives me the opportunity to frequently review and discuss corporate strategy and policy between the management team and the FAC. Initially, the FAC was created only to bring issues, or rather, complaints, to the management. I initiated the review of this practice with help from the president and my colleagues. The current leadership is dedicated to developing high-quality relationships with the franchisees. I was able to work with the FAC to develop enhanced processes and procedures so they can better manage the expectations of the franchisee community and their own expectations. I was able to formulate a process that the management team could respect and follow.

Leading and managing this process meant that the project team and I also had to deal with resistance from stakeholders, members of the management team, and the parent company in Japan. It was a process of constant communication and negotiation, but we maintained a firm position and convinced a growing number of people that these new additions were not about whether the association should change but how it should change. It was never an easy process, and there is still resistance and tension amongst management and associates as the focal organization takes the plan forward.

Before the end of 2015, the president of Kumon North America and my team started a new country expansion project in Central America. With this new project, I have the opportunity to work with other Kumon associates in Asia and Japan. Currently, myself and associates from the office of the company president in Japan are updating the new country expansion research

and approval processes and will implement these in all regional headquarters in the future. This project is not only allowing me to gain international experience but it is also giving me the opportunities to apply my new skills and knowledge to establish franchise operations from the ground up. In fact, my experience in new country expansion is very similar to that of Japanese expatriates who brought Kumon to North America in the past. This exciting opportunity has led me to face unfamiliar challenges and opportunities and prove to myself that this DBA program has been beneficial; also, I have the opportunity to not repeat previous operational oversights in these new countries.

The formal experience of the learning components, assignments, and thesis as well as my interactions with DBA colleagues and faculty members on the program were key to enabling me to study my organization's situation in detail and then to commence with and engage in the process of change. It was a very practical and highly engaging exercise of bringing together professional and academic knowledge that accompanied me during my DBA journey and gave me a real experience as a scholar-practitioner.

8.4 Final Thoughts

In 2018, my organization will celebrate a significant milestone – its sixtieth anniversary. According to credit rating agency Tokyo Shoko Research, fewer than 1% of the corporations in the world continue to exist beyond 50 years (Kumon Institute of Education, 2008). This is made possible by franchisees (instructors) and associates who spend endless effort promoting the Kumon Method of learning in their communities. This accumulation of effort and practices has positively transformed students in their learning and their lives. Despite the challenges mentioned in this study, individuals continue to share the mission set forth by Toru Kumon, and

they are excited as part of a big mission, which is to make a major contribution to society and to world peace.

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APPENDIX A

Kumon's History

History in Japan

Spread to the world

- 1954** Toru Kumon, a high school math teacher, began providing education based on the concept of self-learning to his son, Takeshi, then a second grader in elementary school. He wrote numerous calculation problems on loose-leaf paper for his son. This was the origin of the Kumon Method.
- 1955** The first Math Center using Kumon worksheets is opened in Moriguchi City, Osaka.
- 1958** The office of the Osaka Institute of Mathematics is established in Osaka City.
- 1962** The Osaka Institute of Mathematics Ltd. is established. The first Kumon Center is opened in Shinjuku-ku, Tokyo.
- 1963** Kumon's Tokyo Office is opened.
- 1969** The total number of subject enrollments in Japan exceeds **10,000**.
- 1972** The company name, Osaka Institute of Mathematics, is changed to Osaka Kumon Institute of Mathematics. The Tokyo Kumon Institute of Mathematics Ltd. is established.
- 1974** The Secret of Kumon Math (published by Koseido Publishing) becomes a best seller. The Kumon Method became widely known through the publication of this first book written by the founder, Toru Kumon. The book officially introduced the aims and theory of the Kumon Method for the first time, and included numerous concrete cases of instruction and learning effectiveness. The book generated a tremendous response and the company was flooded with inquiries.
- 1977** Workbooks for preschoolers begin to be published. The total number of subject enrollments in Japan exceeds **200,000**.
- 1979** The first Kumon Instructors' Conference is held in Japan.
- The total number of subject enrollments in Japan exceeds **500,000**.

1950

1960

1970

- 1974** The first overseas Kumon Math Centre opens in New York.
- The beginning of the Kumon Method outside Japan was the Kumon Math Centre that opened in New York in 1974. Initially, most students at this Centre were the children of Japanese expatriates. However, as the effectiveness of the Kumon Method became more widely known, local children began to enroll. Today, Kumon has become a source of education for local children provided by local Instructors in each country.
- 1975** Centre opens in Taiwan.
- 1977** Centre opens in Brazil.
- 1979** Centre opens in Germany.

- 1980** The Kumon English Program (for native Japanese speakers) is launched.
- 1981** The Kumon Japanese Program (for native Japanese speakers) is launched.

The first Instructors' Conference on Learners with Special Needs is held.

Both the Osaka Kumon Institute of Mathematics Ltd. and the Tokyo Kumon Institute of Mathematics Ltd. are reorganized from limited liability companies into joint-stock corporations.

The total number of subject enrollments in Japan exceeds 1 million.
- 1982** The Osaka Kumon Institute of Mathematics Co., Ltd. and the Tokyo Kumon Institute of Mathematics Co., Ltd. merge to become the Kumon Institute of Mathematics Co., Ltd.
- 1983** The company name, Kumon Institute of Mathematics, is changed to Kumon Institute of Education.
- 1984** The Kumon Japanese Learning Program (for foreign learners) is launched.
- 1985** The Kumon Penmanship Program is launched.
- 1986** The Kumon French and German programs (for native speakers of Japanese) are launched.
- 1988** Kumon Publishing Co., Ltd. is established.
- 1989** The total number of subject enrollments in Japan exceeds **1.5 million**.

1980

- 1980** An affiliated company is established in Sao Paulo, Brazil.
- An affiliated company is established in Dusseldorf, Germany.
- 1982** An affiliated company is established in Los Angeles, USA.
- 1983** The total number of overseas subject enrollments exceeds **10,000**.
- 1984** An affiliated company is established in Sydney, Australia.
- 1988** An affiliated company is established in Hong Kong.

A public elementary school in the United States implements Kumon Math.

It was the strong interest of the vice principal of Sumiton Elementary School in Alabama, the United States, that first drew attention from overseas to the Kumon Method. The vice principal had seen a TV program introducing the Kumon Method, and he became convinced that he could help his students conquer their math phobia by using the Kumon Method. This was the first time that the Kumon Method was utilized in regular school classes outside of Japan. The results were even greater than expected: the average math score at Sumiton Elementary School improved by 20 points. This achievement was hailed as the “Miracle of Sumiton” in a variety of media. This occasion served as a catalyst that began the Kumon Method's spread throughout the world.

1990

- 1990** The Kumon English Program (for native English speakers) is launched in Australia.
- An affiliated company is established in London, U.K.
- 1992** The total number of overseas subject enrollments exceeds **200,000**.
- 1993** The Kumon Chinese Program (for native Chinese speakers) is launched in Taiwan.
- 1994** The Kumon Portuguese Program (for native Portuguese speakers) is launched in Brazil.
- 1995** Company founder Toru Kumon passes away.
- 1996** Kumon L.I.L. Co., Ltd. is established.
- 1997** Kumon president Takeshi Kumon passes away.

- 1990** The Kumon English Program (for native English speakers) is launched in Australia.
- An affiliated company is established in London, U.K.
- 1992** The total number of overseas subject enrollments exceeds **200,000**.
- 1993** The Kumon Chinese Program (for native Chinese speakers) is launched in Taiwan.
- 1994** The Kumon Portuguese Program (for native Portuguese speakers) is launched in Brazil.
- The total number of enrollments in the world exceeds 2 million.**

- 2000** Kumon is reorganized into a group management structure.
- The Kumon Toru Research Institute of Education Co., Ltd. is established.
- 2001** Applied research into Learning Therapy is begun.
- The first Kumon World Leaders' Seminar is held.
- The first English Immersion Camp is held.
- The new Kumon logo is created.
- 2003** All Kumon signboards are replaced with the new Kumon logo signboards.
- 2007** Activities for child-raising support begin.
- 2008** Kumon celebrates the 50th anniversary of its founding.
- 2010** Kumon begins offering its educational services to universities.
- 2011** Global Communication & Testing Co., Ltd. (GC & T) is established.
- 2014** 100th Anniversary of the birth of Toru Kumon

2000

- 1995** An affiliated company is established in Singapore.
- The total number of overseas subject enrollments exceeds 500,000.
- 1997** An affiliated company is established in Johannesburg, South Africa.
- 1998** The total number of overseas subject enrollments exceeds 1 million.
- 2001** The total number of enrollments in the world exceeds 3 million.
- 2003** The total number of overseas subject enrollments exceeds 2 million.
- 2004** The Kumon EFL Program (English as a Foreign Language) is launched in Brazil.
- The Kumon Spanish Program (for native Spanish speakers) is launched in five countries in South America.
- An affiliated company is established in New Delhi, India.
- Up to this point, Kumon's overseas development had proceeded by receiving offers from local parties. In this case, however, Kumon established an affiliated company in India in order to provide learning opportunities to as many children as possible. In India we continue to seek out the optimum manner of providing the Kumon Method.
- 2005** The Kumon CFL Program (Chinese as a Foreign Language) is launched in Korea.
- An affiliated company is established in Guangzhou, China.
- 2006** An affiliated company is established in Ho Chi Minh City, Vietnam.
- The total number of enrollments in the world exceeds 4 million.
- 2007** An affiliated company is established in Doha, Qatar.
- 2008** The Kumon Thai Program (for native Thai speakers) is launched in Thailand.
- 2009** The Kumon Spanish Program (for native Spanish speakers) is launched in Spain.
- 2014** The Kumon Spanish Program (for native Spanish speakers) is launched in Mexico.

APPENDIX B

Online Survey Introduction, Consent and Acknowledgement

Page 1 – Introduction and directions

Thank you for participating!

Please read the direction carefully at the beginning of each part and answer all the questions as accurately as possibly.

Completing this questionnaire will take about 30 minutes.

Please answer all the questions.

Thank you for participating!

David Tsai

Page 2 – Consent and Acknowledgement

If you need any explanations about the questions, please feel free to contact the researcher at any time.

TEL NO: 1-647-290-1868

EMAIL: dtsai@liverpool.ac.uk

Title of Research Project:

Studying the impact of the adoption of management philosophy on a franchisor-and-franchisee relationship in a multinational franchise system.

By clicking to move to the next page:

1. I confirm that I have read and have understood the information sheet dated 26th June 2014 for the above study. I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily.
2. I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason, without my rights being affected. In addition, should I not wish to answer any particular question or questions, I am free to decline.
3. I understand that, under the Data Protection Act, I can at any time ask for access to the information I provide, and I can also request the destruction of that information if I wish.
4. I understand that confidentiality and anonymity will be maintained, and it will not be possible to identify me in any publications.

5. I understand that my responses will be kept strictly confidential. I give permission for members of the research team to have access to my anonymized responses. I understand that my name will not be linked with the research materials, and I will not be identified or identifiable in the report or reports that result from the research.
6. I understand and agree that once I submit my data it will become anonymized and I will therefore no longer be able to withdraw my data.
7. I agree to take part in the above study

Page 3.....

Participant Information Sheet

Title of study:

Studying the impact of the adoption of management philosophy on a franchisor-and-franchisee relationship in a multinational franchise system.

Invitation

You are being invited to participate in a research study. Before you decide whether to participate, it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and feel free to ask the researcher if you would like more information or if there is anything that you do not understand. We would like to stress that you do not have to accept this invitation and should only agree to take part if you want to. You may also decline or discontinue participation at any time.

Thank you for reading this.

Purpose of the study

This study is being used to fulfill one of the requirements for the Doctor of Business Administration degree at the University of Liverpool. The study involves a research study, intended to help researchers learn to apply research approaches to study the impact of the adoption of management philosophy on a franchisor-and-franchisee relationship in a multinational franchise system. The overall objective of this study is to investigate whether a mission-driven organization is more effective and efficient in terms of managing a franchisor-and-franchisee relationship.

What is a mission-driven organization? A mission-driven organization can be a non-profit or for-profit, public or private, governmental or non-governmental organization (NGO), charitable or faith-based organization (Muehlke, 2012; Mintzberg, 1989). A mission-driven organization is formed to accomplish goals that extend beyond the profits of the organization and include social responsibility.

Why have I been chosen?

You are selected to participate in this study because your organization has forwarded this invitation to all employees and franchisees who meet the researcher's study criteria (i.e.,

employee - has been with the organization at least 90 days; franchisee – has been with the organization for at least 30 days.)

Do I have to take part?

Your participation is voluntary and you are free to withdraw at any time without explanation and without incurring a disadvantage.

What will happen if I take part?

If you agree to participate in this research study, you will be asked to complete an anonymous online questionnaire which may take about 30 minutes. You may exit the questionnaire at any time and your data will not be saved. You may also skip any questions that you do not want to answer. However, answering each question completely will provide important information for the study.

Confidentiality/Anonymity

The information provided by you in this research study will be used for research purposes only. It will not be used in a manner that would allow identification of your individual responses. All references to each participant will be made anonymous with the use of codenames and nomenclatures as appropriate. No one will link the data you provided to the identifying information you supplied. At the end of the study, anonymized research data will be archived for at least 5 years. All survey responses will be locked in the cabinet and all data saved on the computer will be password protected by the researcher.

Research results

If you wish to know the results of the study once it has been completed, we will be happy to send you a letter explaining the overall findings.

The information provided by you in this study will not be used in a manner that would allow identification of your individual responses. All references will be made anonymous with the use of codenames and nomenclatures as appropriate. No one will link the data you provided to the identifying information you supplied.

Research benefits

We cannot promise the study will provide immediate benefit, but the information we get from the study will help to increase the understanding of the impact of the adoption of management philosophy on a franchisor-and-franchisee relationship in a multinational franchise system. It is hoped that this study will contribute to the organization as a whole.

Research risks

The study has been considered and approved by the Committee on Research Ethics at the University of Liverpool. There are no foreseeable risks beyond everyday occurrences at this point.

Conflict of interest

Based on the fact that this study is isolated from the researcher's professional role, there are no conflicts of interest towards this research work.

What if there is a problem

If you are unhappy, or if there is a problem, please feel free to let us know by contacting [David Tsai, (647)290-1968 or dtsai@liverpool.ac.uk] and we will try to help. If you remain unhappy or have a complaint which you feel you cannot come to us with then you should contact the Research Participant Advocate at liverpooethics@ohcampus.com or 1-612-312-1210. When contacting the Research Participant Advocate, please provide details of the name or description of the study (so that it can be identified), the researcher involved, and the details of the complaint you wish to make.

Withdrawal from research work

You may decide to stop being a part of the research study at any time without explanation. You have the right to ask that any data you have supplied to that point be withdrawn/destroyed.

Once again, thank you for agreeing to take part in this study. If you have any questions about the research at any stage, please do not hesitate to contact the researcher.

APPENDIX C

Survey Questionnaire

Section 1. General Information

1. What is your gender?

- Female
- Male

2. What is your age?

- 18 to 24
- 25 to 34
- 35 to 44
- 45 to 54
- 55 to 64
- 65 or older

3. What is the highest level of education you have completed?

- College diploma
- Associate degree
- Bachelor's degree
- Master's degree
- Professional degree
- Doctorate degree

4. What is your ethnicity?

- White
- Black
- South Asian (e.g., East Indian, Pakistani, Sri Lankan, etc.)
- Chinese
- Filipino
- Arab
- Latin American
- Southeast Asian (e.g., Vietnamese, Cambodian, Malaysian, Laotian, etc.)
- West Asian (e.g., Iranian, Afghan, etc.)
- Korean
- Japanese
- Aboriginal
- Others (please specify)

5. How many locations of this franchise do you own?

- 1
- 2
- 3 or more

6. How long have you been a franchisee?

- Less than 1 year
- 2 to 5 years
- 6 to 10 years
- 11 to 15 years
- 16 to 20 years
- More than 20 years

7. What is your current student enrolment number?

- Above 400 subject
- 301 to 400 subjects
- 201 to 300 subjects
- 101 to 200 subjects
- 51to 100 subjects
- Under 50 subjects

8. Kumon Math and Reading Centre is...

- A Business
- The Education Institute
- Both Education Institute and business

Section 2. The statements in this section relate to the **Identification with management philosophy**. Using the scale provided, please indicate the response to items 1 – 3 that best represents your opinion.

9. I identify with the management philosophy and ethical codes of my franchisor [employer].

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

10. The management philosophy of my franchisor [employer] is valuable in helping me overcoming the difficulties at work.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

11. I could not accept the management philosophy of my franchisor [employer] because it is opposed to my individual value.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Section 3. The statements in this section relate to **The sensemaking of the management philosophy**. Using the scale provided, please indicate the response to items 1 – 3 that best represents your opinion.

12. I could make sense of the management philosophy of my franchisor [employer] very well.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

13. I am able to interpret the management philosophy of the franchisor [employer] in my own words.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

14. I can explain the management philosophy to people outside the company if required.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Section 4. The statements in this section relate to the **Philosophy-oriented organizational practice**. Using the scale provided, please indicate the response to items 1 – 6 that best represents your opinion.

15. The philosophy-oriented training and education programs are implemented very well in my franchisor's [employer's] organization.
- Strongly Disagree
 - Disagree
 - Neutral
 - Agree
 - Strongly Agree
16. The management philosophy of the company has been clearly communicated to every franchisee [employee].
- Strongly Disagree
 - Disagree
 - Neutral
 - Agree
 - Strongly Agree
17. The philosophy-oriented behaviours are preferred and favoured in franchisee [employee] evaluation and promotion.
- Strongly Disagree
 - Disagree
 - Neutral
 - Agree
 - Strongly Agree
18. The senior managers and my field consultant/branch manager [my supervisor] prefer to follow the instructions of the management philosophy whenever they encounter difficulties.
- Strongly Disagree
 - Disagree
 - Neutral
 - Agree
 - Strongly Agree
19. My field consultant and branch manager [supervisor] respect the management philosophy very much.
- Strongly Disagree
 - Disagree
 - Neutral
 - Agree
 - Strongly Agree

20. The top-level managers do not change their attitudes and stances even when faced with harsh problems.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Section 5. The statements in this section relate to the **JOB INVOLVEMENT**. Using the scale provided, please indicate the response to items 1 – 3 that best represents your opinion.

21. I feel that the most fulfilling time of my life is working at the Center [work].

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

22. I feel great satisfaction with my [work] center operations.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

23. I am very much involved in [my company] franchise business.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Section 6. The statements in this section relate to the **ORGANIZATIONAL CITIZENSHIP BEHAVIOUR**. Using the scale provided, please indicate the response to items 1 – 10 that best represents your opinion.

24. I always stay informed about change in the company.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

25. I always help others who are in need of support.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

26. I never take a break without a legitimate reason.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

27. I would not hurt others' feelings even as a joke.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

28. I always stay informed about the developments and situation of the company.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

29. I would like to help others even by sacrificing my own time.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

30. I would try to avoid creating problems for others.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

31. I attend and participate in events regarding my company even though it is not required.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

32. I do not complain a lot about trivial matters.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

33. I always try to give others useful advice for avoiding failure.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Section 7. The statements in this section relate to the **ORGANIZATIONAL GOAL CLARITY**. Using the scale provided, please indicate the response to items 1 – 3 that best represents your opinion.

34. It is easy to explain the goals of this organization to outsiders.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

35. This organization's mission is clear to everyone.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

36. This organization has clearly defined goals.

- Strongly Disagree
- Disagree

- Neutral
- Agree
- Strongly Agree

Section 8. The statements in this section relate to the **MISSION VALENCE**. Using the scale provided, please indicate the response to items 1 – 7 that best represents your opinion.

37. This organization provides valuable services to the society.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

38. I believe that the priorities of this organization are quite important.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

39. The work of this organization is not very significant in the broader scheme of things.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

40. For me, the mission of this organization is exciting.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

41. The mission of Kumon is not that important to me.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

42. I have a dream to contribute to world peace through education.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

43. Kumon will contribute to the growth and happiness of each individual by putting into practice our Mission, Vision, and Values.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Section 9. The statements in this section relate to the **TRUST IN MANAGEMENT (FRANCHISOR)**. Using the scale provided, please indicate the response to items 1 – 7 that best represents your opinion.

44. My franchisor [employer] representative really takes care of my needs as a customer [employee].

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

45. I trust my franchisor [employer] completely.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

46. The franchisor's representatives [employer is] are very friendly, human, and non-authoritarian.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

47. There is a good support system offered by the franchisor [employer].

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

48. I have problems with specific [manager] franchisor representatives.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

49. My franchisor [employer] is honest in its dealings with me.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

50. I can expect my franchisor [employer] to tell the truth.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Section 10. The statements in this section relate to the **ORGANIZATIONAL COMMITMENT (PERCEIVED MUTUAL COMMITMENT)**. Using the scale provided, please indicate the response to items 1 – 5 that best represents your opinion.

51. I feel involved with my franchisor [employer].

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

52. I am very proud to have this company as my franchisor [employer].

- Strongly Disagree
- Disagree

- Neutral
- Agree
- Strongly Agree

53. My franchisor [employer] and I are committed to a positive, long-term relationship.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

54. My association with the franchisor [employer] has been a highly successful one.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

55. Generally, I am very satisfied with my overall relationship with the franchisor [employer].

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Section 11. The statements in this section relate to the **SATISFACTION WITH FRANCHISOR (EMPLOYER) COMPETENCE**. Using the scale provided, please indicate the response to items 1 – 9 that best represents your opinion.

56. My franchisor [employer] is skillful and effective in its work.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

57. My franchisor [employer] performs its work very well.

- Strongly Disagree
- Disagree
- Neutral

- Agree
- Strongly Agree

58. My franchisor [employer] has good communication practices and interaction with the employees and franchisees.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

59. Overall, my franchisor [employer] is technically competent.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

60. Overall, I have a capable and proficient franchisor [employer].

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

61. My franchisor [employer] ensures that the organization's actions are consistent with its values.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

62. As a franchisee [employee], I am satisfied with the way the franchisor handles its franchisees.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

63. As a franchisee [employee], I am satisfied with the competence of the franchisor in making decisions.
- Strongly Disagree
 - Disagree
 - Neutral
 - Agree
 - Strongly Agree
64. As a franchisee [employee], I am satisfied with the way franchisor policies are put into practice.
- Strongly Disagree
 - Disagree
 - Neutral
 - Agree
 - Strongly Agree

Section 12. Open-ended Questions.

65. Please describe your reasons for becoming a Kumon Associate or Kumon Instructor
66. What do you think of the management of the franchising company? Are they good leaders for the franchise system? Do they do what they say?
67. If you could change your relationship with the franchisor to be the ideal situation, what would it look like, feel and be like?
68. Is there a better alternative for supporting the relationship with the franchisee and franchisor?

APPENDIX D

Kumon's Aspirations

We have a dream: to contribute to world peace through education. We will head towards the realization of that dream by fostering people through individualized education.

Acting as a global citizen, Kumon will contribute to the growth and happiness of each individual by putting into practice our Mission, Vision, and Values.

Vision

We wish that all people in all countries and regions in the world will have the opportunity to learn with the Kumon Method, and that each individual in the world will be enthusiastically self-learning and making efforts towards realizing his or her goals and dreams.

Mission

By discovering the potential of each individual and developing his or her ability to the maximum, we aim to foster sound, capable people and thus contribute to the global community.

Value

The Kumon Way
What We, Associates, Care About

What we care about most is each individual child.

All Kumon learning must be, without exception, a useful learning experience for the child's growth and future. We must provide an opportunity to learn with the Kumon Method to as many children as possible. These two things we always hold firmly in our hearts as we approach our work— they are the sole reason for Kumon's existence and development, and are also our responsibility for the children.

If, along the way, we waver or there is dissent, we will always stop to ask ourselves, "Will this really benefit the children?" And thus we will find our way once again. With this in mind, we will do everything in our power to make this educational method even more valuable and to allow as many children as possible to learn with the Kumon Method.

What we next cherish are the people who work towards achieving our common goal.

We have the highest respect for Kumon Instructors as well as all other people who care about children and who wish to contribute to society through education with us. With heartfelt appreciation and affinity, we strive to give our fullest support and to work in unity with all of these people.

We also greatly value all of our associates.

We must do our best to create and maintain the kind of workplace culture and environment where all associates can energetically approach their work with the sense of mission and challenge and can better themselves every day while a decent livelihood is ensured and adequate compensation offered to all.

Finally, we put great emphasis on our commitment to the community.

We are grateful to our local communities in which we live and work. As a conscientious corporate citizen, we take an active part in a variety of activities to improve the quality of life in our communities such as the preservation of the natural environment and resources, and the improvement of local education and culture. In this way, we will fulfill our responsibility and obligation to the global community.

Lastly, we take to heart the following three things and will remain true to them in any situation.

- 1) We affirm to be upright citizens by always asking ourselves if our words and deeds are fair and just.
- 2) We will strive to be people who can feel joy and a sense of wonder while maintaining our conviction and pride as educators.
- 3) We will cultivate a sense of modesty and humility so that we can always grow with each passing day.

(Japanese Version)

KUMONの想い

たちには「夢」があります。教育を通じて世界平和に貢献することです。私たちは、個人別教育による人材の育成を通じて、その夢の実現に向かってまいります。

「Mission」と「Vision」、そしてそれらを実践するための行動指針となる「Value」。私たちはこの3つを共有することで、地球社会の一員として、一人ひとりの成長と幸せに貢献していきます。

Vision

世界のあらゆる国と地域で、KUMONメソッドで学ぶ機会を提供し、学習者が夢や目標に向かって自分から学習している状態を目指す

公文の理念

われわれは個々の人間に与えられている可能性を発見しその能力を最大限に伸ばすことにより
健全にして有能な人材の育成をはかり地球社会に貢献する

THE KUMON WAY

わたしたちが大切にするもの

わたしたちが一番大切にするもの、それは「子どもたち一人ひとり」です。

「すべての公文式学習がその子の成長と将来に向け必ず役に立つ学習経験であること」

「ひとりでも多くの子どもたちに公文式で学ぶ機会を提供すること」

わたしたちは、この二つを

常に、心の真ん中に置いてすべての活動に臨みます。

それは公文式が存在し発展する唯一の「理由」であり子どもたちへの「責任」でもある
と思います。

もし、道の途中で迷ったり意見が分かれても

「本当にこれが子どもたちのためになるのだろうか」

必ずそう自分に問いかけ、互いに進むべき方向を確認し合いながら

もっとこの教育法の価値を高め

ひとりでも多くの子どもたちに公文式で学んでもらうために

全力で取り組みます。

次に大切にするもの、それは「志を同じくし共に歩む人たち」です。

わたしたちは、
公文式教室の先生方をはじめ
「子どもたちを大切に想い、共に教育を通じて社会貢献に携わっていただける人たち」
そのすべての人に対して最大の敬意を払います。
そして心からの感謝と親しみを持ち、
「全力の支援」と「一体となった活動」を
大切にします。

次に大切にするもの、それは「すべての社員」です。

わたしたちはすべての社員が安心できる生活を保証され、適切な処遇を受けながら
使命感とやりがいを持っていきいきと仕事に取り組み、日々成長していけるような
風土と環境作りに努力することを大切にします。

次に大切にするもの、それは「地域社会との関わり」です。

わたしたちは日々生活し活動する地域社会に感謝し
よき「企業市民」として
自然環境や資源の保護あるいは地域教育や文化の向上など
より良い地域社会を創りあげるための、様々な活動に積極的に参加し
この地球社会全体への義務と責任を果たしていくことを
大切にします。

そして最後に、わたしたちは、以下の三つを心に刻み、どんなときも大切に行動
します。

- 1) 自らの言動に対して「これは公正かつ道義にかなったものであるか」を常に問い
かけ、
社会人として正々堂々と胸を張れる人間であることを誓います。
- 2) 教育に携わる者の「誇り」と「信念」を持ち、常に「素直に喜び感動できる」人間
であるよう努力します。
- 3) 常に「謙虚な姿勢」を持ち、昨日よりは今日、今日よりは明日と、「日々成長し
続ける」人間であるよう努力します。