

**AN ACTION RESEARCH APPROACH TO EXAMINE THE GERMANENESS OF
FRANCHISE FEES, ADVERTISING FEES, AND INNATE CONSTRUCTS INVOLVED
IN THE FRANCHISE SALES PROCESS**

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ABSTRACT

Businesses depend on franchising to increase their product portfolio by incorporating a larger number of smaller entities representing the franchised organization. Although business experts and scholars agree about the role of franchising in market penetration and brand recognition, it is unclear how the franchising model influences the price set for the initial investment to become a part of the franchised organization. The purpose of this study was to examine the influence of the following five themes on overall franchise performance: (1) franchise license fee, (2) advertising fee, (3) market orientation, (4) entrepreneurial orientation, and (5) charismatic leadership orientation. It is through this exploration that the originality of this study is enhanced, as it is generally assumed that franchise fees are useful for franchisors in acquiring additional franchisees.

This mixed methods action research (MMAR) study used integrated quantitative and qualitative methods to explore concepts and test hypotheses. Action research (AR) was used to execute the study because of its participatory nature. In AR cycle 1, a purposeful sampling method was adopted to identify the most appropriate companies for investigation from the list of *Franchise 500* companies between 2016 and 2019. The purposeful sampling yielded n=776 franchise brands from the United States and Canada. Filtering the sample based on consistent rankings within four years yielded n=259 franchise brands for inclusion in the analysis. A website scraping technique served as the method of data collection adopted to generate data on two hypotheses. The theoretical framework of the study focused on the performance of the franchise brand with respect to initial franchise fee and advertising fees as impacting the sales process and leading to the acquisition of additional customers. In applying this theoretical framework, the first AR cycle allowed for the identification of the initial franchise fees and advertising fees, while the second AR cycle focused on the identification of the impact of these fees on the sales process with respect to acquiring additional customers (franchisees). The second AR cycle consisted of semi-structured interviews conducted on the initial findings and additional constructs surrounding market orientation, entrepreneurial orientation, and charismatic leadership orientation to generate primary and qualitative data. The relationships were analyzed using Pearson's correlation to test the hypotheses, while thematic analysis was used to identify commonalities in participants' views.

Analysis of the data obtained by website scraping revealed the presence of both a franchise fee (99%) and an advertising fee (88%) positively affected firm performance. A conceptual model was tested, and empirical findings revealed, inconsistent with the hypotheses, price-related liabilities are not correlated with franchise performance. The findings showed no correlation between initial franchise license fees and franchise brand performance across the firms. Similarly, no significant correlation was observed between the advertising fee and franchise performance in the US and Canada. However, executives' responses with respect to the impact of the franchise fee and the advertising fee were expressed in contrasting views. Some executives denied that the initial fee influences franchise performance, while others confirmed the propositions. The respondents also confirmed the perceived influence of advertising fees, with some affirming that the presence of these fees affected firm performance, while others disagreed. Varied themes were noted in the perceived market orientation. The findings showed confirmation between the level of perceived market orientation and franchise performance. The study found evidence between the perception of entrepreneurial orientation and performance and revealed a perceived relationship between the level of charismatic leadership orientation and franchise performance.

The findings show that high-performing franchise brands have indeterminate pricing factors, which may be a barrier to franchise sales. Other factors can propel franchise performance, as perceived by the brand's franchise development executives, including market orientation, entrepreneurial orientation, and charismatic leadership orientation by a brand leader. Results revealed the absence of a universal model to improve franchise performance, leaving franchise executives with the mandate to implement an effective marketing strategy. The findings show the concepts tested influenced franchise brand performance differently, hence the need for sales and marketing executives to ascertain the most actionable parameters to improve performance. The value of these findings lies in both the clearer understanding of the relationship to franchise fees and advertising fees with respect to the franchise sales process while highlighting the underlying problem associated with their use, namely the absence of a universal model within the franchise sales process, which means if a franchise is to work to improve its overarching performance, additional research is necessary to identify other potentially influencing factors.

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CHAPTER 1: INTRODUCTION

1.1 Background of the Study

Marketing is the principal mechanism used to proactively undertake change and develop defensive barriers to moderate significant environmental developments (Morris & Paul, 1987). Marketing is a central organizational function in franchising and demarcates certain behaviors and perceptions. The franchisor charges franchisees an advertising fee under the assumption the franchisee is included in the franchisor's overarching advertising campaigns, which it does. However, not all franchisees will benefit equally from that advertising, depending on the advertising strategy used by the franchisor. Still further, there is a marked distinction between conventional marketing, entrepreneurial marketing, and marketing a franchise brand. Not all approaches to marketing are equal and each is tailored to the specific type of marketing adopted by an organization.

Entrepreneurial marketing is marketing carried out by entrepreneurs (Stokes, 2000). Entrepreneurs perceive the marketing function differently than conventional marketers (Kotler, 1997) because of an entrepreneur's tendency to be "innovation-oriented" rather than "customer-oriented" (Stokes, 2000, p. 1), which likely is a result of their relationship to the business. Entrepreneurs are those seeking change and respond in an innovative way that exploits innovation as a business opportunity (Drucker, 1985). Conventional marketers and entrepreneurs have different marketing activities because of the differences in their approaches, or orientations, with respect to the business environment (Stokes, 2000). Thus, entrepreneurs target markets through a bottom-up, self-selection approach, meaning they approach market targeting through their own efforts of self-selection on which elements to focus on and the audience for those specific elements, rather than through top-down methods of segmenting, targeting, and other positioning processes (Stokes, 2000), as with franchising. This does not mean entrepreneurs do not utilize any segmentation, targeting, or positioning processes, but that the segmentation, targeting, and positioning process will vary based on the orientation of the business. With respect to franchisors and franchisees as entrepreneurs, the franchisee does not have to concern themselves with these elements because such elements are addressed by the franchisor.

Often vended as business ownership, entrepreneurial marketing is compared to franchising in the literature (Ketchen *et al.*, 2011; Ramirez-Hurtado *et al.*, 2011). Akin to entrepreneurship, the responsibility of marketing within a franchise organization lies within its owner; it is an opportunity to establish a unique identity (Zachary *et al.*, 2011b). For entrepreneurs, on the other hand, information is gathered through personal selling activities and networking rather than formalized intelligence systems (Stokes, 2000), and it is limited by the resource constraints of time, effort, and finances. For these reasons, marketing is typically a lower-level priority for entrepreneurs compared to other business functions (Stokes, 2000), such as financial, operational, and management activities. Entrepreneurs must create and implement their own marketing without the support of an overarching corporate brand. Franchising may be an attractive business model for those wanting to have their own business, like an entrepreneur, but who also desire the marketing knowledge and support associated with becoming a part of a larger brand.

Firms that substantially and consistently invest in marketing tend to enjoy a higher marketing orientation (Morris & Paul, 1987) because they pay attention to customers and the macro-environmental factors that influence the organization's marketing functions. This focus is witnessed in the existence of a marketing department, employing marketing professionals in executive-level positions, and ongoing investment in marketing-related activities. In contrast, entrepreneurial behavior represents less formalized, unplanned activities, and reliance on intuition to fulfill marketing activities (Chell, Haworth, & Brearly, 1991), especially compared to that of franchising where a contract requires the payment of an initial investment (initial franchise fee, hereafter to be referred to as the 'franchise fee') and advertising fees to the franchisor.

Franchising is a system of marketing goods, services, and/or technology with a franchisee who is granted the right and obligation to conduct business in accordance with the franchisor's concept (Varotto & Aureliano-Silva, 2017). A franchise candidate's decision to purchase a franchise is met with the franchisor's branded efforts to attract, maintain, and grow the franchisor-franchisee relationship. The conduit is the ability of franchise operations, marketing, and sales working in unison (Varotto & Aureliano-Silva, 2017).

Circumstantial evidence suggests potential franchisees gravitate towards mature and large franchise systems (Hossain & Wang, 2008). A study on the differentiation of good franchisees

from others indicated franchisor loyalty (19.1%), management capability (16.4%), and willingness to work hard (14.2%) were the three most important attributes in profiling potential franchisees (Ramirez-Hurtado *et al.*, 2011). The financial acumen of a potential franchisee is not an important attribute of the decision (Ramirez-Hurtado *et al.*, 2011). However, two non-price indicators – the total number of franchised outlets (size) and years in franchising (age) – are known to affect franchise expansion (Kaufmann, 1999). This juncture is where the wicked picture of franchise performance unfolds (see Section 2.13).

An inherent threat exists as franchisors transfer resources to franchisees (Grewal *et al.*, 2011), though risks to the relationship reduce with training and support packaged as institutionalized knowledge of a brand (Kaufmann, 1999). To reduce the risk of business failure, Hossain and Wang (2008) examined the relationship of age to franchise performance; however, they did not include national marketing or advertising fees in their research model, both of which could potentially affect risk-taking initiatives or purchase decision. Through advertising fees charged to franchisees, national marketing and franchise success might influence risk-taking initiatives or purchase decisions on the part of potential franchisees, in that, if they were aware of the extent to which the advertising fees they paid would influence the success of the franchise location itself, they may be more inclined to carefully assess the value of the purchase of the franchise license in order to make a more informed decision.

Sen (1993) independently researched franchise fee structures across several industries to establish determinants of the attractiveness of the franchise brand. Royalties provide franchisors an incentive to invest in the brand (Sen, 1993), and a commitment to brand strength is imposed through the franchise fee. Vazquez (2005) studied ongoing variable payments as substitutes of the conventional franchise contract, though it was found that performance incentives are considered more valuable relative to the royalty rate (Maruyama & Yamashita, 2012). A distinguishable characteristic, performance, remains the responsibility of both the franchisee and franchisor, legally bound by the contract (Grewal *et al.*, 2011), and dependent on one another's success. As a precursor to franchise performance, the costs of investment in a franchised brand (e.g., initial fees and advertising fees) could persuade potential franchisees of their purchase decision. When considering the relationship of pricing components to performance, a firm-controlled variable could elicit higher firm performance.

Scholarly research has kept pace in support of franchising despite an ever-growing list of caveats and issues to explore when would-be small business owners proceed through the sales process leading to purchase decisions (Kaufmann, 1999). What presently exists in the literature are vessels of knowledge within the realms of economics, marketing, management, finance, law, and entrepreneurship that pertain to the organization, growth, expansion, and performance of franchise systems (Grewal *et al.*, 2011). These vessels, beginning with the economic impact of franchising, create a complex rich picture and may be useful to those working in franchise sales and marketing this business opportunity. They also serve as the basis of this study's conceptual model presented in Chapter 2.

1.1.2 Economic Impact of Franchising

Around the world, the injection and success of franchising in local and global markets signifies the impact of economic growth on job creation. In the United States, franchising makes up a steadily growing sector of the economy. The number of franchise establishments grew from 1.9% in 2018 to a 2.6% increase in growth in 2019 (Bisio, 2019). This billion-dollar industry represents nearly 4% of all private non-farm gross domestic product (GDP) and 6% of the private non-farm workforce in the United States, even in an economic downturn (PricewaterhouseCoopers, 2016). Franchise sales account for over 3% of the national GDP in business-format franchises, and franchising represents a significant part of the United States' economic retail sector (Ramirez-Hurtado, 2011). This business opportunity generates a certain “buzz” with signs of intent to grow at a sustainable rate over time.

PricewaterhouseCoopers (2016) conducted a study for the International Franchise Association (IFA) and presented the findings in the Economic Impact of Franchised Businesses Report. Franchising has a significant effect on the United States economy, and the report highlighted the following contributions (PricewaterhouseCoopers, 2016):

- There were 801,153 franchised business establishments in the United States.
- Franchised businesses provided nearly nine million jobs or 5.6% of the United States' private nonfarm workforce.

- Franchised businesses supplied an annual payroll of US\$351.1 billion, which is 3.8% of all private nonfarm payrolls in the United States.
- Franchised businesses produced goods and services worth US\$868.1 billion, or 2.8% of private non-farm output in the United States.
- Franchised businesses contributed US\$541 billion to the GDP, or 3.4% of all private non-farm GDP in the United States.

These numbers are significantly larger when realizing the impact of the spillover effect, considering how franchising, directly and indirectly, accounts for 16.1 million private non-farm jobs, US\$2.1 trillion of private non-farm output, and US\$1.2 trillion of private non-farm GDP (PricewaterhouseCoopers, 2016).

According to the IHS Markit Franchise Business Economic Outlook for 2018, the IFA projected a 3% increase in franchise establishments and a 5% increase in the number of employees based on demand projections (Bisio, 2019). In 2018, 759,236 establishments with an output of US \$757.2 billion was forecasted for the year (Franchise Business Outlook, 2018). Additionally, the franchise sector grows faster in these areas than the economy as a whole (Bisio, 2019). This proves franchising is a true economic pulley where marketing can be a central focus to sustain growth.

1.2 Problem Statement

Franchising is an ever-popular route to organizational growth in the United States (Michael, 2003), and the franchising industry is a substantial contributor to the economic stability of a nation (Grunhagen, Flight, & Boggs, 2011). However, within its own model, the extent to which the initial franchise fee and advertising fees have on consistently higher performing franchises remains unexplored. Reviewing Entrepreneur Media, Inc.'s annual *Franchise 500* lists provided the observation that the majority of each high-performing franchise has an initial franchise fee as well as an advertising fee, and only a few brands did not collect one or the other. Further, it is unknown whether franchise development executives are aware that the pricing they set for the initial franchise fee and ongoing marketing support (advertising fee) has an effect on franchise

performance when setting these two pricing components for a franchise brand since there has not been a published study that looks at the sales process from the practitioner's perspective to date.

To study franchise performance, scholars have utilized *Franchise 500* rankings since 1979, but only three studies reviewed more than one year of data. These studies include that of Shane, Shankar, and Aravindikshan's (2006) of *Franchise 500* data from 1979 and later; Baucus, Baucus, and Human's (1993) study on *Franchise 500* data from 1987-1989; and Shane's (1998) study on *Franchise 500* data from 1991-1994. The implication is that there is a possibility of a franchise organization being able to rank in one year of the list and not the next, and the inconsistency does not suggest high levels of performance over time. To maximize the study's focus on high-performing franchises, the researcher opted to include four years of data as opposed to only one.

The population affected by this study are those who conduct business through the franchise organization format. The study is aimed at providing assistance to franchise development executives looking to improve their franchise sales process and franchise performance. Therefore, the research question embodying the exploration of the identified problem for this thesis study is as follows:

What are the germane effects of the initial franchise fee, advertising fee, and potential barriers to the franchise sales process that may hinder franchise performance of high-performing franchises?

The rationale behind the exploration of the aforementioned problem stems from the fact that researching the incentives that attract franchisees to identify with a franchise organization and entice them to sign a franchise agreement could influence how franchise development executives price their franchise fee. It could also force them to evaluate the advertising fee percentage required in the contractual agreement. By identifying the effects of the initial franchise fee, advertising fee, and potential barriers to the franchise sales process that may hinder franchise performance, it will become possible to gain a better understanding of the role of these elements in improving franchise practices.

1.3 Research Objectives

The purpose of this thesis study is to assess the relationship of franchise performance to initial franchise fees and advertising fees during the franchise sales process. As such, this study investigates initial franchise fees and advertising fees for franchise brands that have been ranked in Entrepreneur's *Franchise 500* for four consecutive years (2016, 2017, 2018, & 2019, encompassing data from years 2015-2018, respectively). The most recent study containing multiple years of data from the *Franchise 500* was by Shane (1998) on data from 1991-1994. The *Franchise 500* list is an attractive sampling source because it includes a large cross-section of franchises with varied industries, size, tenure, and location throughout the United States and Canada. By examining these two price components, the influence of marketing on franchise performance is understood.

The use of initial franchise fees by the franchisor suggests a commitment level from the franchisee, which is recouped through the successful operation of the franchise (Sen, 1993). Vazquez (2005) reported the initial franchise fee decreased when the amount of risk to the franchisee increased, and royalties to the franchisor increased as the amount of risk rose. During the first action research cycle, royalty fees are discussed in brief as some of the franchise brands explored within the context of the study request advertising fees while others request royalty fees. It should be noted the current study does not seek to investigate any potential links that may be present with respect to royalty fees and franchise performance as royalty fees are outside of the scope of the current study. Their inclusion in the presentation of the findings was necessary within a single context due to the manner in which the secondary data was presented. In effect, if the potential franchisee agrees to pay the investment price (or cost) of the franchise, and they move through the sales process, an understanding of how this variable affects franchise performance is presented in the first action research cycle; further exploration of royalty fees in this context fall outside the scope of the current study. Franchisors with a strong brand reputation are larger, faster-growing, and report better performance (Gillis & Combs, 2009). Additionally, qualitative data were not included in the aforementioned studies, leaving an under-researched area within the literature that the current study seeks to address through the acquisition of professional and practice perspectives from individuals working directly within the industry. Franchise performance is further examined

here, as its value is dependent on the success of franchise development executives' perceptions of a brand's market orientation, entrepreneurial orientation, and charismatic leadership orientation.

This study was conducted using a sequential mixed methods action research (MMAR) approach. In this study, several under-researched areas in franchise marketing knowledge are addressed, drawing on research by Sen (1993) on the initial franchise fee and advertising fees in franchises undertaken by Vazquez (2005). A total of three constructs were under investigation, including market, entrepreneurial, and charismatic leadership orientation as potential barriers to the franchise sales process that may hinder franchise performance. These three constructs were investigated using qualitative analysis in the second action research cycle.

In summary, this MMAR study aims to achieve the following five objectives:

- 1) Explore the relationship between the initial franchise fee and franchise performance.
- 2) Explore the relationship between the advertising fee and franchise performance.
- 3) Discover executive perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in positioning a franchise opportunity to potential buyers (franchisees).
- 4) Improve the franchise marketing practice of franchise organizations for franchise development executives.
- 5) Improve personal knowledge on potential barriers to the franchise sales process to allow for action research and action learning within the researcher's organization.

1.4 Research Questions

To address the problem of understanding the inherent relevance of the initial franchise fee, advertising fee, and potential barriers to the franchise sales process that may hinder franchise

performance, as used in the franchise sales process of high-performing franchises, the researcher postulates ten research questions, divided into groups of two.

In franchising, the initial fee contributes to the brand's resources and includes allocations toward the training period, toll-free numbers, financial assistance, co-op advertisement, site selection assistance, lease negotiation, and support staff (Sen, 1993). The reliance of attracting suitable franchisees creates competition for franchisors, and the growth of a brand (franchise performance) is dependent on how successful franchisors are in balancing all these factors with the initial investment. In this context, it is the opening of new franchise outlets, almost exclusively, rather than increasing sales at existing franchise locations, which serves as the primary driver of franchisor revenue (Norton, 1988; Sen, 1998; Shane, 1998). Franchise fees are required as operating revenue for the franchisor even though their cost is not necessarily set to align with performance goals, and franchise performance level does not assume the cost of the initial franchise fee is high. To understand its effect on performance, the initial franchise fee was studied, and the research questions stated below.

RQ 1: To what extent does the franchise license fee influence a franchise brand's performance level?

RQ 2: How does the franchise license fee influence a franchise brand's performance level?

Connecting to the goals and values of the organization and the long-term nature of most franchising contracts, misalignment can be problematic and lead to increased agency costs when making adjustments (Zachary *et al.*, 2011b). Vazquez (2005) found the initial fee decreased as the amount of risk increased, and the franchise fees increased as the amount of risk rose. In this context, it is necessary to understand (1) the relationship of franchise fees and advertising fees to franchise performance, and (2) the presence of advertising fees in high-performing franchises, which assumes a lower risk if performance levels are greater. To study the relationship of advertising fees toward franchise performance, the study's third and fourth research questions state:

RQ 3: To what extent does the advertising fee influence a franchise brand's performance level?

RQ 4: How does the advertising fee influence a franchise brand's performance level?

Franchise brands who perform better have a stronger competitive advantage and create superior value over alternatives in the marketplace, as indicated in their executive's perception of the franchise brand's market orientation and relayed to the potential franchisee during the sales process. Measuring market orientation as the generation, dissemination, and responsiveness to market information (Zachary *et al.*, 2011b), the fifth and sixth research questions posit a relationship to franchise performance:

RQ 5: To what extent is market orientation perceived by franchise development executives?

RQ 6: How is market orientation perceived by franchise development executives?

There is an ongoing debate on whether franchisees are entrepreneurs, as witnessed by the literature spanning academic journals in the areas of business venturing, entrepreneurship, and management. The majority debate franchising is "of course" an entrepreneurial venture form of business (Hoy & Shane, 1998) with an obvious connection between the two because franchisees "do almost all functions as other entrepreneurs" (Ketchen, Short, & Combs, 2011, p. 585-586). The argument continues, stating the very act of creating a franchise network is an entrepreneurial act (Hoy & Shane, 1998). However, entrepreneurship presents no separation of business ownership and control (Combs & Ketchen, 1999), and entrepreneurs have direct control over the financial risk of their business (Gonzalez-Diaz & Solis-Rodriguez, 2012). Conversely, financial risk is a shared risk in franchising. Does the entrepreneurial orientation of prospective franchisees affect the performance of an organization? A relative inquiry is whether prospective franchisees are enticed to franchising as a business option based on an executive's perception of the franchise brand's entrepreneurial orientation and relayed to the potential franchisee during the sales process. The seventh and eighth research questions explore this:

RQ 7: To what extent is entrepreneurial orientation perceived by franchise development executives?

RQ 8: How is entrepreneurial orientation perceived by franchise development executives?

Cooperation and attachment to the goals mean followers (franchisees) are encouraged to allocate extra effort to accomplish the goals of the franchise (Bass, 1990), and a charismatic leadership style is therein realized. The leader (franchisor) articulates the vision, strong internalization of the value and goals occurs, commitment forms, and a willingness to be part of the brand transcends (Zachary *et al.*, 2011b). Researching this commitment requires the examination of the role of charismatic leadership in relation to franchise performance, as perceived by franchise development executives, and leads to the following final two research questions:

RQ 9: To what extent is charismatic leadership orientation perceived by franchise development executives?

RQ 10: How is charismatic leadership orientation perceived by franchise development executives?

1.5 Significance of the Study

This thesis addresses several of the under-researched areas in franchise-related literature spanning 50 years. There are several underexplored aspects of marketing within franchises despite the industry's large contribution to the economic stability of a nation (Grunhagen, Flight, & Boggs, 2011). In the United States, franchising directly accounts for US\$1.2 trillion of private non-farm GDP (PricewaterhouseCoopers, 2016), and addressing the under-researched areas could inevitably increase franchise performance if its constituents were better understood and actionized.

Price and promotion, referring to the advertising fees (price) and the use of those advertising fees in promotional marketing (promotion), should be studied to assess their relationship to performance to present practitioners with actionable knowledge. Do franchisors consider the rate of their initial franchise fee and advertising fee, and how is firm performance affected if costs are higher or lower? There is limited recent research combining the two pricing-related components

in franchising, namely the initial franchise fee and advertising fee. Baucus *et al.* (1993), during a booming period in the franchise industry, provided insight toward fee structure and cost, stating while the contract terms varied greatly, typical initial franchise fees ranged from US\$15,000-US \$40,000 and royalty payments varied from 3-9% of gross sales. Franchise organizations headquartered in termination-law states charged about 1% higher in royalty rates, and the initial franchise fees were lower in the same termination-law states (Brickley, 2002), though performance in these areas has not been studied. These price points still hold true today, as proved by analyzing secondary data provided by the *Franchise 500* (see Chapter 4).

Windsperger (2001) argued the structure of a positive relationship between initial franchise fees and royalties depends on the distribution of intangible assets among franchisors and franchisees. Later, Vázquez (2005) contributed that franchisors may adjust their initial franchise fee to recoup new franchisee set up, which explains 68% of the up-front fee variation. However, limited studies have suggested adjusting the pricing structures and have questioned whether it affects franchise performance. Within the current study, the implications for the role of adjusting the pricing structure in franchise performance are explored. The exploration of the implications for pricing structure adjustments are discussed within the analysis of the findings of the first action research cycle (see Chapter 4). By understanding the germane effects of franchise performance, this thesis study is beneficial to both researchers and practitioners.

Two additional contributions exist with respect to the current study's significance. First, the sampling range commonly used in the literature in the exploration of the *Franchise 500* data presents another under-researched area. As previously discussed, several studies have used the secondary data contained in the *Franchise 500*, which was previously provided in Table 1.1, however, their analysis was predominantly limited to the analysis of a single year. The current study spans multiple years of *Franchise 500* data, which allows for the examination of performance over time, an area of dearth within the literature. Second, website scraping to obtain secondary data provides another methodological contribution, as it allows for a more in-depth exploration of the data, as compared to individual analysis by an individual without a tool (website scraping) intended to ensure all secondary data with respect to the topic is collected, decreasing the potential for human error (Khder, 2021; Martins *et al.*, 2018).

Given that past studies (Halim & Kurniawan, 2016; Nyadzayo, Matanda, & Rajaguru., 2018) predominantly looked at franchising from a theoretical perspective, practical insight from an inside perspective will bring in an additional understanding of franchising through a marketing lens. From a researcher's perspective, this study adds value to the extant literature in the areas of economics, marketing, and entrepreneurship. This study creates an additional pathway for future research (see Section 6.6), and the findings will contribute to understanding the use of franchise fees, advertising fees, market orientation, entrepreneurial orientation, and charismatic leadership orientation.

1.6 Research Approach

The research approach utilized in the completion of this thesis was a mixed methods action research (MMAR). The strength of using a mixed methods approach is it provides additional perspectives with respect to responding to the ten identified research questions and enhancing the credibility of the results of the study (Easterby-Smith, Thorpe, & Jackson, 2012). The insights produced through the use of a mixed methods study can provide in-depth explanations, increase the overall confidence in the results, and facilitate the synthesis and integration of theories while completing the research process and aiding in revealing what is useful to franchise development executives (Easterby-Smith, Thorpe, & Jackson, 2012).

In the completion of a mixed methods study, quantitative and qualitative methods are employed in the completion of the same study (Wilkins & Woodgate, 2008). The action research approach requires systematic inquiry within practice. As a result, the mixed methods approach enhances the action research process because the quantitative and qualitative data work together to produce scientifically sound and effective plans for action and evaluation (Ivankova & Wingo, 2018).

In the completion of social research, research paradigms function as heuristics, conceptual and practical instruments that can be used to solve specific problems (Abbott, 2004). With this in mind, the theoretical framework used in the completion of the current study was based on the onion approach, put forth by Saunders, Lewis, and Thornhill (2009), as displayed in Figure 3.1 (see

Chapter 3). In keeping with the theoretical framework utilized within the current study, the researcher adopted a pragmatic research philosophy to action research and a mixed methods approach to offer insight to the ten identified research questions postulated around the germane relationship of initial franchise fees, advertising fees, and barriers to franchise performance. In addition, the researcher created a theoretical model (shown in Chapter 2) based on the proposed relationship of franchise performance with respect to the franchise license fee and the advertising fees paid by the franchisee to the franchisor. This conceptual model (displayed in Figure 2.2) provides insight into the interconnected relationships between the first and second hypotheses identified for resolution in the completion of the quantitative portion of the study.

The action research design adopted for use in the current study is a sequential MMAR, meaning that first quantitative data was collected, followed by analysis, reflection, and then the collection and analysis of qualitative data. The quantitative data collection and analysis serves as the first action research cycle, while the qualitative data collection and analysis serves as the second action research cycle. These processes are described in greater detail in Chapter 3.

This study, and its associated findings, may become a tool to inform and guide franchise development executives to make strategic business decisions on the values of the initial franchise fee and advertising fees. Further, this study seeks to evaluate the potential barriers to the franchise sales process that may hinder franchise performance. As such, this thesis study and its associated results may provide actionable insights to franchise development executives in business-format franchising so that franchising remains a viable economic and business opportunity in the United States.

1.7 Research Method

The researcher gathered secondary data found on entrepreneur.com's website using the *Franchise 500* lists via website scraping (action research cycle 1) as a primary research method, followed by the completion of semi-structured interviews (action research cycle 2), allowing the researcher to

uncover insights within the niche of franchise organizations enabling the use of the mixed methods action research (MMAR) process.

To answer the research questions, this DBA thesis combined several resources, constructs, methodologies, and required mixed methods data analysis. This study employs two sets of samples that were sequentially formed based on secondary data collected and provided by Entrepreneur Magazine's *Franchise 500* from four consecutive years ranging from 2016 through 2019, which is data from years 2015, 2016, 2017, and 2018, respectively. An analysis of this data using Excel's VLOOKUP feature provided an original sample of 776 franchise organizations. This purposeful sample, also known as a criterion sample (Shaheen, 2019), includes only those brands consistently ranked across all four years, which narrowed the sample to 259 franchise organizations. This represents the extreme case sample because it exhibits an extreme or unusual outcome homogeneous to the study.

The researcher then created a semi-structured interview protocol based on the findings from action research cycle 1. In creating this protocol, the researcher focused on three constructs: market orientation, entrepreneurial orientation, and charismatic leadership orientation. The semi-structured interview guide is in Chapter 3 (see Table 3.1). A convenience sample, consisting of the researcher's colleagues, represents a second sample that enabled action research and action learning from the findings (see Chapter 5).

1.8 Definitions of Terms

This study uses language commonly used in franchising that may appear unfamiliar to the average reader. Therefore, a list of definitions and terms is provided in Table 1.1.

Table 1.1 Definitions of Terms

Term	Definition
Business-format franchise	This type of franchise includes not only a product, service and trademark, but also the complete method to conduct the business itself, such as the marketing plan and operations manuals (IFA, 2018).
Franchise	A government or company license agreement to an individual or groups to provide specific activities or products. It describes the relationship between the franchisor and franchisee, including the control of the brand and use of trademarks (IFA, 2018). The type of franchising referred to herein is business-format franchising, whereby access to the trade name, service mark, products, services, business operations, development support, leadership, quality control, marketing strategy, and advisory are included (IFA, 2018).
Franchise branding	Franchisors develop to attract franchisees differentiate their opportunity, compete better, and facilitate growth (Badrinarayanan, Suh, & Kim, 2016; Nyadzayo et al., 2011; Zachary et al., 2011) and a broad audience to include customers, investors, and other stakeholders (Zachary et al., 2011). Brands form the basis of franchise relationships, and hold tremendous value in terms of sales volume, pre-established demand, higher margins, better inventory turnover, image enhancement, and relationship commitment (Webster, 2000, as cited in Badrinarayanan, Suh, & Kim, 2016).
Franchise fee	The initial check you write to the franchisor when you sign your franchise agreement. It is the cost of joining the system and is usually a large flat fee (entrepreneur.com, 2002).
Franchisor	Businesses or corporations that license the right to operate in their name and sell their products or services under their branding, assets, and intellectual property (franchise.org, 2023).

1.9 Situating the Study

This study has six chapters, and the remainder of the thesis is as follows. Chapter 2 begins with the literature search strategy, article selection process, concept matrix and a critical literature

review map. The theoretical dimensions are presented with a critical analysis of the factors associated with franchise performance to include its ability to sustain economic power in the United States. Several streams of literature relevant to the study are presented, which include: franchising categories, business-format franchising, franchise branding, franchise brand performance (brand resonance), entrepreneurship in franchising, franchise fees, the price component of the marketing mix, franchise performance, the sales process in franchising, and the influence of marketing. Based on the literature review results and the under-researched areas identified therein, two hypotheses are developed to explain the relationship of the initial franchise fee and advertising fee with franchise performance. Five propositions are used to explore executives' perceptions of the initial franchise fee, advertising fee, market orientation, entrepreneurial orientation, and charismatic leadership orientation. The chapter concludes with the study's rich picture development and conceptual model.

Chapter 3 is concerned with the methodology and research design used in this study. A detailed rationale on the sequential MMAR study provides a foundation from which the endeavors for methodological rigor were built to include the two research methods (action research cycle 1 and action research cycle 2) used in the study. The research design contains the inclusion criteria, sampling methods, constructs, survey instrument, and administration. The procedure and methods for data analysis are described, and the chapter concludes by noting the researcher's role and ethical considerations for the study.

Chapter 4 presents the data development, findings on the website scraping (action research cycle 1), and semi-structured interview findings (action research cycle 2), focusing on the three contained in the qualitative data. There were two hypotheses tested in this study, and this chapter provides the analysis of each finding.

Chapter 5 summarizes the study, presents a deeper interpretation of the quantitative and qualitative results, and completes the action research cycles. The significant themes are discussed and synthesized to reveal the connections to the literature from Chapter 2. The conceptual model is referenced in relation to the findings. Chapter 6 concludes the thesis study by summarizing the essential content of the thesis study. A reflection on the study is provided therein.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The literature review is a summary of the salient aspects of the study. It provides a historical and theoretical background of the research. The structure of this chapter is as follows. First, the process of systemic literature review, core concepts, and related literature are presented. Herein, firm performance is explained as a focus of the study. The conceptual model and formulation of the hypotheses regarding the extent and how the initial franchise fee and advertising fees, as examined in in action research cycle 1, follow. In addition, the presence and perception of initial franchise fees, advertising fees, market orientation, entrepreneurial orientation, and charismatic leadership orientation are presented as the study's propositions in action research cycle 2. The chapter outlines the germane effects of the initial franchise fee, advertising fee, and potential barriers to the franchise sales process which may hinder franchise performance in the franchise sales process. The chapter concludes with a chapter summary and progression toward the study's methodology.

2.2 Literature Search Strategy

This literature review is concept-centric so the literature could be appropriately synthesized (Webster & Watson, 2002) and re-framed through the problematization process. A concept-centric approach to the literature review allowed the researcher to reframe the study's wicked problem into rich pictures in support of the concepts related to initial franchise fees, advertising fees, and firm performance (see Section 2.13). Additionally, based on the findings in Zachary *et al.*'s (2011b) study, marketing rhetoric was initially explored in the literature search. Being able to identify isolated or associated key concepts resulted in a crisper review because its scope was actualized (Webster & Watson, 2002) and reflected upon, which allowed for sense-making of the explicit, implicit, and tacit knowledge spectrum.

2.2.1 Critical Literature Review Map

A thorough forward search of the relevant silos indicative of franchise performance factors was performed using the University of Liverpool's online library via the DISCOVER, Science Direct, SAGE, Wiley, ProQuest, and Emerald databases. Relevant keywords were searched, including initial franchise fees, royalties, and franchise performance. Using rhetoric to convey the value of the franchise brand's offering to internal and external audiences (as with Zachary et al.'s (2011b) study) was of initial relevance to this study and, therefore, also relevant to the literature review. These keywords, phrases, and combinations thereof were based on the evolving rich picture in the problematization of the research problem: what are the germane effects of the initial franchise fee, advertising fee, and potential barriers to the franchise sales process that may hinder franchise performance as used in the franchise sales process of high-performing franchises?

Synthesizing the literature from a comprehensive search allowed the researcher to see the depth of the research problem. The initial search and article selection process revealed how explicit knowledge transforms into implicit knowledge. However, explicit knowledge alone does not provide a sustainable competitive advantage (Jeon, Dant, & Baker, 2016). Further, tacit knowledge translates into superior firm performance (Lopez-Cabarcos *et al.*, 2019). As such, tacit knowledge is most directly linked to system-wide performance in franchising, as long as it is transferable (Jeon *et al.*, 2016) to employees across the organization. Transferability of tacit knowledge provides the firm with a competitive advantage (Lopez-Cabarcos *et al.*, 2019), as with the perception of market orientation, entrepreneurial orientation, and charismatic leadership orientation. Action learning occurs as a result of this process, where tacit knowledge enveloped an epistemological stance toward understanding franchise performance; this is the basis of the action nature within this thesis study.

A critical literature review map refined the knowledge inquiry in this study as a visual depiction to form a constructivist stance on the determinants of franchise performance and other liabilities. As discussed in Chapter 1, section 1.1.2, the economic impact of franchising refers to the impact of economic growth on job creation. Organizational growth, within the context of the current study, is measured in the number of franchise licenses issued within the course of a given year, and marketing function refers to the function of marketing as an impact. Entrepreneurship is linked, in

the form of franchising, to the economic impact of the industry on the nation. Organizational growth is explored expressly within the context of franchising, and franchise branding is a marketing function. These elements, in turn, contribute to the ability to attract franchisees and influence the franchise sales process, both of which are linked to the fees that are paid to the franchisor to operate a franchise under a given franchise brand.

This thesis capitalizes on the researcher's background as a franchise-marketing manager and presents the under-researched areas within the knowledge base with respect to franchise performance, pricing liabilities, and potential barriers to the franchise sales process. However, instead of rhetoric being a focus in the thesis (as with Zachary *et al.*'s (2011b) study), the researcher selected the overarching constructs to explore in the study, namely market orientation, entrepreneurial orientation, and charismatic leadership orientation. The remainder of this chapter presents a review of the relevant literature, practical implications, conceptual model, relevant hypotheses studied in action research cycle 1, and propositions in action research cycle 2.

2.3 Franchising Definitions of Terms

This study uses language commonly used in franchising that may appear unfamiliar to the average reader. While these terms were presented originally in section 1.8, these terms have been restated here to prevent any confusion that may arise going into the literature review. Wherein other definitions exist of these terms, the reader should only apply the definitions, as stated below, to the context of the current thesis.

Business-format franchise – “The granting of a license for a predetermined financial return by a franchising company (franchisor) to its franchisees, entitling them to make use of a complete business package, including training, support, and the corporate name, thus enabling them to operate their own businesses to exactly the same standards and format as the other units in the franchised chain” (Grant 1985, p. 4; as cited in Levent & Angela 2005). This type of franchise includes not only a product, service, and trademark, but also the complete method to conduct the business itself, such as the marketing plan and operations manuals (IFA 2018).

Charismatic leadership orientation – “An interaction between leaders and followers that results in 1) making the followers’ self-esteem contingent on the vision and mission articulated by the leader, 2) strong internalization of the leader’s values and goals by the followers, 3) strong personal or moral (as opposed to calculative) commitment to these values and goals, and 4) a willingness on the part of the followers to transcend their self-interests for the sake of the collective (team or organization)” (Shamir & Howell 1999, p. 259).

Entrepreneurial orientation – The process and practices characteristic of entrepreneurial companies, and exhibits a combination of five characteristics: autonomy, competitive aggressiveness, innovativeness, proactiveness, and risk-taking (Lumpkin & Dess 1996).

Franchise branding – Franchisors develop to attract franchisees, differentiate their opportunity, compete better, and facilitate growth (Badrinarayanan et al. 2016; Nyadzayo et al. 2011; Zachary et al. 2011). Brands form the basis of franchise relationships and hold tremendous value in terms of sales volume, pre-established demand, higher margins, better inventory turnover, image enhancement, and relationship commitment (Webster 2000; as cited in Badrinarayanan et al. 2016).

Franchise fee – The up-front fee that the franchisee must pay to the franchisor to buy the franchise outlet. This variable has been used by Shane (1998), Martin and Justis (1993), Carney and Gedajolovi (1991), Caves and Murphy (1976), and Combs and Castrogiovanni (1994). The initial check is written to the franchisor when the franchisee signs their franchise agreement. It is the cost of joining the system and is usually a large flat fee (entrepreneur.com 2002).

Franchisee – The individual or company who holds the franchise license and gets the right to use the franchisor’s trade name or trademark (IFA 2018).

Franchisor – The person or company that grants the franchisee the right to do business under their trade name or trademark (IFA 2018).

Market orientation – The organization-wide generation, dissemination, and responsiveness to market information (Kholi & Jaworski 1990). Its five dimensions are customer orientation, competitor orientation, inter-functional coordination, long-term focus, and profitability (Narver & Slater 1990).

National Marketing Fee (NMF)/ National Advertising Fee (NAF or ad fee) – Normally, an advertising fee is based upon a percentage of gross sales or net sales (though it can sometimes be a stated amount). The ad fee typically ranges from 1% to 5% of gross sales. The fees are often placed into a regional or national fund to be used for either regional or national marketing or advertising campaigns (whichfranchise.com 2018).

Rhetoric – “The strategic use of words to persuade potential franchisees of the value of the franchisor’s opportunity” (c.f. Zachary et al. 2011b, p. 630; c.f. Hartelius & Browning 2008).

Royalty fee(s) – A continuing fee or regular payment for the use of the franchisor’s trade name and operating methods usually represented as a percentage of gross sales that is collected monthly (IFA 2018).

2.4 Franchising

Franchising is a business relationship grounded in a licensing agreement between two independent firms (Gillis & Castrogiovanni, 2012). The franchising system involves the franchisor acting as an umbrella organization to franchisees operating under the same business format and becoming part of the brand (Hoy, Perrigot, & Terry, 2017). The result of this agreement, as cited in Sanfelix and Puig (2015), is the provision by an establishment of a service whose value is perceived by the customer as equal to or higher than a similar one offered under another business model. Within this context, it may then be stated that the franchisor has certain entrepreneurial traits and explores the franchise relationship using entrepreneurial behaviors (Shah & Saqib, 2022). According to Sanfelix and Puig (2015), the franchisor expands and enters new markets using franchising because it allows the entrepreneur to create a business and achieve self-employment with less risk. Thus, supporting claims made by Lafontaine and Kaufmann (1994) and Lafontaine (1992) purvey franchising as a way for franchisors to gain access to resources and grow the organization less expensively because resources are centralized and maximized.

Choosing to franchise early in a franchise system’s life allows for risk sharing, market penetration, and franchisee motivation (Lillis, Narayana, & Gilman, 1976). This attracts entrepreneurs to join

a franchised business and creates a franchisor-franchisee relationship that can, in turn, influence the overarching performance of the franchise as a whole (Sun, 2021). According to Lafontaine and Kaufmann (1994), brands that sell franchise licenses create a way to obtain expansion capital for outlaying fixed investments in equipment, signage, buildings, and land - all of which are strategically packaged within the franchise business opportunity, hence allowing their franchisee to gain advantages in the marketplace through the franchisor's existing brand reputation. According to Aliouche and Schlenrich (2009), franchising can be divided into two broad categories of franchising: product distribution and business format franchising. Details regarding franchising categories are explained in subsequent sections.

2.4.1 Franchising Categories

Business format franchising consists of a continuing commercial relationship between the franchisor and franchisee where the franchisor grants rights to the franchisee in a given period to operate using a familiar brand and format for promoting, managing, and administering the business (Aliouche & Schlenrich, 2009). According to Kaufmann and Eroglu (1998), business format franchising is a process that enables a franchisor to license the rights and obligations to the franchisee to copy a unique retail positioning that profitably serves a need for customer and geographical segmentations. Business format franchising consists of support systems, operations, sources of supply, as well as specific equipment and operations (Kaufmann & Eroglu, 1998). Meanwhile, product distribution franchising focuses on business relationships where the franchisor only grants the franchisee the right to use its trademark without the support of the system in operating the business (Aliouche & Shlenrich, 2009). Comparing business format franchising and product distributions franchising, business format franchising, according to PriceWaterhouseCoopers (2004), is more popular with 4.3 times as many establishments. This study focuses on business format franchising and its components.

2.4.2 Business Format Franchising Components

Business format franchising is comprised of the following four components: product or service deliverables, benefits communicators, system identifiers, and format facilitators (Kaufmann &

Eroglu, 1998). In 1998, Kaufmann and Eroglu referred to product or service deliverables as the concept, and it reflects the competitive advantage of the franchise that differentiates the business. The benefit communicators are the invisible benefits of the intangible product, which may influence customer decision-making (Kaufmann & Eroglu, 1998). The system identifier includes the visual and auditory elements such as trademarks, uniforms, and character that differentiate the business (Kaufmann & Eroglu, 1998). The final components of business format franchising are the format facilitators which refer to the policies and procedures that form the foundation of the franchisor and franchisee outlets. Kaufmann and Eroglu (1998) suggest business format franchising covers a broad spectrum and includes all the elements in operating and governing the franchise systems.

However, a recent study by Nijmeijer, Fabbriotti, and Huijsman (2014) divided the business format franchising into two main components: the front and back of business format franchising. According to Nijmeijer, Fabbriotti, and Huijsman (2014), the front of business format franchising components comprise elements related to positioning a product in the market, where brand strength and franchise concepts are believed to have attributes that attract and maintain customers. The following components of business format franchising, according to Nijmeijer, Fabbriotti, and Huijsman (2014), are the operating and management structures that aim to ensure the smooth delivery of services, business to the customers, and provide a strong business brand. Hence, in this study, the components of business format franchise associates with franchise brand positioning and supported systems in the management and operations of the franchise from the parent company (franchisor).

2.5 Franchise Branding

Franchisors differentiate opportunities as a means of attracting franchisees; as a result, the franchise opportunity becomes known as the brand (Zachary *et al.*, 2011b). The strength of the brand signals to franchisees that the franchisor will likely continue to invest in brand development (Mathewson & Winter, 1985, c.f. Zachary *et al.*, 2011b). Brand market performance influences

franchise brand identity in that it differentiates the potential opportunity associated with obtaining a franchise license based on how the brand resonates with the target market (Zachary *et al.*, 2011b). Franchisors have the challenge of building the equity of their brand both amid competitors and with end-consumers (Davis & Mentzer, 2008; c.f. Badrinarayanan, Suh, & Kim, 2016). The franchisor bears the responsibility of reflecting the brand's meaning as one that is worthy of a strong relationship that enhances the brand's value (Badrinarayanan, Suh, & Kim, 2016). Franchise branding is sparsely addressed in academic literature (Macmillan, 1996), even though franchisees are seen as an important source of growth (Michael, 2003), as witnessed from the extensive literature search.

Franchise branding involves marketing the franchise opportunity as a brand in a distinct way because the intent is to sell contracts (franchise licenses) to potential franchisees (versus corporate branding, which is not limited to the target audience) (Zachary *et al.*, 2011b). Franchise branding is similar to corporate branding because franchise branding integrates aspects of an organization's identity, defined by its core values and activities (Zachary *et al.*, 2011b). The franchisor's goal is to find alignment with potential franchisees who fit with the organization's identity. Incompatibility decreases customer loyalty and satisfaction (Anisimova, 2010), but alignment should result in high customer satisfaction (Zachary *et al.*, 2011b) because of corporate associations, corporate personality, and customer benefits. The franchisor should continue to invest in brand development (Zachary *et al.*, 2011b) even when deemed successful for a period to ensure consistency to all involved constituents of the brand.

Wright and Winzar (2014) argued branding and marketing are idiosyncratic factors that do not relate to purely rational choice in decision-making with a brand and as such, they could have a disproportionate effect on prospective franchisees. Conversely, the franchise brand must display advantages over rivals, differentiate the franchise opportunity over others, and resonate with the target market (Zachary *et al.*, 2011b). There is also a requirement with respect to the quantity of information that must exist between the franchisor and franchisee to positively affect franchise performance, including consistency in messaging and alignment with the brand's organizational identity (Coupland & Brown, 2004), frequent communication, entrepreneurial-like characteristics, stated competitive advantage of the brand, all while fitting with the organization's practices. Cases

in which these factors align, franchise candidates (franchisees) will make the decision to enter a relationship with the franchisor that marketing and branding strive to enhance.

2.6 Franchise Brand Performance (Brand Resonance)

Brands hold tremendous value in terms of the firm's financial performance and their ability to perform successfully within the marketplace (Badrinarayanan, Suh, & Kim, 2016; Webster, 2000). The capabilities of the franchisor in offering brand support with strong brand positioning can become, in customer minds, capable and robust marketing tools for franchisees since they can deliver a strong and stable brand image to the customer (Badrinarayanan, Suh, & Kim, 2016; Nyadzayo, Matanda, & Ewing, 2011). This strong, stable brand image stays with the customer throughout the course of their day-to-day activities, thus creating brand resonance for the franchise.

Brand resonance is an image created by the firm in the customer's mind (Badrinarayanan, Suh, & Kim, 2016; Keller, 2013). This brand resonance facilitates the creation of a psychological attachment to the brand within the mind of the customer that, over time, can become brand loyalty (Badrinarayanan, Suh, & Kim, 2016). Brand resonance is conceptualized in terms of four distinct dimensions: behavioral loyalty, attitudinal affection, sense of community, and active engagement (Badrinarayanan, Suh, & Kim, 2016). The brand resonance model offers helpful insights for franchisors in developing serious and dynamic brand-driven relationships among franchisees (Keller, 2013). Brand resonance involves the following six steps: brand salience, brand performance, brand imagery, brand judgments, brand feelings, and brand resonance.

Even though brand resonance was conceptualized to examine relationships between consumers and a focal brand, the franchisees' capability of gaining an advantage from the relationship results from brand equity and brand identification in a consumer setting or business-to-business (B2B) settings, including franchising (Badrinarayanan *et al.*, 2016). Chiou, Hsieh, and Yang (2004) argued secure attachments are the reliable indicators of strong partnerships between franchisors and franchisees that create long-term relationships (Meek *et al.*, 2011). Thus, enhancing brand attachment among franchisees has been suggested to result in positive brand evaluations and brand citizenship behaviors (Nyadzayo *et al.*, 2011). Enhancing brand attachment could enable

franchisors to engage better, develop deeper affective bonds, and strengthen relationships with franchisees (Samu, Krishnan Lyndem, & Litz, 2012). Consequently, franchise brand performance, from the researcher's point of view, can be understood as a marketing advantage held by the firm in the consumer's mind under the brand resonance model. Brand performance is then also capable of creating better positioning for the franchisee in the marketplace. Recently, corporate entrepreneurship literature has been applied to franchising contexts because it links the dynamic relationship of the brand to those who wish to resemble entrepreneurs but who also desire to receive support from franchisors in the standardized business format (Croonen, Brand, & Huizingh, 2014).

2.7 Entrepreneurship in Franchising

In business-format franchising, franchisors first pursue growth and increased profits (Elango & Fried, 1997) and the quest for entrepreneurial-like franchisees is preferred over franchisees who behave like investors (Zachary *et al.*, 2011a). The preference toward entrepreneurial-like franchisees is because a quasi-independent entrepreneur is legally independent (Croonen *et al.*, 2014) but pursues the opportunity of business ownership with motivational behaviors. Franchisors need franchisees who seek a self-employment formula versus an investment opportunity (Ramirez-Hurtado *et al.*, 2011) and therefore closely resemble corporate entrepreneurs. While previous experience and financial acumen are unimportant features in franchisee selection (Ramirez-Hurtado *et al.*, 2011), valence considerations include motivation, satisfaction, and expectancy considerations (Croonen *et al.*, 2014). Entrepreneurial notions in franchise branding materials and their positive correlation to franchise performance (Zachary *et al.*, 2011a) is valuable to a growth-oriented brand, and perhaps the overarching construct, entrepreneurial orientation, is too. A key consideration for a franchise sales executive, whose responsibility is to sell franchise licenses on behalf of the franchisor, may be to match the prospect (potential franchisee) with the brand, policies, and practices of the franchise organization or to align the potential franchisee based on their satisfaction with the franchisor and its business format (Croonen *et al.*, 2014).

Both marketing and entrepreneurship are change-focused, opportunistic, and innovative (Collinson & Shaw, 2001). Marketing affects entrepreneurial ventures, and vice versa. Therefore, it is vital for marketers to understand entrepreneurship because being marketing-oriented and entrepreneurial-oriented are both based on the same underlying business philosophy (Morris & Lewis, 1995). Inherently, franchising creates opportunities for both budding entrepreneurs and corporate entrepreneurs (Combs & Ketchen, 2003).

Entrepreneurship refers to the value-creating process that brings together the unique packages of a variety of resources to exploit an opportunity (Morris & Lewis, 1995). The processes entrepreneurs use to execute these activities are a behavioral investigation (Stokes, 2000). An entrepreneur uses innovation as their response to change (Drucker, 1985) and, through the required management processes, evolves change as a focus to execute innovation (Casson, 1982). However, there is more consensus over what entrepreneurs do than who entrepreneurs are (Stokes, 2000). This lack of clarity with respect to who entrepreneurs are begs the question: are franchisees entrepreneurs? If entrepreneurial marketing is marketing that is appropriate in entrepreneurial contexts (Stokes, 2000), then what we know about entrepreneurship and entrepreneurial orientation could apply to marketing to attract franchisees.

Entrepreneurial marketing, though, is different from traditional marketing in concept, strategy, methods, and market intelligence. Entrepreneurial marketing is innovation-oriented, targets customers from the bottom-up, and involves interactive marketing methods, whereby informal networking or information gathering drives marketing intelligence (Stokes, 2000). Traditional marketing, conversely, is customer-oriented, requires top-down segmenting and positioning, involves the marketing mix, and it is only after formalized research and intelligence systems are consulted that those decisions are made (Stokes, 2000). Reference to entrepreneurial marketing in franchising is likely undertaken and dependent upon because of distinct similarities; however, the unique differences inhibit resources from which to operate from in franchise marketing.

Innovation is not considered to be of relative importance in profiling franchisees (Ramirez-Hurtado *et al.*, 2011), likely because innovation is left to the franchisor. Loyalty is considered, by far, the most important factor in recruiting franchisees, requiring trust in the franchisor, cooperation, communication, and tolerance of the franchisor's influence (Ramirez-Hurtado *et al.*,

2011). The loyalty attribute is not a variable for entrepreneurs because the relationship is antibiotic. Recall, from Chapter 1, that although entrepreneurs utilize different approaches to business, as compared to franchisees, due to variations in the business environment and the structuring of a franchise with respect to a traditional business, the literature exploring entrepreneurial elements, as composed to franchising elements, has a high level of overlap, and as such, the materials present in one approach are often applied, where possible, within the other (Ketchen, Short, & Combs, 2011; Ramirez-Hurtado *et al.*, 2011; Stokes, 2000). Due to this quirk of the literature, it is possible, in some respects, where overlap exists, to apply franchising literature to entrepreneurship and vice versa. However, in doing so, it is important to note that while entrepreneurship is an attribute to profile franchisees (Ramirez-Hurtado *et al.*, 2011), a franchisee and entrepreneur are not the same (Ketchen, Short, & Combs, 2011). As a result, care should be taken when transferring information from one context to the other; despite this, franchising researchers are well-positioned to contribute to the entrepreneurship field (Ketchen, Short, & Combs, 2011).

2.7.1 Franchising and Entrepreneurial Orientation

Entrepreneurial orientation refers to the entrepreneurial skills utilized in engaging in new ventures, where those ventures are related to entrepreneur innovativeness, proactiveness, and risk-taking (Maritz, 2005). According to Wang (2008), these three core dimensions of entrepreneurial orientation, innovativeness, proactiveness, and risk-taking, are the key to successful firms. Although some researchers, including Hughes and Morgan (2007) and Lumpkin and Dess (1996) have suggested there are five dimensions of entrepreneurial orientation, namely autonomy, competitive aggressiveness, innovativeness, proactiveness, and risk-taking, there is only a consensus amongst researchers (Dada & Watson, 2013; Wiklund & Shepherd, 2005) around the latter three dimensions. Wiklund *et al.* (2009) and Dada and Watson (2013) stressed that even in recent studies, scholars (Chabaud & Sattin, 2019; Chien, 2014) have decided to use the original and well-validated scale of Miller (1983), with innovativeness, proactiveness, and risk-taking as the underlying dimensions of entrepreneurial orientation. Thus, for this study, the researcher will focus on Miller's (1983) three core dimensions of entrepreneurial orientation.

Researchers have claimed the innovativeness dimension involves the search for unique decision-making styles in addressing challenges faced by a firm (Dada & Watson, 2013; Morris, Schindehutte & LaForge, 2002). This, according to Walter, Auer, and Ritter (2006), includes the development of new products and services, administrative techniques, technologies, and the management of a firm. Proactiveness has been linked with aggressive posturing or strategies in creating competitive advantages against the firm's competitors (Knight, 1997). Proactiveness also relates to the firm's effort to be the trendsetter and associates with being the first mover in marketplaces (Li *et al.*, 2008). While risk-taking is associated with the firm's involvement in supporting projects in which the expected (Dada & Watson, 2013; Walter *et al.*, 2006) results are uncertain when venturing into a new business with uncertain outcomes where the actions are associated with a high return in investment (Li *et al.*, 2008). A franchisee's investment in the brand begins with the initial franchise fee.

2.7.2 Franchising Fees: Organizational Support and Royalties

Franchising offers several advantages over setting up a business from scratch, including a proven product and business model, brand recognition, and consistency in delivering the product, all of which are mandated in the franchise agreement and regulated by franchise law. Additionally, pre-opening, grand opening, and ongoing support are exchanged for initial franchise fees ranging from US\$1,000 to US\$150,000 (*Franchise 500*, 2019) and royalties, typically defined as a percentage of gross sales, ranging from 0% to 50% with a mean of 7% (Sen, 1993). Marketing is imperative to the growth of a franchise brand, and it is traditionally supported through a National Marketing (or Advertising) Fund (NAF/NMF) (also called the advertising fee). The advertising fee is a percentage of gross sales, which is also within the 0% to 50% royalty rate (Sen, 1993). A healthy advertising fee will collect between 3-5% in royalties per month to sustain the business, and for those in growth mode, the advertising fee is between 7-9%. This business model sets the foundation for brand recognition and organizational identity.

2.8 Attracting Franchisees

As Matthes *et al.* (2021) noted, “The affinity between franchisees and their franchisor represents a captive marketing channel relationship, requiring a mutually well-managed partnership for long-term success and sustained performance” (p. 387). A franchise business model is attractive if it will show the growth of the brand, higher profits for the franchise locations, and development opportunities; yet, information about the structures and processes that can help improve the franchisees’ chance of success is lacking. The evidence base, according to Nijmeijer, Fabbriotti, and Huijsman (2014), is fragmented, complex, and heterogeneous in terms of theoretical perspectives, methods, and conceptualizations, providing only partial or even confusing advice for practitioners. Although reviews of the franchise literature have been conducted by Elango and Fried (1997), Fulop and Forward (1997), and Combs, Michael, and Castrogiovanni (2004), researchers have been unsuccessful in building an overview integrating all the evidence to support both practitioners and researchers (Nijmeijer, Fabbriotti, & Huijsman 2014). This study aims to provide actionable results for practitioners who are looking to increase firm performance.

Franchising is attractive to business owners because franchisors provide franchisees support in all areas of business development and growth, including the support of the brand marketing from an organizational identity perspective using royalties (Christensen, 1995). Palancious *et al.* (2014) indicated the training, financial assistance, sub-franchising, restrictions against passive ownership, and the use of area development agreements are all valuable for prospective franchisees. Franchise system size (Dant *et al.*, 2007) and successful brand building (Combs, Ketchen, & Short, 2011; Shane, 1998) may also be attractive characteristics of a franchise brand. When it comes to franchisee performance, however, this performance is influenced by the entrepreneurial orientation of the franchisee, their dynamic capabilities, and the overarching responsiveness of the market (Chien, 2022).

2.9 Franchise Consistency in Branding and Marketing

A unique aspect of franchising is its consistency in branding and marketing, which ultimately helps with the growth of the brand. The marketing activities of the franchised firm include the solicitation of franchise licenses (B2B) and the solicitation of its products or services to consumers (business-to-consumers, or B2C). The marketing function for the B2B component of a franchisor's business should be consistent with their entrepreneurial orientation and highlight the opportunity of pursuing entrepreneurship in franchise ownership (Zachary *et al.*, 2011b). The franchisor's dissemination of marketing communication for the solicitation of franchise licenses is relevant to the firm's identity and management (Christensen, 1995). As such, the decision-making tendencies of the firm should align with the organizational identity of the franchisor (Zachary *et al.*, 2011b). The dependency of complementary orientations incentivizes franchisors to attract franchisees that identify with their organizational identity (Zachary *et al.*, 2011b). However, it should be noted that training of the franchisee should also be viewed as an internal tool for marketing within the franchise system; the greater the consistency of the franchisee in the application of their training, the greater the overall consistency of the franchise itself (Dominguez-Falcon *et al.*, 2021). Without adherence to franchise training, franchise consistency can deteriorate, decreasing the overall effectiveness of branding and marketing for the franchisor as a whole (Dominguez-Falcon *et al.*, 2021). To this end, there is a marked need to treat franchise training as an internal marketing tool and a measure of franchise consistency (Dominguez-Falcon *et al.*, 2021).

2.10 The Price Component of the Marketing Mix

In business, the role of the price is to define the strategy that best attracts the target market. This component of the marketing mix fluctuates the most (compared to the product, place, or promotion) because it is a signaling device for indeterminate attributes of the franchise (Wright & Winzar, 2014). Pricing strategies are usually based on the market, advertising costs, distribution costs, and other costs associated with research and development. The price of the product has to withstand the cost of change over a period, and it affects the target and position of a product. To an organization, the price indicates revenue generated, and to the consumer, price relates to the

value of the product received in franchising (Baucus *et al.*, 1993). To both the organization and consumer, the price should be aligned with the firm's offering in exchange for time, money, and effort and the market for franchise opportunities establishes fair prices (Baucus *et al.*, 1993). If the initial price is too high, it becomes a tight and selective screen, limiting entry (Woli, 1968), as with the McDonald's brand.

Prospective franchisees explore price in terms of the value exchanged when considering the purchase of a franchise in two different values, which means the price could be a determinant of franchise performance (Baucus *et al.*, 1993). These two price components are the initial franchise license fee, exchanged to operate a business as a branded name and its operational model, and part of the ongoing royalties, where the advertising fee is a percentage paid back to the franchisor in support of marketing efforts (Baucus *et al.*, 1993).

2.11 Franchise Performance

Generally, business-format franchising is classified as a contractual channel (Stern & El-Ansary, 1988) whereby upon sufficient investigation, an awarded contract signifies the growth of the franchise brand. The strategic partnership created by franchisor and franchisee harvests a market advantage by assuring customers a uniform and predictable level of service and product quality (Justis & Olsen, 1993). Evidence of the quality of this relationship may be ascertained by franchise performance.

Franchise performance is defined in a variety of financial and non-financial ways, including how well the brand performs each year by licenses awarded, revenue, how well the brand supersedes its competition, or by internal measurements. Since 1979, Entrepreneur Media, Inc. has produced the annual *Franchise 500*, which distinguishes those who are outperforming their franchised business from their counterparts by comparing data. Established industries dominate the top rankings, including restaurants, hair care, real estate, smartphone repairs, trampoline parks, and paint-and-sip studios (entrepreneur.com, 2019). Eligibility rules require the United States and Canadian recruitment to have a minimum of 10 units open and operating, with at least one location

in North America by July of the previous year (entrepreneur.com, 2019). Scoring is based on 150 data points, and the highest cumulative scores rank in order, one through five hundred, from the annual *Franchise 500* (entrepreneur.com, 2019). Each January, the published list reflects data from the year prior (e.g., 2019 rankings are from 2018 data). According to Entrepreneur Media, Inc. (2019), the ranking formula remains proprietary but includes the following five key considerations:

- costs and fees (franchise fees, total investment, and royalty fees),
- size and growth (open and operating units, growth rate, and closures),
- support (marketing, operations, training times, franchisor infrastructure, financing ability, and litigation),
- brand strength (system size, social media, years in business, and years franchising), and
- financial strength and stability (franchisor's audited financial statements).

Since its first publication in 1980, more than 1,000 franchised brands apply each year to be considered in the top 500 rankings. The *Franchise 500* list is presently the oldest and most comprehensive franchise ranking and has been used in franchise-related research, including that conducted by Sen (1998), Zachary *et al.* (2011b), and this thesis study. Its tenure and demand for visibility position it as a likely resource for those looking to pursue franchising as a route to business ownership. Zachary *et al.*'s (2011b) sample was from the 2010 *Franchise 500* list, and it utilized a common sampling frame for franchise research (Combs & Castrogiovanni, 1994).

The size of the franchise brand does not influence the success or failure of franchisees (Falbe & Welsh, 1998). However, the operating stage in the lifecycle of the franchise firm is positively associated with age and size, noting that a franchise in the growth stage is between six and eight years old with 11 or more outlets (Lillis *et al.*, 1976). For this study and based on experience, the researcher delineates franchise performance as growth of the brand by awarding franchise licenses more successfully year after year, relative to the proprietary data collected and listed in the *Franchise 500*. As such, only those high-performing franchises (ranked in the *Franchise 500*) in all four years from 2016 to 2019 are used in this thesis.

Franchising provides superior advantages to investors to such a degree that it is considered an anomaly; it may even outperform the general market (Aliouche, Kaen, & Schlenrich, 2012). Firms may choose franchising as a route to growth because they can do so on their own terms (Aliouche & Schlenrich, 2009), but it has to be priced appropriately (Hua *et al.*, 2017). Approximately only 4% of franchise firms fail (Castrogiovanni, Justis, & Julian, 1993), although Isabelle, Rozenn, and Gérard (2014) declared only up to 5% are operating with an efficient strategy. This may be viewed through a developmental lens whereby performance can improve by 15.5% if a model anticipates the opening delays and secondary source competition present (Kaufmann, Donthu, & Brooks, 2007). Since 1968, franchising scholars have examined franchise performance with a variety of factors to consider, including real estate, financial investment and returns, organizational strategy, marketing, advertising, market orientation, entrepreneurial orientation, management, human capital, relationship dynamics, training, and selection criteria (Aliouche, Kaen, & Schlenrich, 2012; Gillis & Combs, 2009; Madanoglu, Lee, & Castrogiovanni, 2011; Woli, 1968).

When examining the performance-based influences of franchises, researchers present numerous non-extensive studies in several subject areas and within that published literature, market orientation is the primary weakness identified when analyzing franchise performance in addition to the vastness in coverage in the literature search results (Gillis & Combs, 2009; Jeon *et al.*, 2016). Lee *et al.* (2015) showed market orientation has a positive effect on both financial and nonfinancial franchise performance. Conversely, Abraham and Glascock (2010) suggested ownership of the corporate real estate, as with McDonald's business model that requires the purchase of land in conjunction with the franchise license, influences excess returns, but also found age and growth rate positively impact performance. Berkowitz and Wren (2013) asserted the ability of managers to coordinate versus control affects franchise performance and found a positive link between the strategic commitments of the franchisor's organization to affect franchise performance. It should also be noted that franchisor resources have a huge impact on the organization's performance, though the franchisee's resources should also be considered (Chien, 2014). The age of the firm does not appear to affect performance (Jambulingan & Nevin, 1999; Zachary *et al.*, 2011a), and size negatively affects growth rate, so young franchisors need not rush to geographically expand their business (Kang *et al.*, 2018).

While franchising is not exactly the same business model as entrepreneurship, all dimensions of entrepreneurial self-efficacy have an effect on firm performance (Cumberland, Meek, & Germain, 2015). Entrepreneurial orientation singularly has been most studied with respect to its effect on franchise performance and a firm must do more than simply presenting entrepreneurially focused clauses in the franchise contract, as this is not positively related to entrepreneurial orientation in franchise systems (Dada & Watson, 2013). A firm's website is only one of many other items (e.g., print, broadcast marketing, or phone communication) that should be analyzed for entrepreneurial orientation, as with Zachary *et al.*'s (2011b) study.

Franchisee training has a positive impact on income and its sustainability over time and the development of such resources must be cultivated with standardization (Chien, 2014), but standardizing operating routines appears to weaken performance (Gillis & Combs, 2009). Formalization, where rules and procedures maintain the relationship, affects free riding (lowering service or product quality) because their role is known (Kidwell, Nygaard, & Silkoset, 2007). Despite the benefits of standardization and stability stemming from franchisee training and formalization, there are researchers who believe franchisees must be allowed to seize opportunities or utilize their own resources (Chien, 2014). The underlying rationale behind this belief is that innovativeness and personal commitment are viewed as performance indicators for an entrepreneurial entity (Jambulingan & Nevin, 1999). While such elements are lauded with respect to entrepreneurs, such avenues are not within the purview of the franchisee.

Franchisees may behave like entrepreneurs (Croonen *et al.*, 2014) but there is a variety in, and a varying significance associated with the level of franchise human resource (HR) autonomy present in franchised units (Grünhagen *et al.*, 2013). The ownership structure has a relationship to its success. From the researcher's experience, franchisees must be autonomous yet depend on the franchisor for support and guidance. As part of the process, franchisee satisfaction is both an antecedent and consequence of franchise performance and positive franchisor-franchisee relationships (Kalargyrou, Aliouche, & Schlenrich, 2018).

By examining the consistent ranking of four consecutive years of franchises in the *Franchise 500*, this thesis study emphasizes franchise performance. This is done in an effort to suggest that the firm is organizationally managing its operations consistently, coinciding with the managerial

implications from previous literature. To add perspective, it is possible for a franchise organization to rank for one year in the annual *Franchise 500*, but not again in the following year. Therefore, to study performance levels, analyzing a period of performance over a period of recent consecutive years is more logical. While this study attempts to add value to the research on the germaneness of franchise performance and variables in the sales process and price-related liabilities, it may not exhaust firm performance. However, through a marketing lens, this study will add to the extant literature by examining additional factors to consider having an effect on franchise performance. It is especially noted that when discussing “franchise performance” for the purpose of this study, the researcher is referring to the growth of the brand by awarding franchise licenses in the sales process more successfully and not the total revenue of the brand.

2.11.1 The Effects of Profiling on Franchise Success

Marketing is aimed at an intended audience, which refers to those who are most willing and able to consume a product or service. In the cooperation-centered and trust-based relationship of franchising, one of the most important and frequent problems for franchisors is selecting the right franchisees (Ramirez-Hurtado *et al.*, 2011). The ideal franchisee has been profiled in recent literature because such an investment should be strategic and selecting the right franchise partner is vital to the success of the relationship (Ramirez-Hurtado *et al.*, 2011). For example, some franchisors seek potential franchisees that are culturally compatible, possess technical competence, and financial ability and flexibility; others require some levels of managerial ability, trustworthiness, and references (Ramirez-Hurtado *et al.*, 2011).

Poor selection of franchisees can cause complications (Justis & Judd, 1989), but an appropriate selection may have remarkable results (Ramirez-Hurtado *et al.*, 2011) and is vital for the success of the franchisor/franchisee relationship (Leiser, 2002). The selection of franchisees should not be based solely on experience, chance, or intuition, but a person with an elevated level of loyalty as determined by psychological tests, management capacity with training, and the ability to work hard as the head of their business (Ramirez-Hurtado *et al.*, 2011). Loyalty to the franchise brand is secured in the franchise contract and, therefore, an assumed quality. The adoption of a systematic approach used in selecting good potential franchisees can determine the future success of a

franchisor (Olm, Eddy, & Adaniya, 1988). The burden of success depends on the franchisor's ability to select franchisees with the right profile (Bergen, Dutta, & Walker, 1992) who are willing to proceed through the sales process. Selection of aligned franchisees permits franchisors to engage in targeted marketing to a connected and intended audience.

2.11.2 Examining the Recruitment and Sales Process in Franchising

It is ideal to profile and benchmark a franchise brand's existing franchisees on outcomes and selection criteria leading to superior outcomes (Jambulingan & Nevin, 1999) and a successful and long relationship (Ramirez-Hurtado *et al.*, 2011). An elevated level of loyalty is the most desirable feature in a person that franchisors must look for, whereas previous experience and financial level are not important features in the selection of a franchisee (Ramirez-Hurtado *et al.*, 2011). A franchisee's attitude toward business can serve as a predictable outcome whereby perceived innovativeness and high personal commitment are likely to enhance the outcomes of being selected for relationship fit (Jambulingan & Nevin, 1999). Additionally, growth and failure rate of franchises should be considered while expanding the number of locations. For example, a franchisor quickly opening 500 units within its first year probably has accumulated less knowledge than a franchisor gradually reaching a 500-unit size by its tenth year (Castrogiovanni, Justis & Julian, 1993). While only about 3% of franchise systems are high-risk investments (McDermott, 2017; Wadsworth & Cox, 2011), and the franchise failure rate is 4% (Castrogiovanni, Justis & Julian, 1993; Samsudin & Wahab, 2018), attracting and developing franchisees needs to be strategic and well-paced.

When a franchisor correctly selects their franchisees, they have a competitive advantage (Jambulingan & Nevin, 1999) and can distinguish themselves as a leading franchise brand (Carroll & Bassuk, 2002). Drawing from the literature on organizational identity in franchising, there is frequent mention of the homogeneity in recruiting franchisees, and correctly targeting them with the appropriate style to communicate value, as with their websites (Short, Zachary, & Ketchen, 2018), print, broadcast, social marketing efforts, and other branding materials (Watson *et al.*, 2016). Selecting franchisees with compatible characteristics reduces relationship conflict and the franchisee's chance to evade and resort to opportunism (Hoy & Shane, 1998). Zachary *et al.*

(2011b) argued franchisors seek similar levels of entrepreneurial and market orientation with potential franchisees, as conveyed in communication on a brand's website. When the values and goals of the consumer and selling organization are in alignment, relationship-marketing campaigns will perform better than those segments where the values and goals are in conflict (Zachary *et al.*, 2011b). This requires franchise development executives to perceive their brands in such a manner that they embody these same characteristics.

Further, many franchise-based research studies have cited 'trust' as a contributing variable to the franchisor-franchisee relationship. Mayer, Davis, and Schoorman (1995) defined trust as the willingness to be vulnerable to the actions of another party based on an expectation that, in exchange, is an equally important action to the trustor. Two critical components of trust in this business relationship are positive expectations in the behavior or intentions at the risk of being vulnerable (Hoy *et al.*, 2017). The most popular theoretical perspectives on the antecedences of franchisee trust are relationship marketing, relational exchanges, and trust as a mediating variable whereby communication, satisfaction, and franchisor support are antecedents of this trust factor (Hoy *et al.*, 2017). Referents of the trust-based relationship have been explored by Becerra and Gupta (2003), Palmatier *et al.* (2006), and Dahlstrom and Nygaard (1995), none of which found any relational characteristics in the country of origin of the trustor. There is presently no research on how franchisee trust develops over time or how it may be repaired to prevent a separation from the franchise agreement.

Correctly selecting franchisees allows franchisors to distinguish themselves from the rest in the form of a competitive advantage (Carroll & Bassuk, 2002), but how these characteristics are evaluated is unknown (Clarkin & Swavely, 2006). Hoy and Shane (1998) researched the process of attracting franchise candidates and their profiled characteristics, using a conjoint analysis, revealed that recruiting the right characteristics avoids opportunism. To obtain this data, Hoy and Shane (1998) used practicing experts in the field, such as franchise managers, editors of industry magazines, association members, and those associated with the franchise field (including professors researching in franchising, franchise website managers, and financial firms who specialize in franchising). Beyond loyalty to the franchisor and management capability, the willingness to work hard was identified as the most common observable attribute; the lowest-rated attribute was financial performance (Hoy & Shane, 1998).

2.11.3 The Franchise Recruitment (Sales) Process

The basic framework of the franchise recruitment, or sales, process is the consistent execution of six steps: (1) pre-qualification, (2) program review and interview, (3) signing disclosure documents, (4) market research, (5) attend Discovery Day, (6) award franchise license (Olson, 2014). Beginning with pre-qualification, the franchise determines who the potential prospects are and qualifies them for the sales process. An official application to become a franchisee is processed at this step. Step two includes program review and interview where each party looks for mutual fit based on qualifications, interests, and expectations. Effective communication mechanisms should be set to deliver transparent and equitable messages to each other (Maureen & Levent, 2011). Selection criteria include financial stability, business sense, market knowledge, a shared understanding of the brand, and good chemistry to establish the franchisor-franchisee relationship (Maureen & Levent, 2011). Herein, the third step involves signing the franchise disclosure documents (FDD). The potential franchisee or franchisor work together to answer questions. In the fourth step, market research, the potential franchisee is encouraged to speak with existing franchisees to gain insight based on personal experiences in local markets. Should this appease the candidate, a Discovery Date is set at the franchisor's headquarters or remotely. Here, in step five, the executive team meets the candidate, and approval of the franchise license is sought. Awarding the franchise with a pre-determined closing schedule is in step six. The length of this process is different for each franchise brand, and some may include additional or fewer steps.

2.11.4 Forming the Franchisor-Franchisee Relationship

Researchers have been, historically, paying increased attention to the nature of the franchisor–franchisee relationship and how it affects important outcomes (Altinay, 2006; Combs, Ketchen, & Short, 2011; Maureen & Levent, 2011). Greater emphasis is placed on relationship criteria during the early stages of the selection process and failure to select partners carefully results in dissolution and adverse monetary and strategic effects (Maureen & Levent, 2011). Franchisee attention, absorption, and engagement is important to the franchising relationship (Rothbard, 2001) because it is integrated into the franchisee trust levels, which begin in the recruitment period (Grace *et al.*, 2016). Trust is a prominent factor in the relationship because of the faith in the overall performance

of the franchise system (Grace *et al.*, 2016). Adding to brand resonance, behavioral loyalty, cited as continued intention to remain a member of the franchise system, is an indicator of the strength of the relationship (Badrinarayanan *et al.*, 2016).

The success and longevity of the franchisor-franchisee relationship is due to a collaborative organizational alliance (Hoffman & Preble, 2003) between two entrepreneurs (franchisor and franchisee). When the partners have different expectations, behaviors, approaches, or goals, conflict prevails (Ramirez-Hurtado *et al.*, 2011). Unrealistic expectations increase the likeliness of relational conflict (Weaven, Baker, & Dant, 2017). Profit-sharing between partners and participation in franchise processes requires coordination in this relationship.

2.12 Under-Researched Areas within the Literature

Price is a critical component of the marketing mix that positively or negatively influences decision-making. Franchisors set pricing decisions, such as initial franchise fees and ongoing royalties, and strategic control decisions that have predictable effects on the growth of system size (Hossain & Wang, 2008) though it is argued franchise license prices are set as a value proposition to the firm (Wright & Winzar, 2014), but it is unknown how the prices are determined. Knowing the effect of price on franchise performance could reveal a liability franchise development executives can immediately change to maintain the firm's posture. Further, it is critical for franchise marketing managers to position their franchise brand as an optimal choice amongst direct and indirect competitors by signaling its value (Baucus, Baucus, & Human, 1993; Maruyama & Yamashita, 2012).

Through the forward literature search, pricing components have been researched separately from rhetoric use, their overarching constructs, and franchise performance. This is either due to an under-researched area in collective knowledge on the subject or the two being unrelated. From the exploration of this under-researched area, two additional liabilities of franchise performance emerged relating to price: the initial franchise fee and advertising royalties, or advertising fees.

The data shows the importance of the franchisor's effort to support franchisees witnessed in both types of fees (Vazquez, 2005). Instead, financial incentives are offered to franchisors (Vazquez, 2005). A franchisor with a higher need for capital would demand higher initial franchise fees and low royalty rates, and a franchisor with access to capital due to the number of outlets demands lower initial franchise fees and higher royalty rates (Rohlfing & Sturm, 2011). What is unknown is how the combined effect of the initial franchise fees and advertising fees compare in the franchise sales process when optimal marketing is used.

To date, there is a lack of researchers who have holistically decoded elements of the marketing mix, namely price and promotion, used to communicate value in or toward the franchise sales process, particularly from a practitioner's perspective. A foundational discovery which informed this study, that of Zachary *et al.* (2011b), involved an analysis of 314 franchisor recruiting websites from the *Franchise 500* list (Entrepreneur Inc.'s 2010 rankings) and supported evidence of franchisors using market orientation, entrepreneurial orientation, and charismatic leadership orientation associated with superior franchise performance from one year of high-performing franchises in 2010. While their research pioneered organizational identity in franchising literature, further illustrating that organizations who capitalize on market orientation outperform those with lower market orientation (Kumar, Subramanian, & Yauger, 1998; c.f. Zachary *et al.*, 2011b), theirs is a study of an external measure using content analysis to review the aforementioned constructs of market, entrepreneurial, and charismatic leadership orientation. Researching the perception of the franchise organization by those who directly influence the perception of the brand to franchisee prospects during the sales process, however, can be pivotal to the franchise brand's performance. Filling this under-researched area could also pinpoint what other researchers have modeled from an external lens, as with Zachary *et al.*'s (2011b) analysis of franchisor websites. After a potential franchisee explores the franchisor's recruitment website, an engagement process internal to the franchise organization continues, employing communication of value in the sales process ensues, whereby franchise development executives guide prospective franchisees to the point of decision-making. Both the use of and perception of the firm to possess these constructs are required to gauge how a firm can increase franchise performance. Therefore, fulfilling an under-researched area within the knowledge base, i.e., knowing the barriers to franchise success, may influence the purchase decision of a potential franchisee post initial inquiry to the franchise offering.

2.13 Rich Picture Development

Rich pictures represent a flexible graphical technique to symbolize a problem that is complex, requires deep learning and encourages reflection in learning (Horan, 2000), a goal of this study. Zachary *et al.*'s (2011b) research supports the thesis study because there is practical plausibility in attracting franchisees toward the sales process via brand positioning. This is especially so if there is a relationship between market orientation and entrepreneurial orientation because they operationalize business-format franchising. This research conceptually linked the relationship of entrepreneurial orientation to recruiting franchisees because of its five characteristics, including autonomy, competitive aggressiveness, innovativeness, proactiveness, and risk-taking (Zachary *et al.*, 2011b).

The methodology behind Zachary *et al.*'s (2011b) research focused on the most external branding initiative, the website, versus factors closer to the purchase decision of a franchise license, such as franchise development executives' perception of the brand. According to Pasztor (2019, p. 455), "Corporate websites serve as symbolic and necessary contemporary representations of impression management among stakeholders, stockholders, and employees." As such, an organization's website should properly portray a brand, but the messaging should be entwined when the sales process ensues and communication from internal sources begins. In this viewpoint, the website serves as a predecessor of the franchise sales process, or "wall" to the relationship, whereby there is a journey before the prospect decides to purchase a franchise license. For example, a potential franchisee may initially browse franchisors' websites and gather information on franchising. However, the website, serving as a preliminary or ongoing organizational branding resource, remains external to the sales process. Both the website and communication with the franchise development executive serve a pivotal role in the foundation of the franchisee-franchisor relationship, where trust and loyalty are established and built upon. Several steps lead to the sale/purchase of a franchise license post-initial website engagement, and therefore only evaluating rhetoric on an external branding source like the website does not deepen the posture of Zachary *et al.*'s (2011b) franchise performance argument beyond organizational identity; in turn, looking at the overarching construct is necessary.

In developing the franchisor-franchisee relationship, the franchise development executive facilitates the decision-making process regarding the purchase of a franchise license based on their perceptions of the brand. The initial research problem evolved further through this problematization and the rich picture developed thoughts post the figurative “wall.”

Aligning with the researcher’s initially proposed problem of understanding potential barriers to the franchise sales process, Zachary *et al.* (2011b) argued for three constructs from which to measure, though the study did not connect the liabilities of both franchise size and age to performance. Zachary *et al.* (2011b) found no significant differences based on the age of the franchise, and franchise size indicated higher use of market, entrepreneurial, and charismatic leadership orientations. However, the contributions of Zachary *et al.* (2011b) established only an initial, though valid, study to begin the literature search strategy recommended by Webster and Watson (2002). A clearer rich picture developed after thoroughly vetting through the Zachary *et al.* (2011b) study, leading to the evolution of the final theoretical framework, as illustrated in Figure 2.1. Once Zachary *et al.*’s (2011b) study was vetted, the researcher noted that several factors still needed to be taken into account, resulting in their incorporation. First, it was noted that the initial franchise fee and the advertising fee were not initially considered, leading to their incorporation as linked to the franchise brand. Next, it was found that charismatic leadership orientation also needed to be considered during the sales process, not only with respect to brand performance, as it was previously explored. As a result, the decision was made to integrate this element into the final theoretical framework after the website and at the start of the sales process, prior to the start of the franchisor-franchisee relationship. The significance of a franchisor’s website with proximity to decision-making in the franchise sales process is relative to the exploration and evaluation stage in selling, and this initial problematization of the research problem created a sound foundation from which to base the critical literature review.

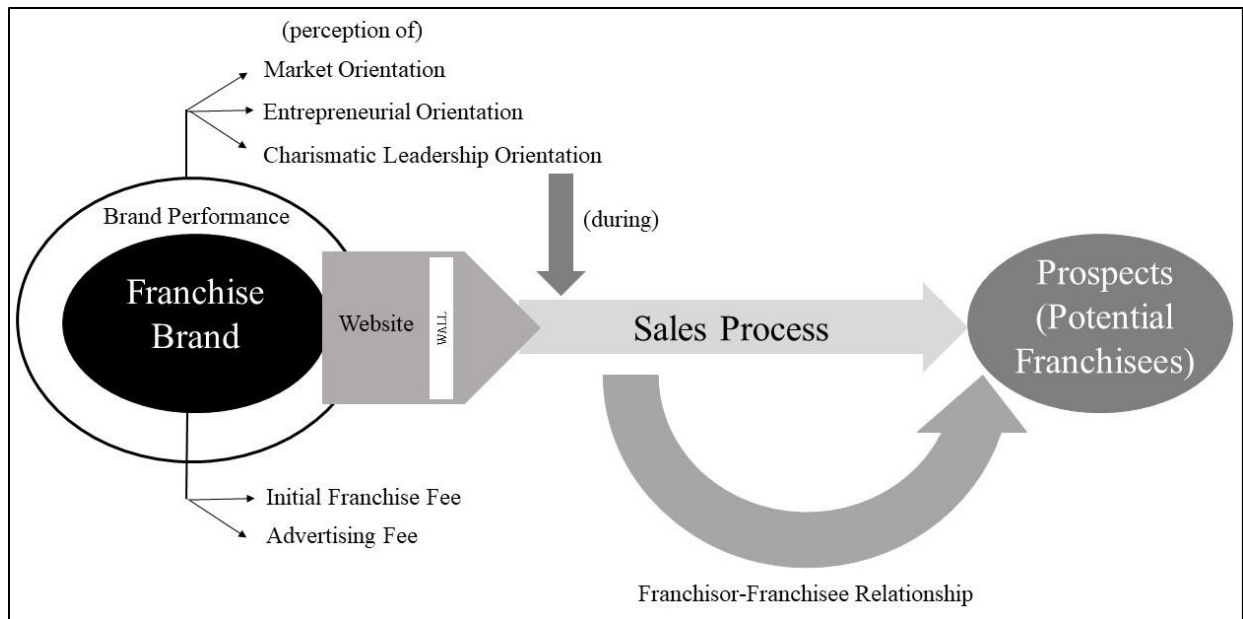


Figure 2.1 Final Theoretical Framework

Field experience as a franchise marketing manager of an international franchise brand (also formerly ranked in the *Franchise 500*) provides an opportunistic perspective to the selling of franchises to be capitalized upon in this thesis. A franchisor's website serves as an attention-getting, information-providing resource for progressing franchise leads to potential candidates during the franchise sales process, but the brand's website is usually an initial, external resource the organization uses to attract prospects to their brand. This insight, combined with the initial literature search, provided the researcher with an opportunity to explore several relative silos through both a forward and backward search through relevant literature, again referencing Webster and Watson's (2002) approach. A structured approach to determine source material for the literature review enabled the accumulation and census of relevant literature, serving as the origin of the literature review and framing the researcher's theoretical foundation of this study.

2.14 Conceptual Model

This literature review designates the research problem and its narrow focus but sequesters how widely it affects the franchise industry with all its component parts. While competing directly with other franchise brands, a franchise organization will utilize the marketing mix (product, price,

place, and promotion) to distinguish and sustain itself in the marketplace. Two critical points are present in the initial research problem: the initial franchise fees collected at the onset of the franchisor-franchisee relationship and ongoing advertising fees paid to the franchisor for the tenure of the contract. From experience, the researcher believes these might be potential barriers to franchise performance. The combination of pricing components to franchise performance have not been previously poised as related to one another. The second critical point is this study extends the research by Sen (1993) and Vazquez (2005) on initial franchise fees and ongoing advertising fees in franchises and their relationship to franchise performance. Attracting franchisees to the brand with the price and supporting branding through advertising fees may be germane to franchise performance.

The proposed relationships of franchise performance are depicted in Figure 2.2 as a conceptual model. This study sought to investigate the pricing liabilities, namely the initial franchise fee and advertising fee, as well as three constructs' effects on franchise performance: market orientation, entrepreneurial orientation, and charismatic leadership orientation. In the extant literature, the two sets of under-researched areas have not been researched together. The information from this thesis can result in more targeted positioning of a franchise brand, as conveyed and perceived by franchise development executives who are part of the franchise sales process where they are more likely to respond to or continue through the steps toward signing a franchise license. Understanding these relationships could potentially increase franchise performance.

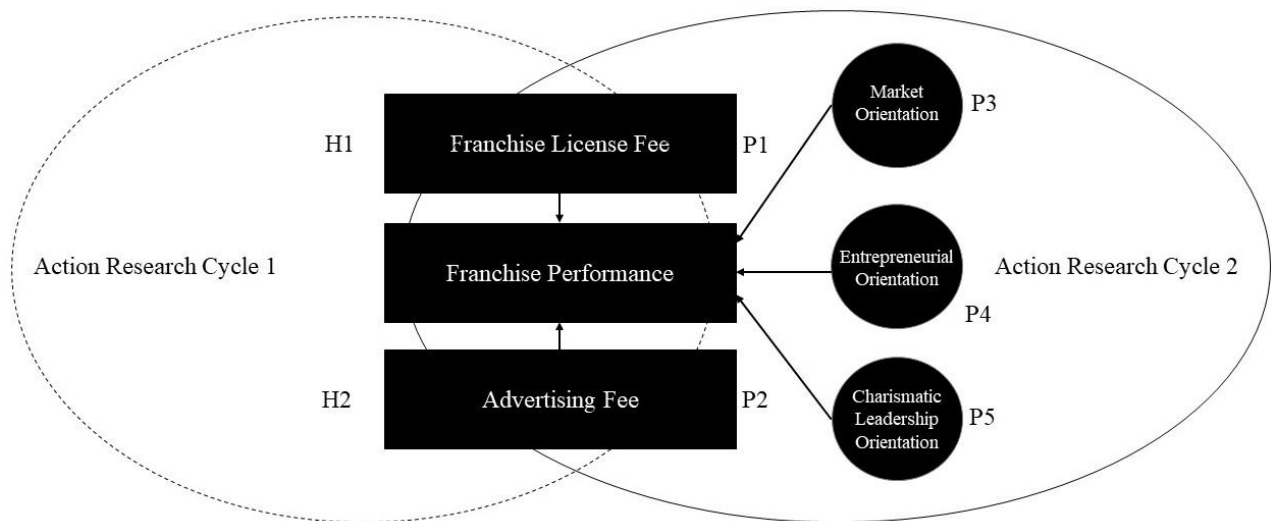


Figure 2.2 Conceptual Model

2.15 Hypothesis and Proposition Development

2.15.1 Franchise Fee and Franchise Performance

This DBA study focused on franchise positioning from the perspective of the franchise fee. Franchise fees, according to Shane (1998), are an upfront payment charge by the franchisor for the use of business model and brand name. Windsperger (2013) argues the franchise fee had a significant relationship with franchise performance, which is related to key revenue sources. The study by Sadeh and Kacker (2018) supports this argument, where they found the better brand performance, the higher the upfront fee will be since it indicates the firm success in the marketplace.

Gillis and Combs (2009) believed franchise fees attract a wider range of prospective franchisees, and this facilitates growth and profit. Hua *et al.*'s (2017) counterargument is the franchise products have to be priced consistently with its financial benefits, thus showing a significant relationship between brand performance and the franchise fee. Additionally, Wright and Winzar (2014) found that franchisees consistently preferred to pay a higher price for a franchise independently of other determinants. Thus, the literature disparity led to the development of the following hypothesis in action research cycle 1:

H₁: The franchise license fee has a significant relationship with franchise brand's performance level.

2.15.2 Advertising Fees and Franchise Performance

Required of the relationship is a two-faceted marketing responsibility of the franchisee, whereby franchisees pay an ongoing advertising royalty fee, or advertising fee, to the franchisor in addition to maintaining individual advertising efforts. These fees change each month because they are based on gross sales, which is why they are not usually studied (Hossain & Wang, 2008), likely because knowing what the franchise sales have presented challenges in calculating royalty rates (Maruyama & Yamashita, 2012). Connecting to the goals and values of the organization and the long-term nature of most franchising contracts, misalignment of the price component can be

problematic and lead to increased agency costs when making adjustments (Zachary *et al.*, 2011b). A firm's marketing plan outlines how the objectives of the brand are achieved via marketing tactics so alignment and consistency are ubiquitous. In franchising, the advertising fees fund the firm's national marketing plan, and franchisees pay for this brand alignment as part of their ongoing royalties.

The expected benefits must exceed the expected costs (Hua *et al.*, 2017). Maruyama and Yamashita (2012) found the value of the franchisor's services to the royalty rate was a contradiction between franchisor services and sales-based royalty rates. However, the initial fees and royalties are examined (Gillis & Combs, 2009; Maruyama & Yamashita, 2014) without regard to its effect through the sales process as an inherent influence on firm performance. Additionally, each was analyzed with statistical significance only. To evaluate an additional liability to franchise performance, the below is proposed as the second hypothesis, which explores the relationship of the advertising fee to franchise performance, specifically in conjunction with the initial franchise fee in action research cycle 1:

H₂: The advertising fee positively influences a franchise brand's performance level.

2.15.3 Marketing, Value, and the Sales Process

There is a great need for marketing in facilitating entrepreneurship because of its corresponding essence to initiate changes in technology, marketing, and maintaining a competitive advantage (Morris & Paul, 1987). In practice, marketing focuses on product differentiation, market segmentation, and positioning analysis, but there is a renewed focus on inventing new products and educating customers on the goods and services a brand provides (Morris & Paul, 1987) to create value. Throughout the franchise sales process, those who are innately closer to the customer or prospective franchisee extend this marketing function. The franchise development executive has the role of delivering evidence of the brand's value throughout the sales process with the franchisee candidate, and the executive beholds the perceptions of value toward the brand's costing components. Therefore, the franchise development executive must be aware of and perceive the

initial franchise fee and advertising fee positively for the franchise to perform well. Two propositions in action research cycle 2 are explored accordingly.

P₁: Franchise development executives' perception of the initial franchise fee increases its influence on performance.

P₂: Franchise development executives' perception of the advertising fee increases its influence on performance.

2.15.4 Market Orientation and Franchise Performance

Market orientation is a marketing management concept referring to the company-wide acquisition and circulation of market intelligence information (Kohli & Jaworski, 1990; c.f. Lee *et al.*, 2015). Its strength lies in the ability to facilitate the delivery of a firm's products and services (Lee *et al.*, 2015). Narver and Slater (1990) were also exploring market orientation at the same time as Kohli and Jaworski (1990). The main difference between the two approaches to investigation were that Kohli and Jaworski (1990) focused on the broad definition of market orientation, while Narver and Slater (1990) were focused on the identification of the underlying components that combine to create the market orientation for the business. Market orientation is a multi-dimension construct measuring three behavioral components and two decision criteria that are conceptually related and equally important (Narver & Slater, 1990). The three behavioral components are customer orientation, competitor orientation, and inter-functional coordination, while the two decision criteria are long-term focus and profitability (Narver & Slater, 1990). For a long-term profit focus, customer orientation, competitor orientation, and inter-functional coordination must depend on each other like a triangle to create continuous superior value for customers (Narver & Slater, 1990). This triangle of interacting components, or elements, serves as the foundation for the conceptual model of market orientation created by Narver and Slater (1990). Due to the reliance on its component parts, market orientation should be a continuous process reflected in proactive action in the organization, where it may also provide the means of control in the market environment and over a firm's competitors (Greenley, 1995). The ultimate goal of market orientation, however, is

profitability (Narver & Slater, 1990), though it is the need to focus on exogenous factors that provides the firm with a competitive advantage (Lee *et al.*, 2015).

The generation, dissemination, and responsiveness to market information further characterize market orientation (Kohli & Jaworski, 1990). Management leads a firm to be more market-oriented by building a sustainable competitive advantage of superior customer value (Zachary *et al.*, 2011a), and marketers share the same role. The perceptual nature of measuring market orientation can be problematic in a new phenomenon or with segments unfamiliar with marketing (Kraaijenbrink, Roersen, & Groen, 2009). Even so, little attention is paid in market orientation literature to franchise channels (Gauzente, 2010).

A franchisor with higher market orientation leads to innovative responses to the market and, therefore, a better capacity to meet consumer needs, but the impact of market orientation is not uniform in franchise channels (Gauzente, 2010). Further, Gauzente (2010) found there is a disparity between the franchisor's market orientation and the franchisee's own market orientation which can present as a breach between top-management and salespeople. It is therefore suggested that those franchises who perform better have a stronger competitive advantage and created superior value over alternatives in the marketplace based on the franchisor's market orientation. The perception of market orientation in the franchise sales process may be indicative of franchise performance due to the salesperson's ability to communicate its sustainability or competitive advantage despite difficulties of co-ordination within franchise channels (Michael, 2002). The below proposition explores the nature of this relationship in the second action research cycle.

P₃: Franchise development executives' perception as being market oriented will position them better as a franchise organization.

2.15.5 Entrepreneurial Orientation and Franchise Performance

Numerous researchers have studied the relationship between entrepreneurial orientation and performance, where most of the studies indicate a significant relationship between variables (Chien, 2014; Short *et al.*, 2018). Variables explored include financial measures including profit growth, sales growth, and market share growth (De Clercq, Dimov, & Thongpapanl, 2009). Dada

and Watson (2013) indicated entrepreneurial orientation has a positive relationship with performance. The researchers suggested the franchise system support structure was important in fostering entrepreneurial orientation within the organization though its business is based on standardization (Dada & Watson, 2013). However, franchisors encourage standardization with franchisees' entrepreneurial spirit to promote innovation and change (Gillis, Combs, & Ketchen, 2014), and this seems counterintuitive.

A study by Botha and Prawlall (2017) indicates high levels of entrepreneurial orientation means franchisees are likely to be more productive, and productivity leads to more profitable franchise systems. Besides, according to Dada and Watson (2013), entrepreneurial orientation is positively and significantly related to the financial and non-financial performance outcomes of a franchise system, thus leading to the development of the following proposition explored in the second action research cycle:

P₄: Franchise development executives' perception as being entrepreneurially oriented will position them better as a franchise organization.

2.15.6 Charismatic Leadership Orientation and Franchise Performance

To attract would-be entrepreneurs to a franchise brand, leaders may use charismatic leadership to influence followers to adopt and accomplish the goals of the organization as their own while working together (Shamir & Howell, 1999; c.f. Zachary *et al.*, 2011b). Charismatic content elements in a leader's proposition are emphasized to produce motivational effects (Shamir, Arthur, & House, 1994). It would then follow that franchisees operate in an organizational setting that attaches a trusting connection to the franchisor's vision, goal alignment between the two, and the organizational identity of a franchisor; in turn, this incites a financial and emotional commitment back toward the leader's vision (Zachary *et al.*, 2011b). Cooperation and attachment to the goals mean that followers (franchisees) are encouraged to allocate extra effort to accomplish the goals of the franchise (Bass, 1990). Here the charismatic leadership style is realized. The tangibility dimension of charismatic leadership references future intangible goals over concrete outcomes, and the action dimension measures the communication of purpose and confidence in the leader's

vision (Bligh, Kohles, & Meindl, 2004). During the franchise sales process, it becomes more transparent to the prospective franchisee how the leader (franchisor) articulates the vision of the brand. Additionally, strong internalization of the value and goals occurs, commitment forms and a willingness to be part of the brand transcends (Zachary *et al.*, 2011b). Researching this progression requires the examination of the role of charismatic leadership in the franchise organization; as such, the researcher presents the following proposition of the study explored in the second action research cycle.

P₅: As perceived by executives, the franchise brand leader's charismatic leadership orientation will position them better as a franchise organization.

2.16 Chapter Summary

This chapter presented the literature review which informed the development of the conceptual and research model. While simultaneously collecting, categorizing, and digging deeper into the research problem, this activity showed where theories fell short. Business-format franchising utilizes the brand for control in creating, communicating, and delivering value, which constitutes marketing as a central focus. Franchising utilizes its brand for growth and distribution, and through a marketing lens, the attractive characteristics of franchising are examined.

The researcher's background as a franchise-marketing manager serves as a lens for this study. Evaluating components of the marketing mix, price, where franchise fees comprise more than 50% of a franchisor's total revenue (Sen, 1993), reveals the brand's self-confidence and quality. Promotion, otherwise known as communication of the brand's value, should also align with all previously stated factors. Franchise development executives should consider other liabilities stemming from the organization's marketing mix, namely the price and promotion components. The succeeding chapter provides the methodology and research design of this DBA study to explore the perceived germane effects of franchise performance through a mixed methods action research study.

CHAPTER 3: METHODOLOGY & RESEARCH DESIGN

3.1 Introduction

This study was designed to examine how initial franchise fees and advertising fees are related to franchise performance and to identify the associations between market orientation, entrepreneurial orientation, and charismatic leadership orientation in a mixed methods action research (MMAR) study. Ivankova (2015) offered a supportive rationale toward the use of parallelism in quantitative and qualitative methods. Both approaches follow systematic inquiry principles for the design and implementation of studies, aim to provide more comprehensive information, and are pragmatic and philosophically based (Ivankova, 2015). In addition, both quantitative and qualitative methods are dialectical, use reflective practice, draw on a variety of information sources, and incorporate insider and outsider viewpoints. The two practices implicitly implement a collaborative research approach (Ivankova, 2015).

In Chapter 3, the researcher identified the research paradigms, philosophical positions, and practical assumptions underpinning the study, and focused on how the research questions were addressed via data collection in this study. A philosophical analysis was imperative in the research process as it opened the mind of the researcher to other possibilities, which allowed for subsequent enrichment in the research skills of the researcher while also increasing confidence with an appropriate methodology (Holden & Lynch, 2004). In terms of a theoretical perspective, the researcher's assumptions related to the interrelated concepts of ontology, epistemology, and human nature, which, when applied, should align with the research project's philosophical underpinning (Holden & Lynch, 2004). The central question in relation to questions such as, "How to research?" and "What to research?" focuses on the researcher's perspective on "Why research?" (Remenyi *et al.*, 1998; Holden & Lynch, 2004, p. 2). It was also important to keep in mind the question of "What to research?" can significantly affect the methodological choice for a given study; therefore, the philosophical assessment also facilitated reflection on the research problem (Holden & Lynch, 2004). This chapter serves as the conduit connecting the research questions and theoretical inquiry through action research cycles and details how MMAR informs each step of the action research cycles (Ivankova, 2015).

Selecting the methodology was a vital part of the thesis because it formalized the researcher's perspective and rationale to outline and execute the study. The research approach included the research design, methods of data collection, and data analysis. This information is followed by a full description of how the constructs were operationalized and the ethical considerations of the study; this chapter concludes with a summary of included content.

3.2 Research Paradigms and Philosophical Positions

Philosophical assumptions refer to the fundamental beliefs that guide actions and determine the worldview of researchers and constitute the research paradigm employed by the researcher (Lincoln, Lynham, & Guba, 2011). In social research, like that conducted to better explore the concept of management, paradigms function as heuristics; in other words, they are conceptual and practical "tools" for solving specific problems (Abbott, 2004, p. 42). As a result, the paradigm describes the set of fundamental beliefs guiding the research process and providing the framework of understanding employed by the completion of the study (Denzin & Lincoln, 2005). Paradigms are used by researchers to discuss the shared generalizations, beliefs, and values regarding the nature and reality of knowledge (Kuhn, 1970). The philosophical assumptions that make up the research paradigm and allow for an understanding of the qualitative research being undertaken are expressed as follows: axiological, referring to the roles that social values play in research; ontological assumptions, which explore the nature of reality; epistemological assumptions, which explore the nature of knowledge, including how we gain knowledge and the relationship between the knower and the known; and methodological assumptions, which refers to how we understand the methods undertaken for the given research (Creswell, 2009). As the ontological assumptions lead into epistemological assumptions, which in turn lead to axiological assumptions, when documenting the research paradigm and the philosophical position of the researcher in the completion of a given study, there is a need to build the presentation of the research paradigm in the same manner.

Further understanding of how the researcher's philosophical position supports the methodology, methods, and techniques in the study can be gained by comparing it to Easterby-Smith, Thorpe, and Jackson's (2012) metaphor of a tree trunk. In this depiction, the heartwood of the tree is the central core, representing the researcher's ontological stance, which is less obvious but deeply rooted in the thesis. The ontological approach addresses the nature of reality (Abbott, 2004). As such, within the context of the current study, the ontological approach starts from the understood knowledge of franchise performance, franchise fees, ad fees, market orientation, entrepreneurial orientation, and charismatic leadership. This ontological perspective is linked to the methodology in that the most appropriate research design to explore these disparate yet connected elements is that of a mixed-methods study, as it allows the researcher to understand the current perception in reality associated with these factors of consideration.

Epistemology makes inquiry from the ontological stance in a mixed methods approach to question *what* is known about the subject (Abbott, 2004). Within the context of this study, this allows the researcher to build on the reality of franchise performance, initial franchise fees, advertising fees, market orientation, entrepreneurial orientation, and charismatic leadership orientation, in order to explore what is known about these topics and how that information is acquired. The methodology combines the ontological and epistemological considerations of the research philosophy to inquire about the subject under investigation, leading to the identification of the ideal approach for adoption, i.e., the individual techniques for data collection and analysis (Easterby-Smith *et al.*, 2012).

Thus, when exploring the research paradigm, the outermost layer, the methods and techniques used in the completion of the study, stem from the originating ontological and epistemological perspectives, which in turn allow the researcher to structure the methodology to be used in the completion of the study and lead to the identification of the methods and techniques used to collect the information necessary to fulfill the study purpose and resolve the stated research questions. Given the ten stated research questions, as identified in section 1.4, the exploration of these research questions is directly linked to the use of website scraping and semi-structured interviews as methods for data collection, as with this study, and supports the decisions and assumptions made by the researcher, as outlined in section 3.4.5, about the action research methodology. This approach represents how the researcher's epistemological and ontological stances contribute to the

decisions with respect to the methodological choices are supported and contingent upon each other (Easterby-Smith *et al.*, 2012, p. 18).

Each philosophical position requires different methodological approaches and data collection methods (Thorpe & Holt, 2008). In following McNamee (2000; c.f. Thorpe & Holt, 2008), researchers should focus on moments of relational engagement to explore how participants engage in conversation, craft meaning from these exchanges, and coordinate action as a result. Looking at the constructs of market orientation, entrepreneurial orientation, and the organizational leader's charismatic leadership orientation as epistemology and ontology, this thesis studied the ways in which these constructs are used in the franchise sales process through franchise development executives' perceptions (epistemology) and how it is used to influence franchise performance (ontology).

The epistemological investigations, in conjunction with the ontological investigations, i.e. the investigations undertaken with intention to explore the nature of reality and the nature of the knowledge associated with the topic under investigation (Creswell, 2009), allowed the researcher to determine what was valued about franchise performance, initial franchise fees, advertising fees, market orientation, entrepreneurial orientation, and the organizational leader's charismatic leadership orientation from the participants perspectives.

When viewing the research paradigm as a whole, there are several different paradigms that the researcher may embrace, based on the nuances of the study. In this study, the truth in opinions was sought and understood by using a pragmatic research paradigm, which involves the use of a research design that incorporates operational decisions on the part of the researcher based on the identification of the approach that will work best in identifying the research questions set for resolution (Kaushik & Walsh, 2019). The primary objective of pragmatism is to create knowledge that has practical utility for action (Goldkuhl, 2012). For this reason, the pragmatic approach to research advocates the use of a mixed methods approach to the methodology in the completion of the current study, as the research questions (see section 1.4) benefit from the collection of both qualitative and quantitative data for their resolution.

A researcher's philosophical stance informs the study while serving as a guidebook to incorporate data and knowledge in the resolution of the stated research questions. Philosophical assumptions are often tacit rather than explicit positions (Easterby-Smith *et al.*, 2012), and the scientific approach to this process is fortified through the assumptions provided by the researcher's epistemological, axiological, and ontological positions (for more information on the researcher's assumptions and the limitations associated with the study, please see section 3.4.5). Researchers must accept that managerial actions occur in contexts that may not have occurred before in the same way, and the influence of other actions within the context of managerial decision making enables the provision of helpful advice but not definitive advice, as the advice is, by nature general in accordance with the type of situation presented, but may not fit the exact specifications of the situation faced by the manager (Thorpe & Holt, 2008). According to this pedagogical position, both programmed knowledge, that which has been read, taught, or assimilated, and questioned insight, the process of gaining insight into the topic from questioning programmed knowledge, are required for the learning process to be complete (Adams, 2010). Thus, this thesis explores how the researcher's programmed knowledge as a franchise-marketing manager can be deepened to learning through the integration of questioning insights related to pricing components and executive perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in positioning a franchise opportunity to prospective buyers as obtained from the perspectives of others who serve in the role of franchise development executives.

The implication of the research paradigm and philosophical positions adopted by the researcher in the completion of this study is that the approaches selected will facilitate the resolution of the identified research questions and contribute to the successful completion of this mixed methods action research study. Further, the documentation of this philosophical stance is directly linked to the decision to employ an inductive research approach, as the purpose of the current study is not to confirm the researcher's own perspective as a franchise-marketing manager or to provide support for an existing theory, but rather is to take the programmed knowledge of the researcher as a franchise-marketing manager and incorporate questioning insights that can translate to real knowledge intended to facilitate a deeper understanding of franchising with respect to the constructs of market orientation, entrepreneurial orientation, and the organizational leader's charismatic leadership orientation. Still further, the methods and techniques of data collection and analysis (see sections 3.4 and 3.5) were conceptualized, presented, and adhered to in the

completion of the current study in alignment with the stated ontological and epistemological philosophical assumptions (Adams, 2010).

3.3 Research Approach

As discussed in section 3.2, there are two different primary research approaches, the inductive approach and the deductive approach (Vanover *et al.*, 2021). The main difference between these two approaches is how data is explored and analyzed; the inductive approach is concentrated on developing theory, while the deductive approach is focused on testing existing theory (Vanover *et al.*, 2021). The inductive approach was selected for implementation in the current study in light of the ontological and epistemological considerations present in the research paradigm as the inductive approach allows the researcher to move from specific observations, obtained from both primary and secondary data in the case of the current study, to broader generalizations (Vanover *et al.*, 2021). The use of the inductive approach serves as a means of ensuring that the study stays true to the stated research paradigm and philosophical positions of the researcher while at the same time decreasing the potential for bias, as the focus is on knowledge acquisition not knowledge confirmation (Vanover *et al.*, 2021).

When exploring the use of a given research approach, there is more to consider than just the use of an inductive approach; namely, the research methodology that will be employed in the completion of the current study. As the terms *research methodology* and *research approach* are occasionally utilized interchangeably within the literature, even though they are not synonyms for one another (Bairagi & Munot, 2019), when discussing the research approach utilized, and the justification for the same, there is a need to discuss the methodological choice made for the completion of a study as well.

Choosing the appropriate research approach works to ensure that the researcher is able connect the logic of the research processes to the interpretations of the data at the study's conclusion (Creswell & Plano Clark, 2011), aided by the use of the selected research approach (Bairagi & Munot, 2019). In the case of the current study, the inductive approach was utilized (see Chapters 5 and 6). Under

the pragmatic research paradigm, a mixed-methods approach allows the researcher to utilize a variety of methods in the exploration of the stated topic leading to potential increases in both the validity and generalizability of the results through both qualitative and quantitative methods employed to explore the research problem and resolve the stated research questions, thereby aiding in the theoretical contributions of the study (Easterby-Smith *et al.*, 2012). The insights produced in the application of the inductive approach in a mixed methods study can provide in-depth explanations, increase the confidence of the results and help the synthesis and integration of theories (Easterby-Smith *et al.*, 2012). These insights in turn allow the researcher to complete the research process (an action research cycle) by revealing information that may be useful to franchise development executives.

With the adoption of the pragmatic research paradigm and the use of the inductive research approach, it becomes possible for the researcher to address the research questions using one of several different research designs; the research design is identified and justified as the best approach for use in a study in light of the aforementioned considerations (Creswell, 2009). The research design selected for use in the current study is discussed in section 3.4. The selected research design in turn contributes to the identification of the best approach to data collection and analysis, thereby ensuring that the research paradigm influences all aspects of the study methodology and design. Utilizing this approach, it is possible to view the study as an expanding series of concentric circles with each internal decision influencing subsequent decisions (see Figure 3.1).

A diagram of Saunders, Lewis, and Thornhill's (2009) onion is used in Figure 3.1 to express the issues underlying the choice of data collection techniques, analysis procedures, and research philosophy of the study. A research process can be seen as an onion with many layers, with each one leading to the next, ending up at the center, which includes the choice of data collection techniques and data analysis procedures (Saunders, Lewis, & Thornhill, 2009). Researchers must go through several layers before they reach the inner heart of the research. The first layer represents the nature and development of knowledge as revealed by the research philosophy. Researchers may therefore adopt different research philosophies, such as positivism, interpretivism, realism, and pragmatism. The second layer is the research approach, which is either deductive or inductive. The third layer involves addressing the research questions with the following research methods:

experiments, surveys, case studies, action research, grounded theories, ethnography, and archival research. In the fourth layer, data collection methods can be different, including mono methods, mixed methods, and multi-methods. Research in the fifth layer is heavily dependent on time, so data can be collected just once in a short period of time with the cross-sectional method, or continuously over time with the longitudinal method. On this basis, the data collection and data analysis can be applied to the research.

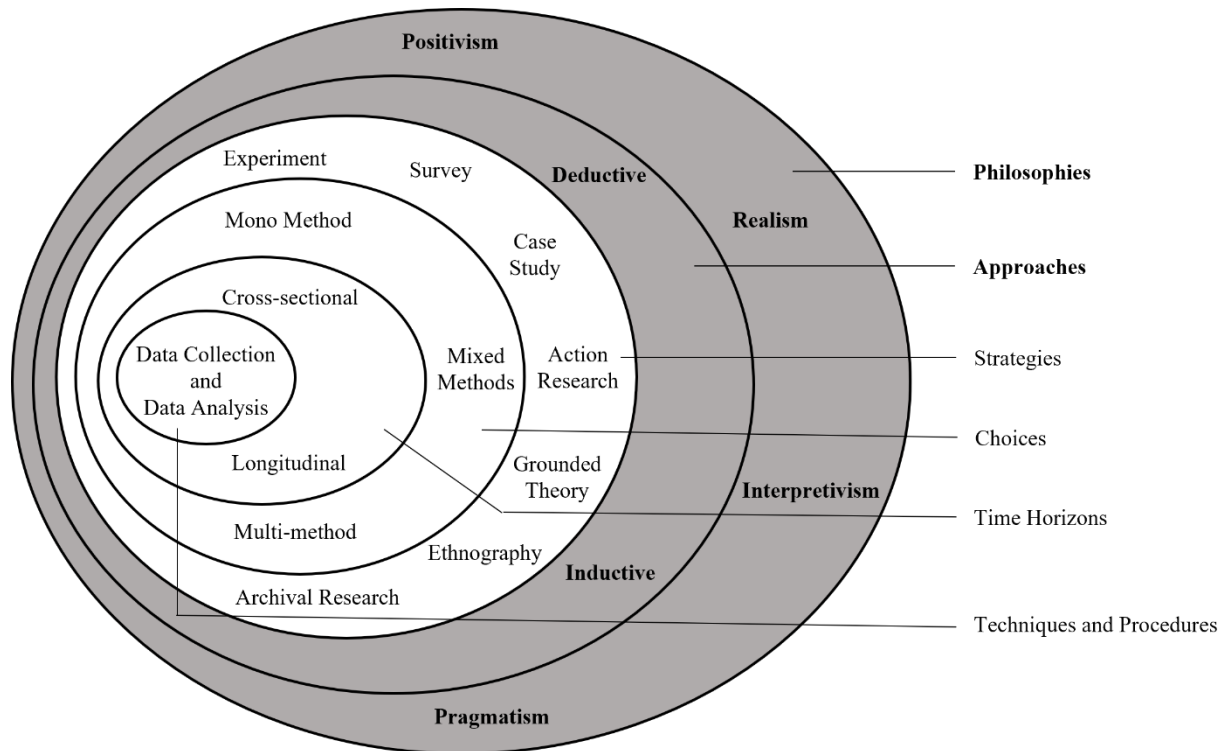


Figure 3.1 Overarching Structural Framework (c.f. Saunders, Lewis, & Thornhill, 2009)

The study utilizes a pragmatic research philosophy and the adoption of the inductive approach aids in gaining insights with respect to the research questions postulated around the germane relationship of initial franchise fees, advertising fees, and executives’ perceptions of market orientation, entrepreneurial orientation, and the organizational leader’s charismatic leadership orientation. These research questions were stated as follows:

RQ 1: To what extent does the franchise license fee influence a franchise brand's performance level?

RQ 2: How does the franchise license fee influence a franchise brand's performance level?

RQ 3: To what extent does the advertising fee influence a franchise brand's performance level?

RQ 4: How does the advertising fee influence a franchise brand's performance level?

RQ 5: To what extent is market orientation perceived by franchise development executives?

RQ 6: How is market orientation perceived by franchise development executives?

RQ 7: To what extent is entrepreneurial orientation perceived by franchise development executives?

RQ 8: How is entrepreneurial orientation perceived by franchise development executives?

RQ 9: To what extent is charismatic leadership orientation perceived by franchise development executives?

RQ 10: How is charismatic leadership orientation perceived by franchise development executives?

In the context of mixed methods research, a solid methodological foundation can be added as well as an integrated approach to addressing complex practical problems (Ivankova & Wingo, 2018). Justification exists for the integration of a mixed methods research approach, or methodology, with an action research design due to conceptual, philosophical, and procedural similarities. Integrating qualitative stakeholder engagement and quantitative outcomes to inform action/intervention

planning, implementation, evaluation, and monitoring can produce more science-based and transferable outcomes by combining these two approaches (Ivankova & Wingo, 2018). A mixed methods approach was selected so that established statistical relationships between variables could provide explanations of observed results, and vice-versa (Easterby-Smith, Thorpe, & Jackson, 2012). The end results obtained from both quantitative and qualitative data are used to substantiate each other, versus not only the numerical or narrative explanation alone to produce and understand the results (Hesse-Biber, 2010).

3.3.1 Mixed Methods Action Research (MMAR)

In mixed methods research, both quantitative and qualitative methods are used in the same study (Wilkins & Woodgate, 2008). Quantitative methods consist of collecting, analyzing, and interpreting numerical data, while qualitative methods are comprised of collecting, analyzing, and interpreting narrative data (Creswell, 2012). Combining quantitative and qualitative methodologies, mixed methods research seeks to produce converging findings in the context of complex research questions (Lingard et al., 2008). The purpose of mixed methods research is to gather, analyze, and integrate quantitative and qualitative data in an investigation or study to reach more credible or persuasive conclusions (Tashakkori & Creswell, 2007). The action research design, on the other hand, requires a systematic inquiry within practice (Seymour-Rolls & Hughes, 1995). A mixed-methods approach enhances the action research process because quantitative and qualitative data produce scientifically sound and effective plans for action and evaluation (Ivankova & Wingo, 2018). This DBA thesis employs the use of a mixed methods action research methodology and design (MMAR). An MMAR approach considers five interconnected research components: (1) the study purpose, which is to uncover the germane effects of the initial franchise fee, advertising fee, and potential barriers to the franchise sales process that may hinder franchise performance, (2) its conceptual framework (see Figure 2.2), (3) research questions, (4) methods for data collection and analysis, and (5) validity and trustworthiness issues, respectively (see Chapter 4) (Maxwell & Loomis, 2003). Action research allows researchers to design an appropriate way of accomplishing the research goal and evaluate its effectiveness by adding systematic inquiry to this process (Stringer, 2014). Within the context of the action research study, the researcher designs a plan to hope for improvement in the given situation; the action must be

both “deliberate and strategic” in nature (Seymour-Rolls & Hughes, 1995, p. 2). The main difference between the traditional mixed methods research designs and the action research design is that traditional mixed methods research designs are focused on the collection of data with the purpose of making targeted recommendations for improvements, while the action research design allows for change to happen in reality with reflection on those changes during subsequent steps in the action research plan (Seymour-Rolls & Hughes, 1995).

An MMAR approach seeks to provide more comprehensive answers to research questions through the integration of both quantitative and qualitative methods while simultaneously allowing the researcher to conduct that research in steps, making modifications at the end of each step to see their impact on the results (Ivankova, 2015). The researcher’s experience as a franchise-marketing manager combines with the realized findings present in the extant literature; the combination of these two sources of information prior to commencing the data collection process are used to inform the research problem further in an iterative process. There is a further problem present in the completion of the current study in that the age or size of the franchise may not necessarily determine franchise performance, but rather elements of the marketing mix, such as the initial franchise fee or advertising fees may serve as the primary influence on franchise performance; the franchise fee and advertising fees, unlike the age or size of the organization, can easily be adjusted if found to affect franchise performance (Floyd & Fenwick, 1999). However, it should be noted that changes in these areas could lead to other adverse outcomes, such as decreased interest in the franchise brand or an inability to finance the franchise development project. Additionally, franchise development executives may find it challenging to sell their franchise licenses if they perceive their firms to be lacking in market orientation, entrepreneurial orientation, or possessing a charismatic leader. To this end, the two action research cycles designed for implementation in the current study seek to aid in the identification of factors for modification or change within the context of franchise development.

An MMAR approach is advantageous for franchise brands because it involves a rigorous evaluation of the problem and an evidence-based approach to action and intervention to enable better decision-making (Ivankova & Wingo, 2018). In effect, there is support for the effectiveness of change action and sustainability through MMAR (Ivankova & Wingo, 2018), which makes this method the selected approach for the researcher and thesis. When mixed methods are used in

conjunction with action research, the process of communicating research findings into practice is enhanced and the study potential is maximized by integrating qualitative stakeholder perspectives with empirically based and data-driven quantitative results (Ivankova & Wingo, 2018). A complete MMAR study may consist of multiple concurrent or sequential steps that are combined to address the various goals of each phase, as well as the participatory action research (PAR) group, with evidence from quantitative and qualitative data (Ivankova, 2015). In this study, a sequential MMAR design was used.

3.3.2 Sequential MMAR

The purpose of a MMAR design is to produce complementary evidence and well-validated conclusions of the confirmatory (verifying knowledge) and exploratory research questions (generating knowledge) by comparing quantitative and qualitative results in order to make targeted changes in light of the necessary steps of the action research process (Ivankova, 2015). In a sequential explanation design, quantitative data is collected and analyzed first, then qualitative data is collected and analyzed to further explore the research problem (Creswell & Plano-Clark, 2011; Teddlie & Tashakkori, 2008; Onwuegbuzie, Bustamante, & Nelson, 2010). The two methods are usually combined at the interpretation phase of the study (Creswell, 2003). A thorough examination of the quantitative results identifies areas that deserve further investigation. Resultant differences between groups could be unanticipated or unexplained, so to clarify the results of the quantitative phase, the second phase of the study will use qualitative methods (Doyle, Brady, & Byrne, 2009). In this DBA study, the sequential MMAR approach focuses on the collection and analysis of quantitative data in the first action research cycle, followed by the collection and analysis of qualitative data through an explanatory design centered on a qualitative data set in the second action research cycle. In contrast to the other mixed methods designs, the sequential explanatory design is considered the easiest to implement (Doyle, Brady, & Byrne, 2009). However, a major weakness of the study is the amount of time it takes to complete both phases, particularly when both phases are prioritized equally (Creswell *et al.*, 2003; Doyle, Brady, & Byrne, 2009).

This study first embraced a quantitative method in action research cycle 1 for the identification and selection of information-rich content (Palinkas *et al.*, 2015) from high-performing franchise brands collected through website scraping. Through data analysis and collaborative inquiry, the research problem evolved as did the learning set. Adding depth and context to the study, semi-structured interviews were conducted with 26 franchise development executives in action research cycle 2. The result is a study design that is grounded in the assessment of the initial problem and a process that purports reframing of the research problem for sustainability, and the final research problem was therein positioned: what are the germane effects of the initial franchise fee, advertising fee, and other potential barriers to the franchise sales process?

The deepened effects permitted by an MMAR study design is what led the researcher to pursue this methodology. Beyond enhancing the research and involving franchise development executives through the process, the MMAR methodology generates solutions that are meaningful to franchise development executives (Ivankova & Wingo, 2018). Its iterative nature more deeply connects the practitioner to the ability to solve problems.

3.3.3 Action Research

In this study, the use of the action research (AR) design was appropriate because it formed knowledge through inquiries conducted in specific and practical contexts. The action research design is a methodological approach that focuses on learning about practical issues with the intent to improve or change them (Greenwood & Levin, 2007; Hinchey, 2008; Ivankova & Wingo, 2018). Using action or intervention in research cycles to develop, implement, and evaluate plans for improvement provides practical solutions to decision-makers (Ivankova & Wingo, 2018; Kemmis, 1982). Action research produces conceptual knowledge and new ways of knowing (Herr & Anderson, 2005; Ivankova & Wingo, 2018), and mixed methods research focuses on the meaningful integration of quantitative and qualitative methods. Combining the two thus creates enhanced learning and arguably a deeper understanding of the work-based research problem (Ivankova & Wingo, 2018). Accordingly, action research is suitable for this study because the methodology produces results franchise development executives can actionize. The aim of this action research study is to solve the research problem identified in Chapter 1: What are the germane

effects of the initial franchise fee, advertising fee, and executive perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in positioning a franchise opportunity to potential buyers?

The use of a mixed methods methodological approach in this study required different research strategies and approaches, as well as different expertise based on a collaborative team approach (Ivankova, 2015). Research and evaluation utilizing collaborative mixed methods were described by Shulha and Wilson (2003) as using multiple perspectives and viewpoints which can produce results reflecting not only the level of expertise, collection, analysis, and interpretation of quantitative and qualitative data, but also the capacity of other researchers to learn from their collaborations and construct joint meaningful interpretations. As such, this thesis adopts an AR approach using two action research cycles, as explored by Coghlan and Brannick (2014), to generate knowledge on franchise performance, initial franchise fees, advertising fees, and executive perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in the workplace that supports the pragmatic research paradigm. In the first action research cycle, naming the general objective of the study initiated the pre-step stage (Coghlan & Brannick, 2014) and this is where the researcher began to reflect on experiences as a franchise-marketing manager to inform the study.

Step 1 of the action research cycle included studying the economic impact of franchising in relation to experience and questioning missed revenue opportunities in the franchise sales process during the researcher's tenure in industry. This was accomplished by involving former franchise development colleagues who formed a participatory action research (see the following section, 3.3.4) group and the initial learning set. The key issues were identified as potential pricing barriers in the franchise sales process; namely, these included the initial franchise fee and advertising fee. Though majority of franchise brands required them (per the knowledge of the participatory action research group), their price was questioned in terms of significance and value to the franchise sales process. Franchise branding and literature on entrepreneurship provided parameters on how to direct the study because, throughout time, the literature reveals groups of studies that seldom are studied together and mostly without practitioner perspective.

Planning action in Step 2 consisted of constructing the issue, prioritizing tasks, and devising a plan to complete the study (Coughlan & Brannick, 2014). This step of the action research cycle occurred during the research proposal that developed the background of the study, supporting literature, a conceptual model, and developing a spreadsheet for website scraped data. Completing the ethics packet for the study allowed the researcher to outline the steps that would be required in data collection.

Step 3 consisted of data collection, which included website scraped data from the *Franchise 500*. The aim of the study at the onset was to understand the germane effects of initial franchise fees and advertising fees. In an initial observation, most high-performing brands required an initial franchise fee and advertising fee, which further supported the findings of Windsperger (2013). After the completion of the website scraping and analysis, the action undertaken for this Step was the identification of areas in which potential improvements could be recommended based on the analyzed findings. Whether the initial franchise fees and advertising fees have statistical significance to franchise performance required the use of quantitative analysis to evaluate the observation. These statistical evaluations were completed prior to the start of Step 4 of the action research process in this DBA study and the actions associated with the completion of these statistical evaluations are documented in full in section 4.7.4. As detailed in section 4.7.2, the researcher's position within the organization meant that the identified action could not be directly implemented by the researcher; this recommended course of action had to be delivered to senior management for a determination on whether to move forward with the action; however, justification was provided with respect to the benefits associated with the implementation of the recommended action and the action was reflected on in step 4 and used to inform the second action research cycle.

Following the completion of the analysis, the next step was to conduct action planning (Coughlan & Coughlan, 2002). During the action planning process, the researcher is responsible for taking the results of the analysis and using that information, in conjunction with the other members of the PAR, to utilize the collected information to create a change plan for the organization (Coughlan & Coughlan, 2002). In order to complete the action planning process, the group identified what needed to change in light of the newly gathered information, where the changes should occur, the types of changes that were needed, how to address support for and potential resistance to the

changes, and the persons whose support were needed with respect to the plan were identified (Coughlan & Coughlan, 2002). As detailed in section 4.7.2, the researcher's position within the organization meant that the identified action could not be directly implemented by the researcher. The recommended course of action had to be delivered to senior management for a determination on whether to move forward with the action. To accomplish this task, the change recommendations were documented in report format and justification was provided with respect to the benefits associated with the implementation of the recommended actions. The findings and recommendations were reflected on in step 4 and used to inform the second action research cycle.

Following the completion of the evaluation came the start of Step 4, consisting of the review of the proposed actions by the participatory action research team though at the conclusion of Step 4, questions remained from the participatory action research group. A sequential MMAR approach enabled the researcher to create meta-inferences from the data with quantitative analysis and determined a qualitative study could reveal more in-depth meaning to the findings in action research cycle 1, as well as determine if executives' perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in the workplace would be barriers in the franchise sales process.

Action research cycle 2 was initiated after the completion of the first cycle with a second participatory action research group due to a non-compete legal restriction held by the researcher's employer. Now internal to a franchise organization as an executive responsible for the organization's marketing initiatives, discussions with other franchise development executives referenced the previous action research cycle's findings and questions of the team's perceptions on how market oriented, entrepreneurially oriented the organization is, as well as the leader's charismatic leadership orientation, were discussed.

In the first step of the second action research cycle, the researcher reviewed the literature to re-examine the research problem, then discussed the results of the action research cycle with colleagues. Based on the research by Zachary *et al.* (2011b), three constructs were used by franchising websites to communicate a brand's franchise offering: market orientation, entrepreneurial orientation, and charismatic leadership orientation. The franchise sales process may be hindered because of brand executives not understanding or recognizing these constructs.

Step 2 consisted of devising a research plan to study executives' perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in the organization. After discussing the plausibility of the study with the CEO and colleagues, the researcher received support to increase the competitive advantage of the brand. Herein, implications were discussed, including ethical concerns, unfavorable opinions and biases, and the study's outcomes. The researcher evaluated different approaches based on the resultant collected data to identify the best approach that could be utilized to identify the actions that would benefit the organization based on the resultant analysis of said collected data and chose to interview franchise development executives in semi-structured interviews. In Stage 3, 26 interviews were conducted over a four-week period.

In Step 3, 26 interviews were conducted over a four-week period, and the collected interview data was analyzed, allowing the participatory action research team to examine the outcomes and reflect on the results. The results obtained from the completion of the semi-structured interviews and the subsequent analysis thereof led the researcher and the PAR to identify potential actions that could be undertaken in light of this new information. These potential actions were then discussed, allowing the PAR and the researcher to come up with the identified action that would be recommended to members of senior management in accordance with the action planning process documented by Coughlan and Coughlan (2002). Following the same approach as was documented with respect to the conclusion of step 3 in the first action research cycle, another change management recommendation plan was created, along with the identification of ways to support the changes, mitigate potential challenges to the change, and justification was provided for each recommendation (Coughlan & Coughlan, 2002). As with the conclusion of step 3 in the first action research cycle, even though the PAR group was different for action research cycle 2, the researcher's position within the organization remained the same, meaning that while the report was generated and passed on with recommendations for changes to occur within the organization, the researcher did not have the final decision with respect to the implementation of those changes in the organizational context. This action is discussed in greater detail in section 4.9.3.

Step 4 completed the second action research cycle of the study. During step 4, several actions were taken. After colleagues shared their observations and perceptions of the identified actions, an action plan on how to implement the results was developed. With a quarterly strategic planning

meeting on the horizon, the executives met and evaluated how the results could benefit and position the franchise organization best. The evaluation of the action that transpired in step 4 of the second action research cycle included an evaluation of the report generated on the action, the response of the executives, and an evaluation of the responses of the executives to determine what additional information would be necessary to develop the identified concepts further. With respect to the additional actions that could be taken to further develop the explored concepts, additional recommendations are present in section 6.6. An in-depth description of how action research cycles 1 and 2 were developed is provided in Chapter 4: Data Development. In addition to considering the researcher's position as an insider action researcher and the effect of the study results and implementation within the organization, the study also investigated the researcher's position as an insider action researcher. This information can also be found in Chapter 4.

3.3.4 Participatory Action Research (PAR)

Participatory action research (PAR) is defined as “a philosophical approach to research that recognizes the need for persons being studied to participate in the design and conduct of all phases (e.g., design, execution, and dissemination) of any research that affects them” (Vollman, Anderson, & McFarlane, 2004, p. 129). In addition to nurturing community development, empowerment, access, and social justice, PAR is intended to foster capacity and participation (Vollman, Anderson, & McFarlane, 2004). As an alternative to traditional knowledge creation, participants in PAR engage in a "cyclic process of investigation, action, reflection, followed by further inquiry and action for change" (Minkurter, 2000, p. 191). In this study, the PAR approach is enabled by a practitioner researcher and two PAR learning sets who sought knowledge on potential barriers to the franchise sales process. Participating in discussions with other franchise development executives was critical to the learning and research process, which resulted in more effective decision-making as a franchise marketing executive.

The PAR philosophy is rooted in the work of Kurt Lewin (1948), who enacted the belief that workers would be more committed to their jobs if they were involved in workplace decision-making (McNiff & Whitehead, 2006). The philosophy also advocates those being researched should actively be involved in the research process (Baum, MacDougall, & Smith, 2006). Another

contribution to PAR comes from Paulo Freire who believed critical reflection was crucial for personal and social change (Maguire, 1987; McIntyre, 2002; Selener, 1997). These three tenets conform to action research, where issues are resolved by participants who collect and analyze data, then determine what steps to take (Baum, MacDougall, & Smith, 2006). In less dynamic approaches of research, the involved parties are separated, with the data, participants, and the process being observed independently; conversely, using PAR, the participants become partners in the entire research process (Baum, MacDougall, & Smith, 2006). Herein, the researcher argues critical reflection serves as the largest asset to developing the study and its effect on the outcomes participants are vested into. This elicits stronger support in the process and advocating for the decisions as a result of the study.

The researcher collaborated with two PAR groups that served as learning sets during two action research cycles. In action research cycle 1, the PAR group were former colleagues of the researcher who were franchise development executives in other brands. In conversation, questions arose relating to how the costing components, namely the franchise fee and advertising fee, may affect franchise sales and therefore the brand's performance. Through such a process, in true PAR form, the research subjects become part of the research, reflection enables a cyclical problematization process, the researcher consults existing literature, and the study's context is defined. Each participant had a stake in the outcome of the research and participated actively in the study through a series of discussions. It was necessary for the PAR group to ask each other questions regarding previous studies presented to them, examine data in the *Franchise 500* lists, and discuss their experiences during the franchise sales process. As the problem evolved, so did the researcher's position in the study. After serving as an outsider action researcher for the first action research cycle, the researcher became an insider action researcher for the second cycle. The researcher's workplace setting evolved, and in the second PAR group learning set participants were colleagues within a franchise organization who worked at developing the franchise brand. Through conversations with co-executives, the researcher shared the first action researcher cycle results. Collectively the executives agreed to work toward further resolution of the researcher's problem by continuing to explore potential barriers to their franchise brand's growth. By understanding the barriers, executives could reduce the likelihood of barriers of prospective franchisees entering the franchise sales process, increase their brand performance, and overall success.

Participatory action research is appropriate when participants are enabled to be the expert and their organizational roles are balanced between being the learner and knowledge user (Fang *et al.*, 2016). Herein, equitable participation and collaboration between the researcher and participants should be defined. The extent of a learning set's involvement is reflected in the way participants are positioned within the research process and being involved beyond data collection makes PAR more distinctive from other research studies (Benjamin-Thomas *et al.*, 2018). Some guiding questions, addressed in Chapter 4: Data Development, framed by Benjamin-Thomas *et al.* (2018), provided direction through the involvement levels of PAR in this study, which included:

- In what steps or phases of the research process are the learning sets involved?
- How are the participants positioned in the study?
- Are participants able to choose which aspects of the study they want to participate in?
- Are participants involved in interpreting the data and, if so, how?
- Are participants involved in disseminating knowledge and, if so, how?
- Are participants involved in implementing action steps from the study?
- Are participants working in a collaborative process at all steps in the study? How will this be accomplished?

Research methods and methodologies labeled as participatory may not necessarily be participatory, and PAR researchers should constantly strive to address power disparities and facilitate reciprocity within the research process (Benjamin-Thomas *et al.*, 2018), as with those situated within an action research paradigm (Andonian & MacRae, 2011). The researcher overcame these challenges by working alongside participants in the problematization process, through data collection, and collectively prescribing actionable approaches to employing the study's results. Because the PAR groups were in a stronger position to influence the methodology, the results applied to executives' roles more directly, and their vested interest was thereby more tangible.

Research methods can be hegemonic and objectivist as well as participatory and equitable (Benjamin-Thomas *et al.*, 2018). However, the researcher chose PAR to affect the process and outcome of “knowing” how the results will impact franchise development executives and the

organizations in which they work. Theoretical underpinnings and the selection of appropriate methodologies can also affect the appropriate applications of PAR. Like the research described here, mixed methods action research fuses quantitative and qualitative data within an action research methodology while taking on a participatory, performative approach (Plano-Clark & Ivankova, 2016).

3.3.5 Insider Action Research

As action research generates actionable knowledge in local contexts, insider action research facilitates executive development, generates new knowledge, and ignites organizational performance (Coghlan *et al.*, 2014). The researcher qualified as an insider action researcher in the second action research cycle due to her role as a franchise-marketing executive within a franchise organization tasked with the problem of reducing barriers to the franchise sales process and improving performance of the brand. This role had challenges that included being a trusted collaborator as well as a researcher, ensuring the results of the study could position the executive team as change agents. Working alongside participatory action research groups throughout the study proved a challenge the researcher successfully met.

The researcher served a dual role in this study as both the researcher and as a practitioner to examine potential barriers to franchise performance. Pre-understanding and political management are some of the challenges of role duality as a researcher-practitioner (Brannick & Coghlan, 2007). With field experience in franchise marketing for an international franchise organization, the researcher was first able to understand the theoretical framework required to navigate and design the study with likely more ease than someone with no experience in the franchise industry. Simultaneously, an innate bias through this same experience often questioned the penetration of some of the results found in the literature review, as with Zachary *et al.*'s (2011b) study. The researcher was able to self-negate this assumption because the process provided a basis for branding and understanding the market orientation, entrepreneurial orientation, and charismatic leadership orientation constructs from which to build the thesis. Further, the process urged the researcher to explore both quantitative and qualitative research designs. The role of the researcher evolved, as expected with an MMAR study, and reflection was an integral part of the process.

Participatory action research groups enabled other liabilities to be explored as potential barriers, adding depth to the thesis.

3.4 Research Design

In addition to strengthening and enhancing a study's conclusions, quantitative and qualitative methods are used to contribute to the published literature (Schoonenboom & Johnson, 2017). While researchers aim to address the research question(s) with validity and trustworthiness, they may have other reasons or purposes for wishing to strengthen the research study and its conclusions. This is the fundamental purpose of mixed methods research: increasing knowledge while ensuring the validity and generalizability of quantitative data and the trustworthiness of qualitative data. For a mixed methods study to be valid, it must satisfy the appropriate range of qualitative, quantitative, and mixed methods validity and trustworthiness requirements (Johnson & Christensen, 2017; Onwuegbuzie & Johnson, 2006). The following sections give context to the research design, including the research methods, participant inclusion criteria, details about selecting the action learning sets, information about the three constructs, and limitations of the study.

3.4.1 Research Methods

The methodologies used for the study were chosen according to the perspective of how the researcher viewed the world from the perspective of the research question and, based on that perspective, develop the data. The methodology determines the research design and its methods. The MMAR study used two approaches to data collection, including website scraping and semi-structured interviews, which are presented through two action research cycles. Herein, mixing quantitative and qualitative methods occurs across chronological phases where questions from one strand emerge from or depend on the previous strand (Teddlie & Tashakkori, 2008). A complete MMAR study encompasses all six phases within each cycle. Sequential strands can be incorporated in different ways to meet the goals of each phase through the use of evidence sourced from multiple data within the overall action research framework (Ivankova, 2015).

3.4.1.1 Action Research Cycle 1: Website Scraping

Website scraping was the selected approach to data collection for the first action research cycle. The World Wide Web (WWW) is a host of a large amount of data and billions of interlinked hypertext pages that contain text, images, videos, and sounds (Ignatow & Mihalcea, 2017). Entrepreneur Media, Inc. stores the annual *Franchise 500* lists on its website for use by prospective franchisees looking to invest in a franchise opportunity and comparatively analyze their options. By visiting the URL <https://www.entrepreneur.com/franchise500/2019>, for example, users can view details of each organization in the ranking, which includes the company bio, the year the franchise was founded, corporate address, number of U.S. franchise locations compared to international and company-owned locations, financial requirements, ongoing fee breakdown, and financing and support options. Using website scraping, formerly known as website content extraction, dynamic content generated from the script and parsed can be aggregated and researched (Kurniawati & Triawan, 2017), as with data from all franchises listed in each year from 2016 through 2019. This method is used by airline retailers such as Kayak, Orbitz, and Expedia, as well as Facebook (Hirschey, 2014).

Website scraping fetches data on webpages. With commercial software, website text can be gathered, downloaded, and mined for later use in analysis from one or more pages of a website within a single website (Ignatow & Mihalcea, 2017). This is a powerful, relatively new tool for data acquisition because using the technology appropriately tells the user which scripts, or text, to look for and how many times to repeat the script (Ignatow & Mihalcea, 2017). The data is then downloaded and saved into a Microsoft Excel spreadsheet that forms a database and can be used for further research or analysis (Akrianto, Hartanto, & Priadana, 2019).

Expanding the features of website scraping technology allowed the researcher to gather the secondary data more efficiently by saving time and not having to transcribe the scripts herself, which could have created user error. With the software Mozenda, the researcher used the group agents feature that gathers data from a single domain with shared characteristics, such as www.entrepreneur.com. As an example, McDonald's is listed as the number one franchise in the 2019 *Franchise 500* list, and its URL is <https://www.entrepreneur.com/franchises/mcdonalds/282570>. Following this formula, the researcher pointed the software to the

aforementioned details (specific script sections) from each of the high-performing brands from each year, including 2016, 2017, 2018, and 2019. At the end of this process, the researcher had four Excel spreadsheets containing data from each year.

With Microsoft Excel's VLOOKUP feature, which stands for "vertical lookup," the researcher created a fifth spreadsheet in the workbook to combine the data from the years 2016 through 2019 into one spreadsheet. The VLOOKUP feature is useful with large amounts of data, and it is used to look up the data from different locations in an Excel workbook. The output produced a list of 855 franchises across the four-year range. Of these, 79 franchise organizations in the list were duplicates, so the list resulted in a total of 776 franchise organizations that were provided in any year of the *Franchise 500* from 2016, 2017, 2018, and 2019. From there, the researcher reviewed the list to see which organizations of the 776 brands of the purposeful sample in the list were consistently ranked in the annual *Franchise 500* list to suggest a level of superior franchise performance. There were 259 franchise organizations consistently ranked in the *Franchise 500* from 2016 through 2019. The 259 organizations became the extreme case sample, serving as the data that was collected and would be analyzed to generate the recommended action for the first action research cycle.

3.4.1.2 Action Research Cycle 2: Semi-Structured Interviews

The selected method for data collection in action research cycle 2 was semi-structured interviews. When conducting semi-structured interviews, the interviewer has an idea of what questions they will ask, but they are not set in terms of phrasing and order and the researcher is able to insert additional questions for clarification of participant response or elaboration of participant response as needed (Ahlin, 2019; Kallio et al., 2016). Semi-structured interviews are a blend of structured and unstructured types of interviews (Alamri, 2019; Whiting, 2008). It is possible to see patterns with less structure, while still being able to compare responses between respondents (Alamri, 2019; Whiting, 2008). Since semi-structured interviews are open-ended, the participant answers allow for flexibility in guiding future research questions and helping the researcher to build a stronger knowledge base through future research (Ahlin, 2019; Kallio et al., 2016).

A semi-structured interview has many advantages, including comparable, reliable data and the ability to ask follow-up questions (Magaldi & Berler, 2020). Furthermore, the ability to design a thematic framework beforehand encourages two-way communication between interviewer and participant and avoids distractions (Magaldi & Berler, 2020). As a result of their open-ended nature, semi-structured interviews offer greater detail and richness (Magaldi & Berler, 2020). Its flexibility, however, makes it subject to some disadvantages, such as the potential for decreased trustworthiness (Alamri, 2019). The degree to which the interviewer departs from the predetermined list of questions can also make comparing responses between participants difficult (Alamri, 2019). In semi-structured interviews, the open-ended nature can lead to the temptation of asking leading questions, biasing responses (Alamri, 2019). Additionally, respondents may also attempt to give answers they believe the researcher wants to hear, which can lead to social desirability bias (Alamri, 2019). Developing good semi-structured interview questions can also be challenging; an ideal balance is to have planned and spontaneous questions (Kallio et al., 2016). Notably, the willingness to share will vary from participant to participant.

To address these challenges, prior to the interviews, the researcher strategized and planned the areas and topics to focus on within the three constructs of market orientation, entrepreneurial orientation, and charismatic leadership orientation. This assisted the researcher in formulating a framework of questions and creating a guide (Table 3.1). The semi-structured interview protocol was field tested prior to use in the completion of the current study; this ensured that the instrument allowed the researcher to obtain responses that would benefit the resolution of the identified research questions and worked to decrease the potential for bias (Ahlin, 2019). Data from the field tests was not used in the completion of the current study and was only utilized as a means of refining the instrument itself; following the field testing of the instrument, the responses during the field testing were discarded after adjustments were made to the study's instrumentation, thereby working to increase the trustworthiness of the findings (Ahlin, 2019). The researcher set the stage in the beginning, confirmed participation, and proceeded to simpler questions before reaching complex ones once a comfortable rapport had been established. Clarity and conciseness were emphasized, as were avoiding jargon and compound sentences.

Table 3.1 Phase 2 of the AR Cycle: Semi-Structured Interview Guide

Interview Guide
Setting the Stage <ul style="list-style-type: none">• Introduction of the study and interview format• Goals of the study• Permission to proceed
Initial Franchise Fee <ul style="list-style-type: none">• Cost association to a brand's franchise performance• Cost as a reflection of a brand's franchise performance• Influence of cost on franchise performance
Advertising (Ad) Fee <ul style="list-style-type: none">• Ad fee association to a brand's franchise performance• Ad fee as a reflection of a brand's franchise performance• Influence of ad fee on franchise performance
Market Orientation (executive's perspective of the franchise organization) <ul style="list-style-type: none">• Customer orientation: creating greater value for our customers• Competitor orientation: targeting customers for competitive advantage• Inter-functional coordination: integration of business markets to serve target markets' needs• Intelligence generation: fundamental shifts in the industry• Intelligence dissemination: being cognizant of occurrences with a major customer or market• Responsiveness: Product development efforts and what customers want
Entrepreneurial Orientation (executive's perspective of the franchise organization) <ul style="list-style-type: none">• Innovativeness: marketing emphasis on tried-and-true products or services versus innovations• Proactiveness: timeliness in introducing new products/services, administrative techniques, operating technologies, etc.• Risk-taking: executives' proclivity for low-risk versus high-risk projects• Risk-taking: cautionary versus aggressive posturing
Charismatic Leadership Orientation (executive's perspective of the CEO) <ul style="list-style-type: none">• Vision and articulation: inspiring strategic and organizational goals• Vision and articulation: new idea generation• Environmental sensitivity: recognition of barriers/forces within the organization• Environmental sensitivity: physical environment constraints• Unconventional behavior: non-traditional means to achieve organizational goals• Personal risk: personal risk in pursuing organizational objectives

The interview guide was formulated based on setting the stage, the initial franchise fee, advertising fee, and three constructs, which included market orientation, entrepreneurial orientation, and charismatic leadership orientation and their respective dimensions. When comparing a sample of lower-performing franchises to organizations in the *Franchise 500*, Zachary *et al.* (2011b) found that franchise organizations use more language associated with market-oriented, entrepreneurial-oriented, and charismatic leadership-oriented constructs on their websites. According to Neuman (2003), triangulating theories on a single phenomenon (“triangulation of theory”) can assist in generating ideas and understanding it better. Through the application of multiple theoretical lenses regarding the franchisor-franchisee relationship, as well as executives’ viewpoints, the researcher was able to facilitate a richer and more in-depth conversation with participants. To obtain a competitive advantage, the researcher's goal was to provide tangible and actionable information to operationalize the franchise organization through the use of analyzed results to create recommended actions for improvement.

3.4.2 Constructs

A construct is a concept selected to explain a particular phenomenon, or something that has been created. The researcher included three constructs in this study to identify additional barriers to franchise sales, including market orientation, entrepreneurial orientation, and charismatic leadership orientation. Franchise organizations position their brand to attract potential franchisees, and these constructs are an integral part of the organization's identity. Thus, and according to Zachary *et al.* (2011b), entrepreneurial orientation, as well as a charismatic leadership orientation can also affect whether potential franchisees view a franchise opportunity positively or negatively.

3.4.2.1 Market Orientation

Market orientation is an organizational culture that efficiently creates superior value for buyers and therefore can translate to superior brand performance (Narver & Slater, 1990). An instrument, MARKOR, has quantitatively measured market orientation most frequently (Kohli, Jaworski, & Kumar., 1993; Matsuno, 2012) and was referenced in this study for context. The MARKOR scale measures organization-wide generation of market intelligence that caters to current and future customers and includes organization-wide responsiveness (Caruana *et al.*, 1999; Kohli & Jaworski,

1990). The original MARKOR scale gauges the elements of market orientation as a philosophy and the perceptions held by practicing managers in the organization (Caruana *et al.*, 1999). Scaled-down versions of the scale have been validated by Kohli *et al.* (1993) and Ospina and Perez's (2013) research. The MARKOR seeks to investigate a scalable reduction and generalizability of six dimensions, including customer orientation, competitor orientation, inter-functional coordination, intelligence generation, intelligence dissemination, and responsiveness. Several previous studies (e.g., Kohli, Jaworski & Kumar, 1993; Matsuno, Mentzer, & Rentz, 2005; Narver & Slater, 1990) provided insight that informed the researcher in the formulation of the semi-structured interview questions used to collect data in the qualitative part of the study within the second action research cycle.

3.4.2.2 Entrepreneurial Orientation

Entrepreneurial orientation refers to the strategy-making processes that enable decision-making and actions, and is intended to measure the extent to which an organization is entrepreneurial (Deepa-Babu & Manalel, 2016). Entrepreneurial orientation is a higher-order construct because of its multidimensional measurements, including innovativeness, proactiveness, and risk-taking. The Miller/Covin and Slevin (1989) scale has been frequently applied (Lumpkin & Dess, 1996; Short *et al.*, 2010) in the study of these three dimensions in quantitative studies. Miller (1983) conceived entrepreneurial orientation as the intersection of its three dimensions (Covin & Wales, 2012), and each dimension affects firm performance differently (Deepa-Babu & Manalel, 2016). Covin *et al.* (2006) described entrepreneurial orientation as “a strategic construct whose conceptual domain includes certain firm-level outcomes and management-related preferences, beliefs, and behaviors as expressed among a firm’s top-level managers” (p. 57). The Miller/Covin and Slevin Scale (1989) was used for context in the qualitative parts of the study in action research cycle 2. The scale has been widely accepted since its development (Das & Sahu, 2018) and has been undisputed in several previous studies (Anderson *et al.*, 2015; Covin, Green, & Slevin, 2006; Rezaei, Ortt, & Scholten, 2012).

3.4.2.3 Charismatic Leadership Orientation

Charismatic leadership is an observable behavioral process measured mostly by the Conger-Kanungo (1987) Scale (CKS) and relies on the perception of charm and persuasiveness of the leader. The CK Scale contains six dimensions, including vision and articulation, environmental sensitivity, unconventional behavior, personal risk, sensitivity to member needs, and status quo. Understanding the interaction between charismatic leaders and firm performance could illuminate the growth and success features of high-performing franchise brands. To formulate semi-structured interview questions, the researcher drew on several previous studies that employ the CK Scale (Cicero & Pierro, 2007; Nandal & Krishnan, 2000; Martinez, 2017).

3.4.3 Inclusion Criteria and Learning Sets

Specific inclusion criteria were considered for each action research cycle. In action research cycle 1, the researcher used data from four consecutive years (2016-2019) of the *Franchise 500* to better understand consistently high performing brands and their initial franchise and advertising fees. The *Franchise 500* is known to be highly accurate because Entrepreneur Magazine verifies the data, and potential franchisees check it before deciding to invest (Scott, 1995). The researcher's former franchise organization sought competitive selling power with these rankings. In some years, the researcher's organization was highly ranked, and in other years, it did not make the list at all. In searching through the literature, it was interesting to find there was a lack of consistency in the quantity of years used in others' studies. Some used one-year of rankings from the *Franchise 500*, and some included up to four consecutive years. From 2009-2019, no study had used more than one year of ranking data. Also, it is possible for a franchise organization to rank in the *Franchise 500* for one to several years but not consistently, as with well-known brands such as Blimpie Subs and Salads, Church's Chicken, Sylvan Learning LLC, Valpak Direct Marketing Systems Inc., and Zaxby's Franchising Inc., to name a few (Table 3.2). Therefore, to assess franchise performance, which can fluctuate each year, the researcher found it best to emulate research that had a range of years in their study and create a sample from the last four years of *Franchise 500* rankings to emphasize high performance, like Shane (1998), ranging from 2016 through 2019.

Table 3.2 Example of Franchise Brands Not Consistently Ranked in the *Franchise 500*

Franchise Brand	2016 Ranking	2017 Ranking	2018 Ranking	2019 Ranking
Blimpie Subs and Salads	304	N/A	N/A	N/A
Church's Chicken	N/A	N/A	N/A	N/A
Sylvan's Learning LLC	N/A	N/A	N/A	411
Valpak Direct Marketing Systems, Inc.	460	N/A	128	N/A
Zaxby's Franchising Inc.	82	N/A	N/A	N/A

Discussion of the approach, research design, and data occurred with a select group of former colleagues who worked in franchising with the researcher, making up the PAR. The discussions began with two former colleagues who were in senior executive roles within other organizations seeking context for their current strategies. As time went on, the conversations expanded to include two other former colleagues, who had been recently placed in franchise development executive roles. Their willingness to share insight, perspective, struggles, and suggestions made each of the four former colleagues a good fit for the action research study. These four former colleagues represent the participants in the first action learning set.

In the second cycle of the action research study, the research question evolved from identifying costs as potential hurdles to franchising sales to identifying additional barriers to franchising sales. Moreover, as the researcher's employment status changed over time and due to a legal non-compete agreement in place, it was natural to look internally within her own organization when the research problem evolved. The inclusion criteria for the next participant group were selective and based on the executive's involvement with the franchise sales process, willingness to contribute and participate, and status within the organization. Based on these criteria, the researcher sought 30 executives and 26 fit the criteria; these participants represent the second action learning set. Details about the participants are provided in Chapter 4: Data Development, section 4.5.1.

3.4.4 Sampling Criteria

Purposeful sampling, as with action research cycle 1, is used in cases where one can learn a great deal about issues of central importance to the research purpose (Patton, 1990). It aims to select information-rich cases that illuminate the research questions (Patton, 1990). So that franchise

performance can be understood as an extreme outcome, especially when studying organizations that have only consistently ranked in the *Franchise 500* for four consecutive years, purposeful sampling was used to best understand phenomena surrounding high-performing franchises.

The researcher selected two strategies within purposeful sampling for this thesis study, including criterion sampling and extreme case sampling. First, criterion sampling standards required that each franchise organization selected for the study met a predetermined criterion of importance (Patton, 1990). Criterion sampling includes all cases that reveal a major system of organizational weakness or strength, and it becomes a target for an opportunity for system improvement (Patton, 1990). It is used predominantly in qualitative studies, but it can be applied to identify cases from quantitative questionnaires or tests. The criterion sample in this thesis study is a collection of 259 franchise organizations. As previously described, 776 franchise organizations have ranked at least once in the 2016-2019 *Franchise 500* lists. Of these, only 259 were consistently ranked across all four years.

The second type of sample used in this study is extreme case sampling, which are cases rich in information because they exhibit an extreme or unusual outcome that is relevant to improving outcomes (Patton, 1990), such as that of franchise performance. The purpose of this sample is to study which cases they can learn the most from (Patton, 1990), and are potentially the exemplary group to study, so that shared understandings among this group are realized. Of the 776 franchise organizations contained in the criterion sample, only 259 were ranked consistently across all four years. These 259 franchise organizations represent the extreme case sample of the thesis.

While refining the data with two sampling types in place, the researcher problematized and involved the first action learning set in the research process. It is never possible to capture everything while observing a population, and sometimes researchers have to follow where the data leads them, or where it becomes available (Patton, 1990). To compare their organization's status in the *Franchise 500*, their franchise fees, advertising fees, and 2016-2019 rankings of the PAR group's franchise organizations are provided in Table 3.3. The names of these brands are anonymous, as secured through the university's ethics policy, to conduct this thesis study.

Table 3.3 AR Cycle 1 Action Learning Set Franchise Brand Data

Opportunistic Sample Data				
	Franchise O-A:	Franchise O-B:	Franchise O-C:	Franchise O-D:
2019 <i>Franchise 500</i> ranking	#63	N/A	#200	#22
2018 <i>Franchise 500</i> ranking	N/A	N/A	#266	#35
2017 <i>Franchise 500</i> ranking	N/A	N/A	N/A	#123
2016 <i>Franchise 500</i> ranking	N/A	N/A	#78	#92
Industry	Food	Food	Furniture rental	Food
Size	1,595 (2016)	81 (2018)	2496 (2018)	972 (2018)
Year began franchising	1969 (50 years)	1989 (30 years)	2013 (6 years)	1988 (31 years)
International operations (outside the United States)	yes	yes	no	yes
Royalty fee	5% of gross sales	5% of gross sales	5.5% of gross sales	6 % of gross sales
Marketing fee (NMF/NAF)	5% of gross sales	2% of gross sales	3% of gross sales	3% of gross sales
Franchise fee	\$15,000	\$30,000	\$35,000	\$30,000

3.4.5 Limitations of the Research Design

The findings and contributions of this thesis study should be viewed with consideration of its limitations as they could restrict the methods or analysis of research data and its application to other areas of study. First, the purposive sampling procedure in action research cycle 1 narrowed the sample of franchise organizations from 776 to 259. While this decreases the generalizability of the study to all franchise organizations because only consistently ranked high-performing franchise organizations from the 2016-2019 *Franchise 500* list are contained in the purposeful sample, an exemplary status was abstracted. Additionally, this study cannot be generalizable to all domains of businesses because the intent of selling a franchise license does not exist outside franchising.

Several other limitations existed in the quantitative parts of the study. With a lack of research in franchising over consecutive years, comparing the present study to others is limited, especially that pertaining to market orientation, entrepreneurial orientation, and charismatic leadership orientation. The methodology selected, website scraping, is not common and has not been used in franchise research prior to this study. These two limitations render the ability to draw conclusions across multiple studies. Further, while action research cycle 1 includes statistical analyses, the second action research cycle was needed to provide more depth to the data via qualitative research.

Despite its targeted approach, versatility, ability to capture beliefs, and opportunity to drill down to how executives feel about market orientation, entrepreneurial orientation, and charismatic leadership orientation within the franchise organization, the qualitative components of this study also include several limitations. Extracting the insights from the study was time consuming and labor intensive. Framing the qualitative study, coordinating interview appointments, discussions with the action learning set, and time talking during the interview was laborious, especially when conversations deviated from the topic. Even though the researcher tried to remain unbiased as an internal action researcher, some of the interview topics and questions could still be considered subjective. Additionally, the sample size (n=26) of semi-structured interviews is quite small, and the results cannot be verified as it is based on a participant's experiences and perspectives. This means it is also difficult to assess causality and the results of this qualitative component are not statistically representative of the population. Herein, quantitative data can fill in the gaps of the research aims and help answer the research questions more thoroughly.

To overcome these limitations, the researcher remained cognizant of potential bias in the study and steadfast on the theoretical framework. The motivation to effect changes within the researcher's organization was a driving force to focus on the aims of the study despite potential limitations that may be presented. In future studies, these limitations could be reduced in the quantitative research by expanding the sample size to consider non-consecutive years in the *Franchise 500* and not limiting the data to only four years. Website scraping remains a more time-sensitive method, and it could be one of the means to collect franchise data that goes beyond statistics to include information about recruiting franchisees and advertising fees contained on franchise websites.

While the nature of qualitative research is subject to many of the limitations included above, expanding the scope of employees to include junior-level colleagues could provide additional insight as they are second tier in carrying out decisions produced from the action research study. The study could be widened to include franchisee perspectives on how the franchise organization manages or allocates franchise fee allocations, advertising fee allocations, or perceptions on a brand's market orientation, entrepreneurial orientation, and charismatic leadership orientation to overcome bias in the research.

3.4.6 Validity, Generalizability, and Trustworthiness

The use of the mixed methods approach allows the researcher to collect both qualitative and quantitative data; however, this means that the validity of the quantitative data collected, and the trustworthiness of the qualitative data collected, must be documented, along with the potential for the generalizability of the findings (Easterby-Smith *et al.*, 2012). Looking first to the validity of the quantitative data, the researcher utilized secondary data obtained from reputable sources who included the documentation of the collection of those findings in the *Franchise 500*. The use of secondary, already validated data works to increase the validity of the current study as the onus for the validation of this data comes from its original publisher, in information that is readily available to the average internet user.

The trustworthiness of the qualitative data starts with the adopted ontological philosophy, which decreases the potential for the researcher to integrate personal assumptions during the different stages of both data collection and data analysis (McLachlan & Garcia, 2015; Rahi, 2017). In addition, the use of a field test and a pilot study with respect to the semi-structured interview protocol also served as a means of increasing the trustworthiness of the study, decreasing the potential for bias (Adeoye-Olatunde & Olenik, 2021). Finally, the completion of a thematic analysis through the use of thematic analysis software works to both decrease the potential for bias and works to ensure the audience that the findings have been obtained through the completion of a consistent, precise, and exhaustive approach, thereby decreasing the margin for error and ensuring that, even though participants answers may only be their answers for this point in time, as it is possible for participants to revise their stances in recreating qualitative studies, a person could take the raw data from the original interview transcripts, follow the steps documented herein,

and obtain the same thematic responses, thereby offering trustworthiness of data and approach (Nowell *et al.*, 2017).

Lastly, generalizability refers to the ability to take the findings from the current study and generalize those findings to other organizations or populations (Johnson *et al.*, 2020; Mishra & Alok, 2017). In the case of the current study, generalizability, with respect to the qualitative data collected and analyzed, may not extend to other franchisors, as the opinions of other franchise development executives may vary from franchise industry to franchise industry, or even location to location. The findings from the first action research cycle are more generalizable because of both the quantitative nature of the information explored and the lack of limitations to specific franchise industries in the original data set from which the information was obtained for the purposes of the current study.

3.5 Quantitative and Qualitative Data Analysis

Quantitative data was gathered from a sequential MMAR study to analyze the statistical significance between franchise performance and the initial franchise fee and advertising fee of high-performing franchises gathered from action research cycle 1 (website scraping). To test H1 and H2, the researcher performed an analysis with the Statistical Package for the Social Sciences (SPSS) 14.0 to produce descriptive statistics. Pearson's correlation coefficient, denoted as Pearson's r , was used to measure the degree of association between two continuous variables and attempts to draw a line of fit through the data (Lewis-Beck, Bryman, & Liao, 2004). Chapter 4 discusses the results of the quantitative analysis, including descriptive statistics and findings from action research cycle 1 that concluded the quantitative research in the study.

The second action research cycle containing the qualitative aspects of the study included franchise development executives' perspectives on the organization's market orientation and entrepreneurial orientation, as well as their perception toward the CEO's charismatic leadership orientation. The results were analyzed by the researcher using thematic coding, organized with NVivo software, to make sense of the data for actionable results. Avoiding subjective errors and bias, which are

common from interviews or surveys, thematic analysis provides a compelling advantage in analyzing qualitative data. Scholars have successfully used thematic analysis in the areas of consumer research (Kassarjian, 1977), market orientation (Zachary *et al.*, 2011b), entrepreneurial orientation (Short *et al.*, 2010), charismatic leadership (Bligh *et al.*, 2004), and international marketing research (Wheeler, 1988). As part of the next chapter, the data development process is described in detail, with particular attention being paid to required data and how the data was obtained.

3.6 Permission to Conduct Research and Ethical Considerations

Ethical approval was required because the study involves human participants, particularly in the second action research cycle. The aim of securing ethical approval was to protect participants' rights, safety, and the data of high-performing franchises from 2016 through 2019. The researcher was required to request ethical approval from the University of Liverpool through the formal process established in the guidelines of the DBA program and the Ethics Review Committee.

Ethical approval to conduct the thesis study was granted on May 8, 2019, by the DBA Research Ethics Committee (Appendix A). Dr. Ron Fisher provided notification of ethics approval via email, serving as the DBA Research Ethics Committee Reviewer. The ethics approval process prepared the researcher to collect data by thoroughly reviewing each component of the study. It remains important to defend the anonymity of any of the study's participants while also substantiating the data required for the study's purposes. Such items included maintaining the privacy of the franchise brand's name as well as the personal contact information of franchise development executives for each brand. Participants were provided with a Participation Information Sheet (Appendix B) before data collection, a requirement of the ethics process. Successful and timely completion of the ethics packet enabled the researcher to begin the data collection process presented in Chapter 4.

3.7 Chapter Summary

This chapter provides the methodology and research design used to answer the overall research question: What are the germane effects of the initial franchise fee, advertising fee, and executive perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in positioning a franchise opportunity to potential buyers? The decision to employ a MMAR study methodology and design stemmed from the pragmatic research paradigm and researcher's epistemological, ontological, and axiological stances to question what is known about franchise performance, how it is valued, and to create actionized knowledge of initial franchise fees and advertising fees.

The MMAR approach also allowed the researcher to combine personal knowledge with the extant literature as well as to collect quantitative and qualitative data sequentially through an action research methodology. With a research goal of enhancing the knowledge involving franchise development executives through the process, the MMAR methodology generates meaningful solutions (Ivankova & Wingo, 2018) to those who sell franchise licenses and operationalize their brands. Following the practice of Ivankova (2015), reflexive journaling (see Chapter 6) with each milestone in this chapter enabled the researcher to move explicit knowledge to implicit knowledge, and finally to tacit knowledge. Outcomes include the ability to test the conceptual model while effecting actionable change within the researcher's franchise organization. The next chapter presents the development of quantitative and qualitative data in the study.

CHAPTER 4: DATA DEVELOPMENT

4.1 Introduction

In Chapter 3, the researcher highlighted the decision to utilize a sequential mixed methods approach to the exploration of the research problem. In adopting this methodology, there was a need to determine the most effective approach to data collection and analysis. Chapter 3 was used to present the justification for the adoption of two action research cycles, with the quantitative data collected and analyzed during action research cycle 1 followed by the qualitative data collected and analyzed during action research cycle 2. With this approach solidified, the goal of Chapter 4 was to present the framework and rationale for the action research cycles contained in the thesis study by thoroughly detailing the processes for each data set. Underpinning the chapter are details on how each action research cycle was constructed, the specifics of data collection during each action research cycle, and targeted documentation regarding the analysis of each data set collected through this mixed methods action research study. The chapter concludes with the presentation of findings and the specific actions taken to address the following research questions:

RQ 1: To what extent does the franchise license fee influence a franchise brand's performance level?

RQ 2: How does the franchise license fee influence a franchise brand's performance level?

RQ 3: To what extent does the advertising fee influence a franchise brand's performance level?

RQ 4: How does the advertising fee influence a franchise brand's performance level?

RQ 5: To what extent is market orientation perceived by franchise development executives?

RQ 6: How is market orientation perceived by franchise development executives?

RQ 7: To what extent is entrepreneurial orientation perceived by franchise development executives?

RQ 8: How is entrepreneurial orientation perceived by franchise development executives?

RQ 9: To what extent is charismatic leadership orientation perceived by franchise development executives?

RQ 10: How is charismatic leadership orientation perceived by franchise development executives?

Accordingly, this chapter presents the research setting, the researcher's role as an insider action researcher, and constructing the research problem in context of the franchise industry and within the researcher's organization through a mixed methods methodology. A focus on learning set formation and its dynamics precedes the detailed account of constructing two action research cycles to address the germaneness between the initial franchise fee, advertising fee, and executive perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in positioning a franchise opportunity to potential buyers.

As outlined by Coghlan and Brannick (2014), each cycle represents a four-step process, consisting of (1) planning, (2) acting, (3) observing, and (4) reflecting. The nature of mixed methodologies enabled the researcher to provide insight toward the initial and subsequent questions of the participatory action research groups in cycles 1 and 2, and richer information to actionize within the organization was identified at the conclusion of step 3 of each of the respective action research cycles. The findings of action research cycle 1 include a quantitative analysis from the website scraped data obtained from Entrepreneur Media, Inc.'s annual *Franchise 500* list from 2016 through 2019, which addresses RQ1 and RQ2 by examining the price-related characteristics of high-performing franchises. In return, the researcher was able to put these variables into context within her organization and posit enhanced decision-making acumen for a newer franchise brand as the action identified for implementation at the conclusion of step 3. Such steps were undertaken in accordance with the inquiry focus in the first action research cycle, namely that of mapping the terrain, which allowed the researcher to focus on the context, situation, and current market

conditions that would allow the researcher to discover the action that the current working situation required.

With questions still lingering, the study continued through a second action research cycle via semi-structured interviews and qualitative analysis to address perceptions on RQ5 through RQ10, leading to the identification of actions that could be taken by the organization at the conclusion of Step 3 and leading to the reflection on those actions. Step 4, the reflection stage, enabled a richer understanding of how the brand's market and entrepreneurial orientation is internalized, as well as the leader's charismatic leadership orientation, in the positioning of a franchise brand and how those recommended actions could lead to improvements in brand positioning. The researcher worked closely with the franchise organization's executive team as an insider action researcher to explore and investigate an inductive analysis in the succeeding discussion chapter. The second action research cycle was focused on the inquiry focus of management and organizational processes, in order to assess what actions had already been decided upon, explore what actually takes place within the organizational process, and facilitate the identification of an action intended to address the resultant findings, leading to the delivery of the actions recommended for adoption by the organization to members of senior management.

4.2 The Research Setting and Role as an Insider Action Researcher

The research aimed to explore the relationship of the initial franchise fee, advertising fee, and executive perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in positioning a franchise opportunity to potential buyers. Two research settings were used in this study including the web-hosted *Franchise 500* list found at <https://www.entrepreneur.com/franchises/500> used in action research cycle 1 and, following a period of problematization, the researcher's organization was explored in action research cycle 2. Due to the use of the researcher's organization in the completion of the second action research cycle, there is a need to outline the researcher's role as a means of both disclosing personal interest and highlighting the potential for bias that may be present because of the researcher's relationship to the organization.

The researcher's role as a marketing director and insider researcher is to create, communicate and deliver value to both business-to-business (B2B) and business-to-consumer (B2C) customers. Accordingly, the role requires proper positioning and advertising the franchise organization, franchise opportunity, and franchise brand as superior to others. Using action research to explore the role of the initial franchise fees and advertising fees, the pricing components could be evaluated to see if there were missed revenue-generating opportunities other high performing brands are capitalizing on. Further, investigating market orientation, entrepreneurial orientation, and charismatic leadership orientation could espouse additional organizational aspects that affect the franchise opportunity offering.

The nature of insider action research is to investigate these constructs and implement necessary changes to the franchise brand that provide a competitive advantage and/or enables the franchise brand's growth. The aim as an insider action researcher is to develop research that tells the story of an expert marketer and novice researcher in the workplace within a real workplace-based setting as a practitioner researcher. To do this with perspective and insight, a reflection journal was kept throughout the research process from 2019 to 2022 noting conversations with franchise development executives, observations of interview participants, and reflexive thinking about the findings including the challenges and obstacles that occurred. Excerpts from the journal are shown in Figures 4.5 and 4.6.

Role duality as an expert marketer and novice researcher challenged the researcher to confront preunderstanding and tacit knowledge of the initial franchise fees and advertising fees whilst transcending subjectivity in judgements about the organization (Coghlan, 2014). Once in the position as the initial qualification specialist, the researcher vividly recalls the frequency of opening questions asked by prospective franchisees related to cost, initial and total investment, and ongoing advertising fees. Another recollection involves the researcher designing marketing materials that conveyed its confidence in profiling the B2C customer to entrepreneurially minded prospects via an offering by a compelling CEO.

Transcendence in these subjective experiences required overcoming four assumptions: (1) all successful franchise organizations have an initial franchise fee that provides cash flow and is correlated with performance in spite of not basing the fee on any other factor other than being

competitive with other franchise brands; (2) advertising fees are required, necessary, conducive to brand growth, simultaneously correlated to franchise performance, and priced according to competitive positioning; (3) successful franchise organizations are, of course, market and entrepreneurially oriented; and (4) CEOs of franchise organizations must be charismatic in order to create a following and entice people to purchase a franchise license with the brand they lead. These assumptions were based on the researcher's seven-year tenure in franchise marketing and sales, attending several franchise conferences, networking with franchise development executives, and as a marketing professor for 13 years teaching students about franchising and franchise marketing. Overcoming these subjective insights required critical personal examination of (Brydon-Miller, 2008) while being aware of the community and organizational contexts (Holian & Coghlan, 2013). Herein, in-depth thinking with respect to the intentions and expectations associated with these constructs crept into the process as an intention to remain ethical and objective. Being attentive, engaging in open dialogue with others, self-reflection, humility, and a commitment to the study's outcomes were positive forces that balanced organizational politics, allowing the action research process to occur.

4.3 Mixed Methods Action Research

Action research is a method of systemic inquiry used to examine phenomena and evidence that is practical, relevant, and collaborative to diagnose and solve practitioners' problems in a rigorous way that reconsiders the problem with new questions and emergent issues (Anderson & Herr, 1999). Its strategy is focused on action and change (Maccoll *et al.*, 2005). Accordingly, James *et al.* (2008) argued practitioners "make use of all available data (both qualitative and quantitative) in order to build a rigorous, cohesive set of conclusions" (p. 51). Whereas action research "seeks to provide comprehensive solutions to practical problems," mixed methods research "seeks to provide comprehensive answers to study research questions" (Ivankova, 2014, p. 26). With these considerations in mind, the use of a mixed methods approach with an action research design ensured the researcher would be able to integrate the knowledge obtained from the findings in the first action research cycle to facilitate increased rigor in the second action research cycle. In doing so, the researcher was able to apply a comprehensive approach to examining the research problem

from different aspects while maximizing the use of the collected data toward the resolution of the identified research questions.

The current study is far from the first study to utilize sequential action research cycles in the completion of a mixed methods methodology. Researchers, including Creswell (2012) and Mills (2011), opted for the mixed methods action research design due to its utility in producing cohesive inferences about practical issues (Ivankova & Wingo, 2018). The rationale for imploring a mixed methods action research study in the thesis follows the prescribed steps laid out by previous researchers as a means of enhancing the credibility and relevance of the current study's outcomes. Both past studies conducted by more famous researchers, as well as the current study, follow Kurt Lewin's (1948) action research framework, which consists of four iterative research steps: (1) reflecting, (2) planning, (3) acting, and (4) observing. The current study utilizes two action research cycles, as previously documented by Coghlan and Brannick (2014), though Coghlan and Brannick's figure incorporates more research cycles. Figure 4.1 details the action research cycle approach used in the current study. Each cycle represents a four-step process, consisting of (1) planning, (2) acting, (3) observing, and (4) reflecting. Upon the successful completion of the first action research cycle, the second cycle begins with a revised plan based on the results of the first action research cycle, followed once again by successful completion of the four steps.

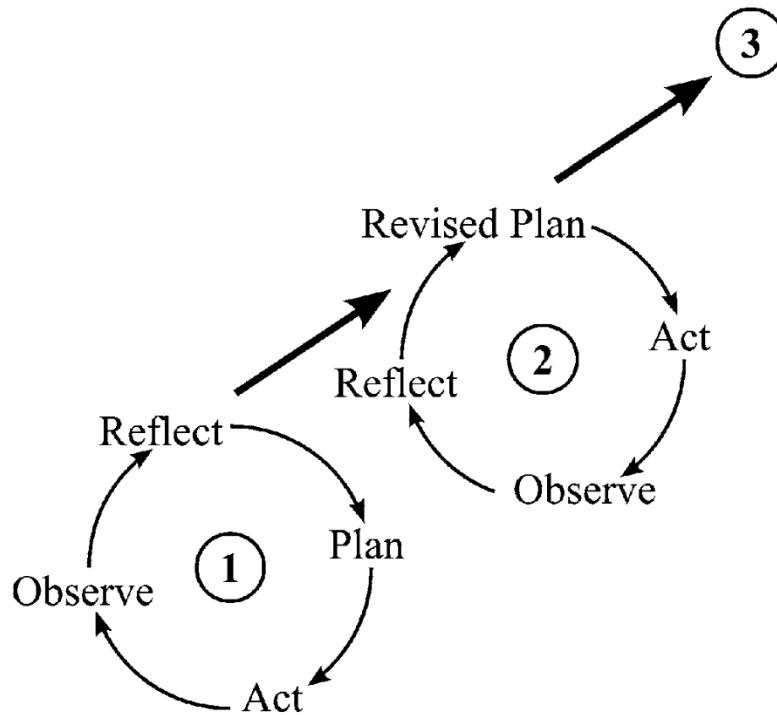


Figure 4.1 Action Research Cycles (Based on Coghlan & Brannick, 2014, p. 11)

The advantage of using the mixed methods approach to action research displayed in Figure 4.1 is it offers scientifically and empirically sound information for evaluation, intervention, and action (Ivankova & Wingo, 2018). With the adoption of the action research cycles outlined above, there is a need to document the specific application of the aforementioned action research cycles with direct correlation to the current study.

In action research cycle 1, the researcher began with the pre-planning and constructing step by capturing conversations about pricing barriers in the franchise sales process with former colleagues who are franchise development executives with various brands. In this pre-planning and constructing stage, the researcher reflected on personal experiences with prospective franchisees. Deeper conversations with the participants continued and the researcher consulted extant literature to unveil key themes and under-researched areas found within previous studies. In the taking action step for the first action research cycle, the researcher used website scraping of high performing brands listed in Entrepreneur Media's *Franchise 500* list from 2016-2019 to test the plausibility of correlations. This process allowed the researcher to see the connections between the initial

conversations with franchise development executives while enacting and sharing results from the findings. Herein, the quantitative data on initial franchise fees and advertising fees was observed and analyzed in the third step. The analysis of the findings led to the identification of targeted actions that could be taken in order to make changes with respect to initial franchising fees and advertising fees. Evaluating these actions occurred in step 4 and enabled the researcher to reflect on the study's outcomes at the end of action research cycle 1, noting the questions that remained.

With the reflection concluded with respect to the first action research cycle, action research cycle 2 could commence. Action research cycle 2 was sequential, occurring after research cycle 1, and in a different setting. In the constructing and planning step, questions from action research cycle 1 were evaluated and the process which led into examining other factors that presented barriers to potential buyers in the franchise sales process. Key themes emerged pertaining to how market oriented the franchise organization was because, as an assumption, those that have a proclivity to appeal to consumers better and be more successful or high performing. A similar assumption is that entrepreneurial-oriented organizations appeal to prospective franchisees. The third theme that emerged suggested franchise brand leaders possess charismatic traits, such as communication, persuasiveness, and charm. Before action could be identified, the researcher conducted semi-structured interviews to further research the proposed additional factors that lead to perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in positioning a franchise opportunity to potential buyers. Then, the researcher conducted semi-structured interviews with franchise development executives within the organization. The qualitative results were analyzed, leading to the identification of targeted actions that could be taken, and were later implemented within the organization. The final step of reflecting enabled the researcher to reflect on the actions and their subsequent results. Due to the richness of the conversations with participants and analyzing their interpretations, organizational posturing of market orientation, entrepreneurial orientation, and charismatic leadership orientation within two action research cycles were achieved. However, this process could not begin without first constructing the research problem, reevaluating it, and problematizing it with colleagues.

4.3.1 Action Research Cycle Research Settings

The setting for each action research cycle was different. The research setting for action research cycle 1 occurred largely within the online environment. Each January, Entrepreneur Media, Inc. ranks the top 500 franchise brands in a comprehensive list that shares the initial investment, franchise fee, ongoing royalties, advertising fees and royalties, location data, and other details about the brands. To those interested in buying a franchise, the *Franchise 500* list is informative and comparative, beseeching seekers to examine the quantifiable aspects of franchise opportunities in the North American marketplace. The host website setting encompasses 43 years of data including, but not limited to, brands in the hotel, restaurant, fitness, home service, banking, and automobile industries. Beginning in June the year prior, the Entrepreneur Media, Inc. team begins the quest of data collection via each brand's Franchise Disclosure Document (FDD) or Canadian Disclosure Document (entrepreneur.com, 2022). While the publication boasts it is the world's first, best and most comprehensive list, it reminds potential franchise buyers the *Franchise 500* list "is not intended to endorse, advertise, or recommend any particular franchise. It is solely a tool to compare franchise operations" (entrepreneur.com, 2022, p. 1).

While the research setting in action research cycle 1 examined quantitative industry-level data to enhance franchise brand positioning by considering factors potential buyers might evaluate in selecting a franchise brand to invest with, the research setting in action research cycle 2 was very different. In examining and evaluating the quantitative data, questions arose about other factors not included in the *Franchise 500* list that were inward facing about the franchise brand the researcher was an executive. The researcher's organization takes a comprehensive approach to selling and awarding licenses with the entire executive team presenting and providing insight during the sales process. A qualitative research methodology enabled the researcher to explore executives' perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation within the organization to deeply examine its franchise offering. Due to COVID-19, the team works remotely, and communication is online via video (Google Meet or Zoom), Google Hangouts, and email. The semi-structured interviews in action research cycle 2 were conducted through Google Meet, recorded, and transcribed using the technology provided by Otter.ai. Participants were in their typical work environments including their home or remote workspace.

4.4 Constructing the Research Problem

The core concept of problematization entails questioning assumptions, previous research, and its findings that may present alternative viewpoints (Chatterjee & Davison, 2021) to construct and define the research problem. As previously mentioned, this research aimed to explore the relationship of the initial franchise fee, advertising fee, and executive perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in positioning a franchise opportunity to potential franchisees. The problematization technique involves asking how and why certain things become a problem and questioning assumptions (Alvesson & Sandberg, 2011). The focus of problematization is transforming implicit or weakly articulated assumptions (Alvesson & Sandberg, 2011). Accordingly, the researcher problematized the assumptions (see section 4.2) and primary questions with the participatory action research groups in two sequential action research cycles. Within each, the problematization process was iterative whereby interaction and feedback paved a path for important elements of the conversation to illuminate. Referencing the final theoretical framework in Chapter 2 (Figure 2.1), developed from constructing a rich picture and the problematization process, the study's research questions were formed (Table 4.1). These questions offer context for the study, franchise industry, and researcher's organization.

Table 4.1 Problematization toward the Research Problem

Primary Questions	Secondary Questions
What is the relationship of the initial franchise fees and advertising fees in high performing franchise brands?	<p>Are franchise executives aware that the price they set for the initial franchise fee may have an effect on franchise performance?</p> <p>If there is a relationship to franchise performance, as witnessed in the <i>Franchise 500</i> (high performing brands), this may change the pricing strategy of the franchise fee set by the franchisor.</p> <p>Are franchise executives aware that the price they set for the ad fee may have an effect on franchise performance?</p> <p>If there is a relationship to franchise performance, as witnessed in the <i>Franchise 500</i> (top-performing brands), this may change the pricing strategy of the ad fee set by the franchisor.</p>
How can franchise executives operationalize market orientation, entrepreneurial orientation, and charismatic leadership orientation in their organization to position themselves as a leading franchise opportunity?	<p>How is the franchisor's affinity to be market-oriented conveyed in the franchise organization?</p> <p>Should franchisors poise themselves as entrepreneurially oriented because it establishes a cooperative relationship where the business decision to franchise satisfactorily meets the desire to be innovative (Lumpkin & Dess, 1996) even if it may conversely be a poor trait in franchisees?</p> <p>How does charismatic leadership orientation convince prospective franchisees (followers) to adopt the goals and ambitions of the leader (Shamir & Howell, 1999) and therefore follow the systematic approach of the franchisor?</p> <p>Could this influence how the potential franchisee views the franchisor's opportunity?</p>

4.4.1 Context of the Research Problem in the Franchise Industry

This research focused on operationalizing factors that may affect a franchise brand's position to potential franchisees with queries postulated within a singular organization, across those who are consistently high performing and in the franchise industry. This pragmatic setting harvests the competitive backdrop from which potential buyers are navigating as new franchise opportunities emerge each year. Presently enduring strong demand from consumers (franchiseinsights.com, 2022) and aggressive forces within the economic, technological, and sociological macro-environment may drive the competitive nature of a franchise brand to be more cognizant of their pricing structures, training, marketing, and operational support. Actionable intelligence and real

industry-level data is needed as financing options, prospect interest, industry viability, labor and supply prices continue to shift, some of which is driven by the global pandemic. In November 2021, FranchiseInsights.com surveyed over 60% of active U.S. franchisors and, at the time, no plans were in place to change their fees in 2022, though 40% planned to increase their initial franchise fees in 2022 and one-third (33.3%) did in 2021. This study provides context toward the weight high performing franchise brands place on initial franchise fees and advertising fees across the franchise industry.

Further, while a competitive franchise marketplace persists, other factors could persuade buyers to choose one brand over another. Market orientation is a culture in which all employees are committed to value creation for customers (Narver & Slater, 1990), which has been positively related to business performance in all types of markets (Slater & Narver, 1994). Similarly, buyer perceptions of a franchise organization's market orientation could influence brand selection. Franchise development executives who are involved in the franchise sales process could provide evidence of such value toward potential buyers at any stage of the franchise sales process.

Entrepreneurial orientation is a strategic posturing of an organization to engage in entrepreneurial endeavors to create value (Lumpkin & Dess, 1996) and franchise brands target entrepreneurs each day with massive budgets allocated toward franchise sales lead generation. The researcher has managed an annual budget of US\$250,000 for this type of lead generation. Prior to the pandemic, more than 86% of franchisors planned to spend at least the same amount as they did in 2018 and 67% said they planned to increase their budget; these budgets rose to US\$500,000 in 2021 (franchiseinsights.com, 2022). The competitive marketplace, economic situations, and unemployment rates contributed to soaring costs in lead generation. Attracting aspiring business owners who possess an entrepreneurial desire and spirit are important to the franchise brand for development and growth. Therefore, the franchise organization must posture itself accordingly amongst competitors in the marketplace.

An additional consideration for the organizational context focuses on the franchise brand's leader and their ability to be charismatic and, thus, the research must also address the organizational leaders' charismatic pretense. An environment conducive to charismatic leadership resides between a charismatic leader and the followers of that leader (Klein & House, 1995). The

uniformity and homogeneity of a franchise brand leader's ability and desire to share their charisma may also influence the buyer's selection in the highly competitive franchise industry. It is therefore important for those who are franchise development executives and the leader to display charismatic qualities of their brand.

Bearing the above franchise industry context of the research problem, the underlying philosophical perspectives are applicable to the researcher's organization as the researcher and franchise development executives worked toward creating and growing a second, newer franchise brand. The newer brand is presently moderate in size with over 1,000 franchise licenses awarded and over 300 locations open. There is a cultural setting of high performance, induced by a leader who views performance management as a superior supervisory tool. Executives are required to demand the same of their internal teams via a workforce with qualifications in real estate, banking, wellness, marketing, and customer service. The educational range of the executives span from semi-skilled team members to those with master's degrees, and cultural fit is determined by the ability to endure a "work hard, play hard" approach with long hours establishing reassurance to franchisees. This is the context against which the workplace-based research issues are embedded and contextually bound. Consequently, determining the degree of participation in the study required consideration of rich content and experience with the franchise organization.

4.5 Participatory Action Research

Participatory action research (PAR) is a distinctive form of research that affirms experience can be a basis for knowledge and, as a byproduct, experiential learning creates knowledge which influences practice (Baum, MacDougall, & Smith, 2006). The researcher embraced PAR as an approach with franchise development executives in this study so they would be involved and, in turn, take actions to enhance the franchise brand's positioning respective to their roles and involvement with franchise sales process. Action was achieved through a reflective process, and influenced by the executives' workplace context, current, and past experiences; as such, executives gathered and analyzed data and participated in the follow-up processes allowing for the identification of actionable steps that could be taken to facilitate improvements in light of the resultant findings (Baum, MacDougall, & Smith, 2006). Appropriately, participants were selected

who were experienced, had the insight needed to provide rich descriptions, and were willing to reflect on their experiences. The learning sets collectively represented different backgrounds, experiences, and roles within the organization. All are considered executives in the organization with the ability to influence, take action, and affect the organization.

4.5.1 Learning Set Formation and Dynamics

The study's participants were separated into two different learning sets. In action research cycle 1, franchise development executives were former colleagues of the researcher who work with other franchise brands. The former colleagues in this learning set demonstrated interest in the research direction and exhibited a high level of selective criteria, including:

- 10 or more years of franchise experience
- Executive and decision-making capabilities in their respective organizations
- The franchise brand they were employed with was in growth mode

The intimate nature of action research cycle 1 required a small number of people in step 1, the reflection step. Questions surrounding the initial franchise fees and advertising fees, as they influence the organization's positioning, swarmed the planning step, and led to the quantitative research employing the *Franchise 500* lists.

As the study evolved, the learning set changed. The researcher began working with an organization as a marketing executive alongside other franchise development executives. The brand's competitive positioning was part of daily conversation, and the CEO was supportive of research that could strengthen the growth objectives of the new and rapidly developing franchise brand. In action research cycle 2, franchise development executives were current colleagues who demonstrated a vested interest in the research direction. Participants all had executive and decision-making capabilities in their roles and a diverse range of experience with the organization, which included:

- 13 senior level executives who worked with the organization for six or more years
- Six junior level executives who worked with the organization for one to five years

- Seven new executives who worked with the organization for less than a year

Additionally, learning set participants represented a diverse range of departments within the organization (Table 4.2) with the majority (9) directly involved in the daily function of franchisee communications and development as performance coaches.

Table 4.2 Departmental Representation in Action Research Cycle 2

Department	Number of Participants
Accounting & Finance	3
Franchise Recruitment	4
Information Technology	1
Legal & Human Resources	1
Marketing	3
Operations	4
Performance Coaching	9
Real Estate	1

There were 19 females and seven males with ages ranging from 24 to 53 in the action research cycle 2 participant group. All but two executives reside in the southern region of the U.S., including Arizona, Indiana, Louisiana, and Mississippi. The interviews took place between 2:30 PM to 8:45 PM, and the interviews lasted 14 to 35 minutes each. The time set aside for each interview was 40 minutes. The researcher drafted questions across five categories to guide the discussion and followed a semi-structured interview process which allowed for participants to explain or build on their responses and the researcher to probe into the meanings (Saunders, Lewis, & Thornhill, 2009) (see Table 3.1 for the Interview Guide). While some expanded on their answers in detail, others were more direct and transactional in their responses.

The inclusions should be viewed as the governing rules for the participatory action research groups. Considering the participatory nature of this research, time was spent across cycles 1 and 2 mobilizing the learning sets and determining the degree of participation in the pre-step step

(Coghlan & Brannick, 2014) before engaging in action research. It is against this backdrop that the workplace-based problem is contextually bound. This process offered the researcher an additional opportunity to lay out the richness of the context of the organization, which is unique to this study.

4.6 Constructing the Action Research Cycles and Timelines

The forthcoming sections will provide insight of how the two action research cycles were constructed and their respective timelines, as well as how the learning sets interacted with various aspects of the participatory approach. Through action research, franchise development executives and the researcher had the ability to actionize problems with leaders that arose and develop real solutions. Reflective journal entries within each action research cycle are also provided to notate the insider action researcher perspective and action learning toward the thesis research.

Two action research cycles were completed between May 2019 and February 2022, spanning a total of 22 months. Upon receiving ethical approval from the University in May 2019, the researcher eagerly began the action research process. For the first action research cycle, pre-planning and reflection took place in May 2019, while June 2019 saw the researcher's entry into the planning step. Acting started in July 2019, with observing following in September 2019, and reflection occurred in October and November of 2019. Action research cycle 2 started in 2021, with the researcher's return to the franchise organization. Revised planning took place in June 2021, while acting occurred in September 2021, observing in November 2021, and reflection took place December 2021-February 2022.

4.7 Action Research Cycle 1

Using the principles outlined in Coghlan and Brannick's (2014) four-step process, consisting of (1) planning, (2) acting, (3) observing, and (4) reflecting, the researcher was able to clearly demarcate the different actions that occurred throughout the first action research cycle. The completion of action research cycle 1 spanned from May to November 2019. Of the four different

steps, the planning step took the longest, affording the researcher the opportunity to gather key insights, questions, and concerns from others working within the industry as a means of directing the primary focus of the first action research cycle. Once this information was collected, the researcher was able to develop the hypotheses to be addressed in the collection of quantitative data. Data was collected from secondary sources during the first cycle, allowing for the resolution of the hypotheses and the collection of observations with respect to the data. Reflection on the data collected during this action research cycle fed directly into the planning step of the second action research cycle, which allowed for the collection of the qualitative data used to inform the findings of the study. To enable an in-depth examination of the potential barriers during the franchise sales process the actions undertaken during each of the four phases of action research cycle 1 are discussed below.

4.7.1 Action Research Cycle 1 - Planning

In May 2019, the researcher had several thought-provoking conversations with former colleagues in which a discussion was undertaken regarding potential barriers in the franchise sales process. While some felt barriers surrounded franchise law and buyer protection in the sales process, others felt the messaging used to motivate buyers was prominent. A constant theme each conversation pointed towards was pricing strategies from the onset of the sales process, namely the initial franchise fee and advertising fees. Price setting processes were different for each company and since all were established brands, confidence in deciding these fees existed, though the strategies and logic for determining the actual prices varied. Questions circulated around what the highest performing brands did, and some former colleagues indicated their leaders mimicked other brands' fees for competitive reasons. The plan for the first action research cycle was forming by June 2019 and the study's hypotheses in action research cycle 1 were developed.

Two hypotheses were formulated in action research cycle 1, which were based on the research questions postulated in Chapters 1 and 2 to understand the relationship between initial franchise fees and advertising fees to franchise performance. Of these, two hypotheses pertained to the quantitative analysis of the study. Several analyses compared raw data from website scraping the *Franchise 500* lists from 2016 through 2019. The first hypothesis was formulated to understand if there is a relationship between the initial franchise fee and franchise performance.

H₁: The franchise license fee has a significant relationship with a franchise brand's performance level.

The second hypothesis was formulated to understand if there is a relationship between the advertising fee and franchise performance.

H₂: The advertising fee positively influences a franchise brand's performance level.

4.7.2 Action Research Cycle 1 – Acting

Upon forming the hypotheses, the researcher progressed to the acting step of action research cycle 1 which required deductive analysis whereby Pearson's correlation coefficient was used.

Pearson's correlation coefficient (r) is a measure of the strength, direction, and magnitude of the association between two variables (uwe.ac.uk, 2019). Pearson's correlations range from -1 to 1, which represents a linear relationship with a perfect negative and perfect positive, respectively (Neuman, 2011). When two variables are related, it does not necessarily mean that one directly causes the other, but the strength between the two is indicated statistically. If the strength is weak, the correlation coefficient ranges between $r=0.20$ and $r=0.40$ (Salkind, 2012). A moderate association ranges between $r=0.40$ and $r=0.60$, strong when between $r=0.60$ and $r=0.80$, and very strong when the coefficient is between $r=0.80$ and $r=1.00$ (Salkind, 2012). There were three correlation tests run on the data in this thesis study, and the results are summarized in Table 4.5 Table 4.7, and Table 4.8. As the findings presented in Tables 4.5, 4.7, and 4.8 indicated, there was no significant association between ongoing royalty fees and franchise performance and that no significant correlation between both ongoing royalties and the initial franchise fee and franchise performance existed, that the success may depend on marketing and branding. The action recommended for implementation at the conclusion of this step of the action research cycle was that, as advertising's function is to promote a brand, and the results should elicit an effect because the role of marketing is to create, communicate, and deliver value (American Marketing Association, 2013), further value should be provided in the form of advertising and marketing delivery on the part of franchisors in order to justify the expense of the fees themselves. This action was proposed as a result of the delivery of the findings. As the researcher's position as a franchise-

marketing manager did not allow for the implementation of this recommendation within the organization, the researcher could only pass this recommendation on to higher ups within the organization for them to make a determination in accordance with the approach outlined by Coughlan and Coughlan (2002) for actions to be undertaken by those who are not a part of the senior management for the organization. To aid in their decision with respect to this action, the observing step included a further breakdown of the validity of this recommended action.

4.7.3 Action Research Cycle 1 – Observing

An analysis of the website scrapped *Franchise 500* data from 2016 through 2019 provided a sample of 776 franchise organizations, from which 259 were consistently ranked all four years. The 776 franchise brands represent the purposeful sample, and the 259 brands represent the extreme case sample. The quantitative data obtained through website scraping may be reliable as it is from a reputable secondary source that has a reputation for publishing exacting data. The use of secondary source data in this respect worked to ensure that the information could be utilized to ensure test-retest reliability should this aspect of action research cycle 1 need repeating for confirmation. The analysis of the extreme case sample of 259 franchise organizations was conducted on the industry, franchise age, franchising tenure, the difference in organizational age and franchising tenure, and the geographic location of the franchise headquarters.

Industry Type: The most common industry in the extreme case sample of 259 franchise brands is in a food-related category, and the least common is financial services. Other popular industries include cleaning services, home improvement, auto, medical and non-medical related, fitness, and beauty. A summary of the industry type of extreme case sample is in Table 4.3

Table 4.3 Industry Type of Extreme Case Sample

Industry	Number of Brands
Financial Services	1
Tax Services	2
Convenience Stores	3
Insurance Services	3
Lawn Care Services	3
Real Estate	3
Staffing Services	5
Clothing	9
Marketing	9
Education	11
Hotel	11
Beauty	14
Fitness	14
Medical and Non-Medical Related	16
Auto	17
Home Improvement	20
Cleaning Services	22
Other	35
Food	61

(Industry type of the 259 franchise brands contained in the extreme case sample)

Franchise Age: The oldest franchise organization is 109 years old. The most recent franchise organization was established in 2010, which was 12 years ago. The age range of the 259 franchise organizations in the extreme case sample ranges from 1912 to 2010, which is in Figure 4.2. From the data we know there were 21 brands established in years 1912, 1919, 1924, 1927, 1930, 1935, 1938, 1946, 1948, 1949, 1950, 1952, 1953, 1954, 1957, 1959, 1960, 1963, 1968, 1983, and 1995; in other words, no other brand in the high-performing franchise organizations were established in that year. In 1978, 1998, 2007, and 2008, six franchise brands were established in each year, resulting in 24 franchised brands in the extreme case sample. In 1992, eight brands of the 259 were established. The purpose of this data is to look at the number of high-performing franchise brands created over time.

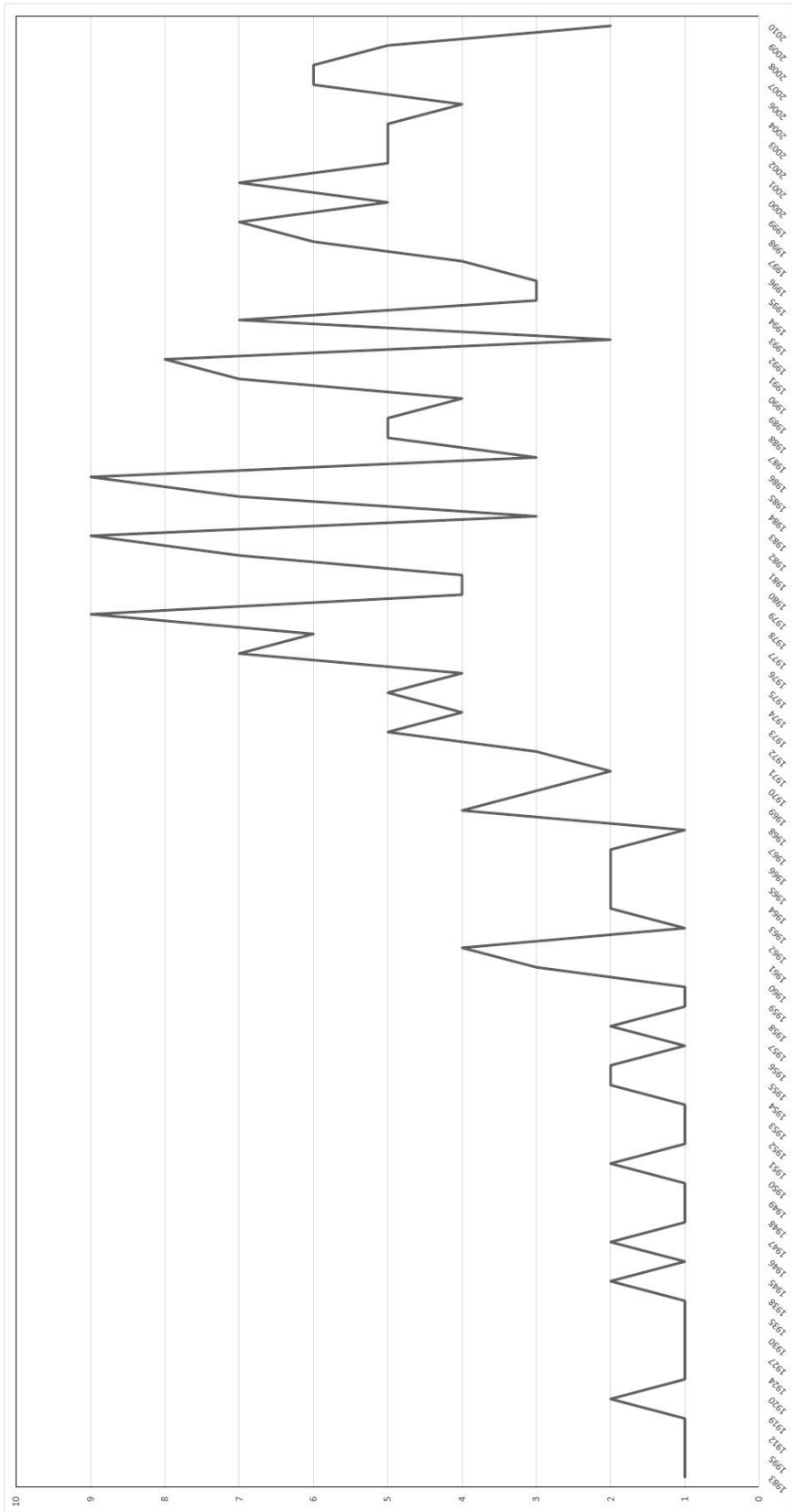


Figure 4.2 Franchise Organization Age of Extreme Case Sample

Franchising Since: Some franchise organizations do not begin franchising the year they are established while others begin franchising the same year. Of the 259 franchise organizations in the extreme case sample, 1952 was the earliest age a brand began franchising, and 2013 was the latest. The majority (n=14) of franchise organizations in the extreme case sample began franchising in 2003. In 2003, 14 brands also began franchising. In 1975, 1977, 1978, 1981, 1983, 1985, 1997, 2001, 2002, and 2011, there were four brands established in each of those years. In the years 1989, 1991, 1993, 1995, 1998, 2000, 2004, and 2009, six brands were established each year.

Difference in Franchise Age and Year Began Franchising: The majority (n=46) of the 259 franchise brands began franchising one year after the organization was established, though the years from establishment to franchising ranges from zero to 91 years. Thirty-nine brands began franchising the same year, and 33 brands began franchising two years later. More than 80% of the 259 brands began franchising within the first 10 years of being established, and 127 began franchising within the first five years. One brand began franchising 91 years later and another 88 years later.

Location of Franchise Organization Headquarters: Most franchise organizations contained in both the purposeful sample (n=776) and the extreme case sample (n=259) are located along coastal states, including the west coast, southern region, and northeast region of the United States. A map depicting the location of the franchise organization's headquarters in the purposeful sample is in Figure 4.3. The location of those franchise organizations' headquarters ranked consistently in the *Franchise 500* over the last four years from 2016 through 2019 (n=259) is in Figure 4.4. The yellow and red dots on the maps mark the brand headquarters' location.

Ranked Consistently in the Last Four Years
(2016 - 2019)

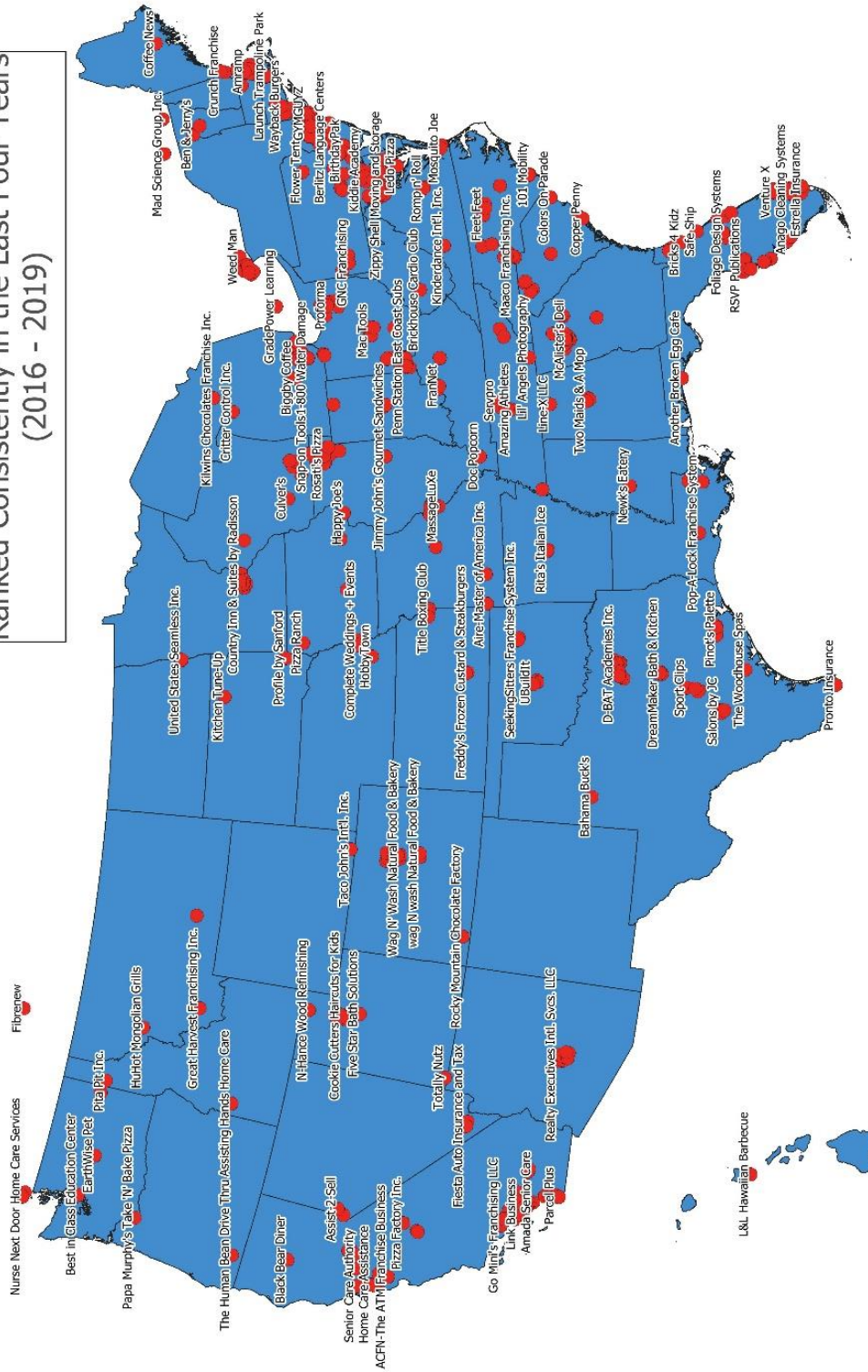


Figure 4.4 Franchise Organization Headquarters in the Extreme Case Sample

(Location of the franchise organizations' headquarters consistently ranked in the *Franchise 500* from 2016-2019)

4.7.4 Action Research Cycle 1 – Findings

To test the first hypothesis in action research cycle 1, an analysis was conducted on data obtained from website scraping *Franchise 500* lists from 2016 through 2019. This data was analysed to see if there was a presence of the initial franchise fee in high-performing franchise brands. The analysis revealed 99% of the total 776 franchise organizations in the purposeful sample, or those ranked in either 2016, 2017, 2018, or 2019, require an initial franchise fee. The analysis also revealed 97% of the 259 consistently ranked firms, also known as the extreme case sample, require an initial franchise fee. This is in Table 4.4.

Table 4.4 Initial Franchise Fee Required

Initial Franchise Fee Required	Frequency	% of Firms
Purposeful Sample	766	99%
Extreme Case Sample	252	97%

A correlation test performed on the data revealed the absence of a significant correlation between the initial franchise fee and performance. Pearson’s correlation for this data is in Table 4.5. Pearson’s correlation between performance and the initial franchise fee is -0.0449, and when the correlation coefficient ranges between $r=0.20$ and $r=0.40$, it means the strength is weak (Salkind, 2012), or not correlated. Therefore, hypothesis H1 is not supported.

Table 4.5 Correlation Between Performance and Initial Franchise Fee

		Correlations	
Variables		Performance	Initial Franchise Fee
Performance	Pearson Correlation	1	-0.0449
	Sig. (2-tailed)		.188
	N	257	257
Initial Franchise Fee	Pearson Correlation	-0.0449	1
	Sig. (2-tailed)	.188	
	N	1028	1028

To test the second hypothesis in action research cycle 1, an analysis was conducted on data obtained from website scraping *Franchise 500* lists from 2016 through 2019, and it was analyzed

to see if there was a presence of either ongoing royalty fees or an advertising fee in high-performing franchise brands. The analysis revealed 97% of the purposeful sample has an ongoing royalty, while 88% request an advertising/marketing fee. Additionally, the analysis revealed 95% of the 259 consistently ranked firms have an ongoing royalty, while 82% request an advertising/marketing fee. This data is in Table 4.6

Table 4.6 Organizations in Purposeful and Extreme Case Samples with Ongoing Royalties and Advertising (Ad) Fees

Franchise Organizations with Ongoing Royalties and Ad Fees	Frequency	% of Firms
Purposeful Sample		
Ongoing Royalty Fee	754	97%
Ad / Marketing Fee (NMF/NAF)	679	88%
Extreme Case Sample		
Ongoing Royalty Fee	245	95%
Ad / Marketing Fee (NMF/NAF)	213	82%

A Pearson’s correlation test revealed no significant association between ongoing royalty fees and franchise performance, with a coefficient of 0.31 and significance of 0.337, as depicted in Table 4.7.

Table 4.7 Correlation Between Performance and Ongoing Royalties

Variables		Correlations	
		Performance	Ongoing Royalty
Performance	Pearson Correlation	1	.031
	Sig. (2-tailed)		.337
	N	936	936
Ongoing Royalty	Pearson Correlation	.031	1
	Sig. (2-tailed)	.337	
	N	936	936

A Pearson’s correlation test revealed no significant association between ad royalty fee and performance, with a coefficient of -0.018 and significance of 0.600 (Table 4.8).

Table 4.8 Correlation Between Performance and Advertising (Ad) Fees

Variables	Correlations		
		Performance	Ad Royalty
Performance	Pearson Correlation	1	-.018
	Sig. (2-tailed)		.600
	N	872	872
Ad Royalty	Pearson Correlation	-.018	1
	Sig. (2-tailed)	.600	
	N	872	872

4.7.5 Action Research Cycle 1 – Reflecting

Throughout the completion of the study, a reflection journal was kept by the researcher. The contents of this reflection were divided by chapter, with a summary reflection written for each of the chapters contained within this thesis. The summary reflections written for Chapters 1-3 are presented within this section, as the chapters leading up to this point do have a bearing on the first action research cycle. Section 4.9.4 includes the summary reflections for Chapters 4-6.

Chapter 1 Summary Reflection – From 2004-2008, I worked for a rapidly growing international franchise organization in various capacities; my dominant roles were serving as the brand’s Franchise Marketing Manager and Website Director. During that time, I managed an annual budget of US \$250,000 dedicated to an internet advertising campaign for generating franchise sales leads (potential franchisees). As a marketing manager, I was responsible for making prudent purchase decisions that would grow the franchisor’s brand (business-to-business [B2B] marketing) and franchisee’s business (business-to-consumer [B2C] marketing). The biggest challenges I faced in my role were: 1) choosing where to spend the money to attract the ideal franchisee candidate and 2) identifying controllable parts of the sales process that were relevant to potential franchisees and would influence the franchise brand’s performance. I was responsible for generating franchise leads and reducing barriers to franchise sales so that my team could successfully execute contracts (franchise licenses) and achieve organizational growth objectives. Our shared goal was to develop the brand across the United States, Canada, and Australia, with nine more countries added to this goal in 2007.

Talking to potential franchisees at the beginning of the sales process, I found alignment between entrepreneurship and franchising with the prospects we brought in through the sales process, though clear distinctions separated the two. Many prospects I spoke with desired to be entrepreneurs, but the franchise offering was appealing because of its marketing support, operational processes, and financial prospectus. Through a corporate study I conducted in 2004, I found there were two distinct groups of people who engaged in our sales process: those who were interested in investment only (hands-off), and those who were looking to apply their knowledge, skills, and abilities through hands-on management in a successful business opportunity in an industry of interest. Our organization found more success with those looking for a business opportunity who also expressed an exercised freedom to be their own boss (an entrepreneur). Franchising provides this opportunity with a reduced risk to the investor.

Most of the marketing content we used in our advertising materials was based on intimate knowledge of the brand and our competition; this information was not based in research. To determine our unique selling propositions (USPs), we conducted research on both direct and indirect competitor brands. Up until that point, franchise marketing had not been a major brand initiative of ours, so little internal research was focused on profiling prospects, uncovering what their real interests were in buying a franchise, and what made us appealing. Little to no financial resources were allocated to these marketing efforts before 2004. Once the brand entered a massive growth phase in 2005, I was designated as the Franchise Marketing Manager, responsible for the creation of the brand's B2B marketing materials and solely responsible for understanding company prospects.

Although I was passionate about this responsibility, I often felt uncertain as to whether I had appropriately targeted prospective franchisees with our marketing campaigns, which contained insights on the initial investment (initial franchise fees) and ongoing marketing support (paid through advertising fees). Several questions were constantly at the forefront of my thoughts: Had we connected our brand to prospective franchisees in a desirable way? (This reflected the concept of market orientation.) Were we able to harness the entrepreneurial spirit of those wishing to become our franchisees? (This reflected the concept of entrepreneurial orientation.) Could our leader's charisma convince others to adopt his vision, as we, the franchise development executives, had? (This reflected his charismatic leadership orientation.) Since I did not feel at peace with my

own reflections, it was necessary for me to find a real solution to these research problems after I left the organization. I became a professor and taught through practice. I also kept in touch with my former colleagues and through these discussions, we became aware of possible barriers that might prevent franchise license sales, creating the basis for the first action research cycle.

The subject of price was frequently discussed as we reflected on former decisions and compared current franchise offerings. The franchise license fees of some franchise brands were as low as US \$10,000, while others were considerably higher. Our discussions also included conversations on marketing support, in the form of advertising fees, as well as a comparison of successes considering the dynamics of the selling process, market conditions, economy, and entrepreneurial drive. We recognized, from our collective experiences, that determining the value (or cost) of the initial franchise fee and advertising fees occurs without any theoretical basis, consideration of brand resonance, or performance of the firm. Rather, it is based on similar competing brands and executives' intuition. This was not a compelling stance.

The second action research cycle was based on continuous discussions of the research problem as it evolved. In 2021, I returned to the organization and became responsible for marketing and influencing prospective franchisees once more. As a result of the previous discoveries, I shared with my colleagues, the opportunity for us to examine the franchise offerings in terms of pricing components, market orientation, entrepreneurial orientation, and charismatic leadership orientation was a timely one, especially when considering the aggressive growth goals that were set for the organization over the course of the next year and requiring that the company double in size. I intended to use this thesis to generate tangible information that I could implement and help my organization to make more informed decisions. My enthusiasm intensified throughout the process as I worked through each component of this thesis, eager to obtain results based on theory and apply them to practice. I was grateful to work with colleagues who embraced the same level of excitement.

Chapter 2 Summary Reflection – Being critical where the literature was scarce required reflection and insight to ground the organizational problem and explore the arguments found within the literature. The course work in the doctoral program taught me how to synthesize the literature and use the action research process to harvest rich ideas. To combine the vastness of literature

contained in the research required problematization and incubation so the concepts would illuminate through the literature and practice. I also learned the process of categorizing and mapping a systematic literature review. This process took a lot of time but there were valuable moments that revealed knowledge and insights at each interval, such as Zachary et al.'s (2011b) model. I began reflecting on my roles in franchising and how I would write website content, develop marketing brochures, and create presentations targeting prospective franchisees. I was trained to focus on the brand's mission and share the CEO's visions of growth while sharing inviting details about our brand.

A breakthrough in the literature review came when I was studying and reflecting on the implications of Zachary et al.'s (2011b) model, a model that paralleled my own problem under investigation. The model suggested that franchise performance affects market orientation, entrepreneurial orientation, and charismatic leadership orientation. However, based on my experience and the literature, what I found was the opposite: these orientations, or constructs as I learned to refer to them as through the research, influenced the franchise's performance, not the other way around. Throughout the literature review, I took notes and drafted nine versions of the conceptual model before arriving at the final model used in this study. The information had to be connected to the critical literature review map while also applying to what I knew from practice. I often look back at each iteration of the conceptual model and, in each iteration, I can clearly see the thoughts that triggered directional arrows, additional concepts, and relatable keywords.

Reaching beyond the practitioner perspective in the literature review process required me to think of how I would model and examine the research problem. The value of these findings lay in both a clear understanding of the relationship to franchise fees and advertising fees with respect to the franchise sales process while highlighting the underlying problem associated with their use, namely the absence of a universal model within the franchise sales process. A forward and backward literature search revealed the literature gaps from which to base ten research questions and five propositions to produce the methodology and actionable results for myself and colleagues.

Chapter 3 Summary Reflection – This chapter discussed my philosophical perspectives, methodology, and design of the thesis, allowing me to address the research questions. Developing the chapter from its initial form in the thesis proposal was difficult because several new layers

materialized after the continued review of the extant literature that occurred post-proposal. The project evolved, and the study became quite complex with the incorporation of a second action research cycle, which developed after my viva voce examination. My CEO pressured me to find results that were actionable and aligned with the organization's goals. My conviction in the study rose every day and incorporating the findings into my thoughts required me to balance my relationships with my colleagues and the objectives of the study.

Drawing from Mezirow's (1991) concept of process reflection, I engaged in deliberate reflection on the strategies and procedures that comprised this thesis, allowing me to gain clarity with respect to my own role in the study. I began to see how the pieces of the research tied together. I realized that I had to mirror the concepts found in the literature review and appropriately address the research questions through the research design. I often felt pulled in opposing directions with respect to studying what the organization needed me to and finding the answers while remaining focused. To do this well required me to align all of the thesis components through the methodology and effectively communicate this process in the thesis. I took notes on each phase so that I would more readily be able to recall the milestones. Not only did this reflection process help me to see the study with lucidity, it afforded me a broader understanding of what was needed to create alignment within the organization. For example, I realized that the three constructs were based on the perception that the concept existed, and not necessarily the concept itself (i.e., the perception of market orientation within the brand versus the actual presence of it).

When I originally conceptualized the methodology, I hoped to find magic in the numbers. The findings associated with the first and second hypotheses caused me to pivot and explore the matter in greater depth. The absence of correlation provoked me to think more critically about the research and its purpose and I repeatedly asked myself *how* I would investigate the research questions in a deeper way that could also benefit the organization. I had the power of decision-making and remained conscious of my relationship with others throughout the process.

To understand the research problem further, a mixed-methods study provided a platform to interact with current colleagues and hear their thoughts about the research process, concerns in their roles, as well as fears and apprehensions about the brand's performance and our direction. Documenting and organizing the literature review enabled the construction of the research design. Through the

process of segmenting and classifying the articles, the analysis of concepts led me to research the methodologies used in previous studies. I was able to find studies connected to the costing elements and constructs, including the MARKOR (market orientation), C-K Scale (charismatic leadership), and Miller/Covin and Selvin EO scale. These were fundamental to identifying the ways that perception of these organizational constructs was previously explored, albeit quantitatively.

The biggest epiphany in the research design came with the pre-test in the second action research cycle. I created an interview guide when I met with my colleagues to provide structure, though I realized the unplanned responses of my colleagues would reveal the details that I sought. Reflecting on the learning process of designing my study and collecting pre-test data, I felt more deeply committed to a sequential mixed-methods action research (MMAR) study design. Without a MMAR design, I am not sure that I would have been able to gather the necessary data to identify the actionable results I both sought and needed for my organizational role. The comprehensiveness of this study allowed for increased rigor and the identification of relevant solutions to the problem, as intended, and I was able to present my findings to the team in a structured and respected manner.

4.7.6 Action Research Cycle 1 – Summation

In summation, an initial observation prompted the researcher to assume the initial franchise fee would positively affect performance because most brands in each sample (purposeful: 99%; extreme: 97%) require such fees. However, statistically H1 is not supported. For example, Kilwins Chocolates Franchise Inc.'s performance score in 2016 was 298 of 500, with no initial franchise fee. Nevertheless, their performance moved to 160 the following year in the 2017 *Franchise 500* rankings upon the introduction of the franchise fee; in effect, the franchise fee does not necessarily affect performance. Further, since there is an absence of a correlation between franchise performance and the initial franchise fee, franchise development executives may want to consider increasing the franchise fee to increase revenue and cash flow. However, these results are not necessarily representative of the entire franchise population as the data consists of high performing brands only.

Additionally, two types of ongoing fees are collected most of the time by franchise organizations. Majority of high-performing franchise organizations collect both types of fees, and majority of

firms collect an advertising fee more than ongoing royalties. An initial observation prompted the researcher to assume the advertising fee positively affects performance because many high performing franchise organizations require them. For example, Papa John's Int'l. Inc. collects one of the highest advertising fees at 8% and was ranked consistently in the *Franchise 500* from 2016-2019. However, performing a correlation test on the data revealed the absence of a significant correlation between both ongoing royalties and the initial franchise fee and franchise performance. Pearson's correlation for this data is in Table 4.7 and Table 4.8. Therefore, hypothesis H2 is not supported.

For a deeper explanation of H2, it is logical to think that ongoing royalties allocated to marketing and advertising the brand affect its performance. The assumption that performance increases as advertising increases is a good one because it is an investment in promoting and communicating the brand. However, without a significant correlation, this is both a concern and an opportunity. The concern is that advertising's function is to promote a brand, and the results should elicit an effect because the role of marketing is to create, communicate, and deliver value (American Marketing Association, 2013). Herein, in the absence of a correlation, there is an opportunity to increase the advertising fee value (e.g., raise the percentage collected). The reflective journal entry in Figure 4.5 accounts for the researcher's initial reactions to the quantitative findings from H1 and H2.

Reflective Journal Entry:

It seems counterintuitive for such large, successful, international brands to arbitrarily set a fee for such critical components. Why wouldn't their relationship have statistical significance to performance? Most franchise brands have both initial franchise fees and advertising fees.

There is clearly a need for further exploration and questioning. What does this mean? How will [my former colleagues] interpret these findings? What will they think of this study and how will they use this data to make decisions moving forward? When working in franchising our executive team did not consult statistical confidence or significance in setting our pricing values, but I assumed others knew to do so. Is this why McDonald's has such a high franchise fee of US \$45,000? I assumed McDonald's franchise fee was based on demand for the brand and its strength. I need to think about the direction of my study from this point forward and other potential barriers buyers may encounter.

A few days have passed, and I combed through the data again. I have had some time to digest the findings and emotionally process interpretations of what they mean for franchise organizations. I have also considered consumer-facing attributes that also affect performance, such as the franchise industry, age/experience, and market potential. My first reaction was disbelief because I witnessed firsthand the impact of these fees within the organization. They create cash flow and operationalize marketing resources, which I have managed. However, without statistical significance on performance, could initial franchise fees and advertising fees be increased to do more of these things? How would an increase affect potential buyers and their desire to franchise? What other factors make a franchise organization attractive to potential buyers? In reflection, there is a bigger web in this wicked problem that I could encompass in my study. It is time to discuss the findings with my former colleagues to see what they think.

Figure 4.5 Reflection Journal Entry Post Action Research Cycle 1: Researcher's Initial Thoughts

The hallmark of participatory action research is to involve those who are affected by the research during the research process. The primary goal of analyzing the initial franchise fees and advertising fees was to explore potential barriers in the franchise sales process. Price signals value, position, and attracts the target market; further, price could be a determinant of franchise performance (Baucus, Baucus, & Human, 1993). The researcher involved the learning set from action research cycle 1 to enable sense making of the price components and understand practitioners' perspectives

and insights. Figure 4.6 reports the reflection after sharing quantitative data from the study with former colleagues who are franchise development executives with other organizations.

Reflective Journal Entry:

[Former colleague] is excited with the news while another was in shock, like me. Two others shared their thoughts and could see both perspectives and began contemplating what these findings would mean for their respective organizations. This sparked a healthy debate and circumstantial points of view. The stories my former colleagues shared were intriguing to me, providing “for instances” and specific recollections of sales conversations. For one former colleague the startup cost is particularly high, so the franchise fee would not likely be of concern, though the advertising fee was a consideration to bring to leadership. I think there must be some deeper-level potential barriers to consider. They all agreed that they needed time to think about the findings some more before deciding what to do with the newly discovered information.

One notable point of consideration was when the conversation shifted toward the sales process and how we utilize all forms of marketing to communicate competitive strengths and uniqueness to buyers. “People are what make an organization unique” was a common contribution, as well as noting franchising as a niche pursuit to entrepreneurship. These additional factors may have clout in addressing the research problem.

Figure 4.6 Reflection Journal Entry Post Action Research Cycle 1: Sharing the Initial Findings with Former Colleagues

4.8 Evaluation of Action Research Cycle 1

The culmination of action research cycle 1 empirically presented data which revealed that neither the initial franchise fee nor ongoing royalty fee have a statistical relationship on the performance of high-ranking franchise organizations. As part of the evaluation and reflection step, the researcher consulted the literature. Zachary *et al.* (2011a) examined organizational identity as an incentive to attract potential franchisees. This study examined key elements associated with market orientation, entrepreneurial orientation, and charismatic leadership of *Franchise 500* brands’ organizational narrative on their websites. Zachary *et al.*’s (2011a) study and others (Dada & Watson, 2012; Greenley, 1995; Stokes, 2000) enabled the researcher to posit remaining questions as to the extent and how market orientation, entrepreneurial orientation, and charismatic leadership orientation is perceived by franchise development executives of the brands they work for to be considered part of the organizational narrative. More importantly, questions arose on whether these

intrinsic factors are held within individual franchise organizations, such as the franchisor the researcher worked for. To pursue this research interest, the researcher documented the remaining questions from the first action research cycle which are addressed in action research cycle 2.

4.8.1 Remaining Questions from Action Research Cycle 1

Further problematizing the findings from action research cycle 1 with the first action learning set and triggered by the literature (Conger & Kanungo, 1987 & 1988; Kohli, Jaworski, & Kumar, 1993; Matsuno, Mentzer, & Rentz, 2005; Miller-Covin & Slevin, 1989; Narver & Slater, 1990; Zachary *et al.*, 2011a) allowed the researcher to question additional components toward barriers in the franchise sales process for potential buyers. Created from moments of inquiry, the remaining questions from action research cycle 1 are the foundation for mapping the terrain, listed in Table 4.9.

Table 4.9 Remaining Questions From Action Research Cycle 1

Remaining Questions from Action Research Cycle 1
<ul style="list-style-type: none"> • How do franchise executives define franchise performance? • What efforts are in place to improve franchise performance? • Are business strategies presently in place to drive greater value? • Are the business functions integrated to serve the needs of the target market? • Is the organization developing products that customers want? • Is there an emphasis on research, development, and innovation? • Is the organization bold and aggressive with potential opportunities? • Are the organizational goals provided by the CEO strategic? • Are barriers and constraints recognized by the CEO?

4.8.2 Mapping the Terrain

Critical inquiry incentivized the researcher to look for relational options for action (Ramsey, 2014). Therefore, in following Ramsey's (2014) prescription, the researcher mapped the terrain and included information in support of this approach to inquiry. Mapping the terrain, within the context of a DBA thesis, refers to the process through which the researcher identifies the different contextual elements, overall situation, market conditions, and so forth in an effort to identify what actions are necessary within the context of the current working situation, in this case, the

germaneness of franchise fees, advertising fees, and innate constructs involved in the franchise sales process.

In keeping with the understanding of the need to test the plausibility of the information being gathered with respect to the current working situation, two forms of action were involved in the process, divided between action research cycle 1 and action research cycle 2. Mapping the terrain progressed the research to approach action research cycle 2 where semi-structured interviews were conducted within the researcher's organization to explore the relationship of market orientation, entrepreneurial orientation, and charismatic leadership orientation. Following the completion of each action research stage, the information collected and analyzed was presented within the organizational context through the process of 'selling' the ideas originating from the data collection and analysis processes to members of upper management within the organization in order to ensure organizational sign off and facilitate the identification of next steps within the organization. It is with this in mind that the recommendations presented in the final chapter of this study refer to the implementation of these ideas in practice. At the time of thesis completion, the organization had made a decision to move forward with addressing the considerations discussed herein; however, actions have not yet been taken at the organizational level. Sections 4.7.6 and 4.9.5 include additional insights with respect to the way that the inquiries conducted herein are linked to organizational relations.

4.9 Action Research Cycle 2

Action research cycle 2 spanned from June 2021 to February 2022. Once again, the researcher embraced Coghlan and Brannick's (2014) four-step process, consisting of (1) planning, (2) acting, (3) observing, and (4) reflecting though, this time, via a qualitative study to generate more in-depth knowledge and insight toward the research problem. The researcher conducted semi-structured interviews with franchise development executive colleagues working toward building a new franchise brand. Stimulated by the lingering questions from the first action research cycle, the researcher wanted to probe deeper into potential barriers in the franchise sales process. It is imperative to note that the researcher was forced to cease working with the learning set in action

research cycle 1, as previously mentioned, due to a non-compete contract signed with her organization. This, therefore, shifted the research setting for the evolving workplace-based problem though it aided the researcher practitioner in a more complete understanding to the interpretation of the interviews and developing an informed thesis.

4.9.1 Action Research Cycle 2 - Planning

To enable an in-depth examination of market orientation, entrepreneurial orientation, and charismatic leadership orientation in positioning a franchise opportunity to potential buyers, the researcher intended to develop a holistic understanding of the complex relationship of these constructs to franchise performance. Conversations with current colleagues livened the research process because it was practical and relevant, especially since the brand was working toward achieving massive growth goals. These conversations revealed that the constructs were apparent concerns to the new learning set and potentially preventative to reaching goals if not treated thoroughly and properly, and seamlessly woven into the impending strategic plan. The researcher quickly adapted to the environment and, with the support of the CEO, began the second action research cycle. An explanatory sequential and inductive methodology was selected to derive themes and interpretations (Thomas, 2006) so that a better framework for the franchise offering could be developed to benefit the organization.

4.9.1.1 Revised Learning Set Formation and Dynamics

To reiterate, the researcher legally could not work with the action learning set in action research cycle 1 due to a non-compete contract with her organization. However, a new action learning set was formed with ease and support.

To establish the marketing strategy for the organization, the researcher had regularly scheduled calls with the executive team members. Responsibilities in the role as marketing director included market research, operations, and team management requiring frequent communication and problematization. In support of the organization's revenue and location development goals, often discussed were the barriers to growth. By acknowledging the barriers, the focus could shift to

strategically overcoming and championing the impediments. The researcher began to put pieces of the conversations together to form the next cycle of the study.

The researcher was familiar with the organization as a previous executive in marketing with a sister brand. This enabled an expedited ease of adaptability and acceptance by team members. Combined with trust as a critical byproduct, the organization's impending growth goals enabled the action research process to proceed immediately. Members from each of the organization's departments were recruited to be part of the study's second action learning set based on their ability to participate and influence decision-making for positive changes within their respective departments. Demographic insights about the second learning set used in action research 2 are detailed in a previous section (4.5).

4.9.1.2 Developing the Semi-Structured Interview Protocol

With the concerns regarding recruitment complete considering the non-compete clause and other considerations associated with the researcher's relationship to the organization, the next step of the planning process was to develop the semi-structured interview protocol. The researcher consulted the literature on market orientation, entrepreneurial orientation, and charismatic leadership orientation to develop probes for the interview questions. Semi-structured interview questions are open-ended, so unstructured responses generate discussion and allow variability for the researcher (McIntosh & Morse, 2015). The interviewer typically asks the same questions to each interviewee in a systematic order; however, the questions are semi-structured as the interviewer may veer from the script slightly (McIntosh & Morse, 2015). The interview guide is in Table 3.1.

4.9.1.3 Pilot Study

Once the interview guide was created (Table 3.2), it was necessary to test the structure and flow of the interview questions, ensuring the questions would measure what they were intended to measure, providing answers that were relevant to the resolution of the identified research questions, and making sure there was no bias present in the questions. The researcher conducted pilot testing of the semi-structured interview protocol with two members of the participatory action

research group to ascertain the comprehensiveness, clarity, and flow of questions in a pilot study. This also enabled the researcher to become more familiar with the semi-structured interview process, test technologies, and gauge the time allocation for each interview. This pilot study enabled the researcher to edit some of the questions' verbiage, which ensured the right data were collected. Additionally, methodologies and the study's research questions were tested, drawing upon concepts from Herr and Anderson (2005). As a result of feedback received during this process, some questions were removed and others were added for clarity, and the interview process began once the feedback process was complete.

4.9.2 Action Research Cycle 2 - Acting

During the reconnaissance activities, the researcher categorized notes and thoughts toward the study in a reflection journal on encounters and perceived challenges within the organization (Table 4.10). Their interrelationships were revealed, and there was an apparent balance of fear and excitement toward achieving the organization's goals with the barriers forthcoming. Collectively, the executives agreed that leadership began at the top with the CEO and through daily involvement, the vision for the brand and organization was narrowly defined though prioritized. The new franchise brand also had many brand assets, and the executive team was part of its intellectual property because they had helped create it. Semi-structured interviews would reveal the knowledge and insight toward the emergent themes.

Table 4.10 Executives' Perceived Challenges by Category

Category:	Market Orientation
Topics:	<ul style="list-style-type: none"> • Strategic commitment from the organization to affect performance • Competitive advantages • Sustainability in the market through the pandemic
Category:	Entrepreneurial Orientation
Topics:	<ul style="list-style-type: none"> • Innovative branding and products • High-risk and high-stake projects and outcomes • Aggressive goals and organizational posture
Category:	Charismatic Leadership Orientation
Topics:	<ul style="list-style-type: none"> • CEO presents inspiring organizational goals

-
- CEO's ability to innovate
 - Recognizable constraints in the physical environment due to the pandemic
 - Sensitivity to organizational members' needs and feelings
-

With insight and data from action research cycle 1 and initial conversations to expand upon, the researcher conducted semi-structures interviews in November 2021. Despite the global COVID-19 pandemic, the franchise organization continued its operations by allowing employees to work remotely from anywhere as long as they were adept with using technology to communicate. Most employees worked from home, but some chose to travel as well. This resulted in most interviews being conducted in home office settings or hotel rooms. After securing permission from participants to proceed, the researcher coordinated designated times for executives to meet online. The video technology used was Google Hangouts via a provided link, and Otter.ai was used to record and transcribe each interview. The goal of this process was to explore the executives' perceived challenges toward initial franchise fees, advertising fees, market orientation, entrepreneurial orientation, and charismatic leadership orientation toward the franchise sales process.

The researcher intended to conduct interviews with the 30 executives starting in November 2021. Interviews were held in the late afternoons and evenings on workdays and weekends using the semi-structured methodology and a draft of 27 questions across six categories. The interviews spanned weeks two through five in the month of November, with nine interviews in each the second and third weeks, six interviews in the fourth week of the month, and two interviews in the fifth week, which totaled 26 interviews. Four executives were unable to participate.

After a brief introduction of the study and research goals, the researcher verbally secured permission of each participant before proceeding. The first question addressed the participants' role within the organization. The purpose of the next set of questions was to set the stage and inquire about the concept of franchise performance and efforts of improvement. Question sets two and three inquired about the initial franchise fee and advertising fee in relation to its price and value; this enabled the researcher to add in-depth context to the quantitative findings found in the first action research cycle. In the fourth, fifth, and sixth question sets, the researcher inquired about

concepts pertaining to market orientation, entrepreneurial orientation, and charismatic leadership orientation of the organization's CEO, respectively.

4.9.3 Action Research Cycle 2 - Observing

The researcher proceeded with the semi-structured interviews as set forth in the preceding plan, and learned about the loyalty, passion, and pride the participants have for the organization and each other as colleagues. The result of action research cycle 2 was a reasonably sophisticated addition to the study whereby inductive analysis of the interview data enabled the researcher to capture themes in the data to tell a story (Dougherty *et al.*, 2000) that can be actionized with the strategic plan for the organization. The researcher's approach to analysis, coding, reflections, and subsequent actions follows.

4.9.3.1 Analyzing the Interview Data

Each interview transcript was read out loud by the researcher after the interview to ensure accuracy; herein, spelling and accents were accurately captured. The files were saved with the participant identifiers anonymized and uploaded into NVivo to begin coding the transcripts in an organization manner. Before beginning, the researcher entered the research questions into NVivo and read the transcripts again before looking for themes related to the questions. Drawing from the relevant narratives, the researcher highlighted thematic codes and organized them into higher and lower order. It was useful to also construct a table in Microsoft Word while using NVivo as a coding tool. The thematic approach used in the analysis is detailed below.

4.9.3.2 Thematic Approach

Qualitative approaches to data analysis are diverse and complex (Holloway & Todres, 2003), and can provide a detailed account of data (Braun & Clarke, 2006). It is important that the theoretical framework and methods match what the researcher wants to know. The researcher selected thematic analysis for this study and utilized Braun and Clarke's (2006) systematic, six-phase (Table 4.11) guide of thematic analysis to capture the richness of phenomena in qualitative data.

Table 4.11 Six Phases in Thematic Analysis (Braun & Clarke, 2006)

Braun and Clarke's (2006) Six Phases in Thematic Analysis	
Phase 1	Researcher familiarizes themselves with the data
Phase 2	Perform initial coding
Phase 3	Search for themes
Phase 4	Review potential themes
Phase 5	Define and name themes
Phase 6	Produce a report on the findings

An inductive approach to analyzing the data allowed the researcher to identify emergent themes. The adoption of an inductive approach to analysis involved categorizing data without trying to fit it into a pre-existing framework or researcher's preconceived notions (Braun & Clarke, 2006). Since the findings of the study are data-driven, the themes identified may not relate to the specific questions asked of participants (Braun & Clarke, 2006). There is a close link between the themes identified and the data itself (Patton, 1990; c.f. Braun & Clarke, 2006).

The interview data was analyzed using a thematic approach, organized by the research questions, and coded with higher and lower order codes. Ensuring flexibility in relation to how thematic analysis was used in the study was important to the researcher because it permitted active choices concerning the type of analysis employed in action research cycle 2 (Braun & Clarke, 2006). This theoretical freedom allowed the researcher to make their epistemological (or other) assumptions explicit (Braun & Clarke, 2006; c.f. Holloway & Todres, 2003). Thematic analysis can be data-driven with an inductive, bottom-up approach, or theory-driven with a deductive, top-down approach, or a combination of both. The researcher preferred the flexibility of a thematic approach with inductive analysis.

4.9.4 Action Research Cycle 2 - Reflecting

Throughout the completion of the study, a reflection journal was kept by the researcher. The contents of this reflection were divided by chapter, with a summary reflection written for each of the chapters contained within this thesis. The summary reflections for chapters 4-6 are included herein.

Chapter 4 Summary Reflection – I anticipated gathering and analyzing the data since proposing this thesis study, and these feelings grew once I rejoined the organization in 2021. To be able to assist franchise executives who are responsible for the development and marketing of their brand extends what I know about the use of the marketing mix in franchising. As a result, my passion for this project intensified.

There are many components to this study, and a mixed-methods approach was certainly overwhelming. However, Chapter 4 was my favorite because I was able to tell the story of how I aligned the research with the methodology and action research cycles. It was intense to work as an insider action researcher, and while I had the support of my CEO, I felt immense pressure to perform in both my corporate role and the role of a researcher. The biggest challenge was remaining unbiased in my personal thoughts toward the information shared during interviews. I felt that I knew the brand intimately, and the research process deepened that knowledge. I saw the CEO's decisions differently than some, especially in the daily rigor toward brand performance and supporting franchisees. To the CEO, this was more than a business, it was a way of life. To some, their role in performance and support was a job, but to most it was something that the executives cared for deeply, and their passions shone through during the interview process. I appreciated each team member more so after the interviews were complete because of their willingness to share insights to make our brand better. Their full participation was critical to this study.

Chapter 5 Summary Reflection – The findings of this study are important for franchise executives who are responsible for developing franchise brands. As a franchise-marketing executive who was privy to many conversations and decisions surrounding the brand's investments, costs, and returns, setting the price of the initial investment and advertising fee for the brand was usually based on what other franchise brands were doing in an effort to remain competitive. The advantage of this method is that direct competitors have similar initial franchise fees and advertising fees. However, there might have been a missed opportunity to increase revenue that, in my department, could have been used to advertise and grow the brand, particularly in situations in which the competition was strong and the growth objectives were intense. The research informed the cost-related opportunities that exist based on the first four research questions, and the team was eager to hear the study's findings during our strategic planning process.

By emphasizing tangible concepts that may change the perceptions of prospective franchisees, the brand will be able to establish a sustainable competitive advantage. The benefits of this change included the ability to make detailed decisions at the executive level, alongside the CEO and other department heads. Due to the aggressive growth objectives, the findings from the remaining six research questions were of particular interest. The hesitancy in the economy caused the sales team distress, and my team had conversations on how to overcome potentially nearing challenges. Staying focused on our target audience and holding franchisees accountable to our business model helped us identify with the entrepreneurial orientation of our brand while remaining market savvy. Addressing the market orientation through the real estate and performance teams will be critical to our growth, and this appeared to be a consistent perception maintained by my colleagues. Holding our marketing vendors accountable to our goals is equally critical to market orientation. Further, being led by a charismatic CEO is ideal, though the focus on development and brand performance remains his major initiative.

Chapter 6 Summary Reflection – Using relative and comparable data from multiple years of the *Franchise 500* list helped me validate the meta-inferences I experience as a franchise-marketing executive. The results of this study allowed me to offer new knowledge to colleagues pertaining to the absence of a significant correlation of initial franchise fees and advertising fees on franchise performance. Admittedly, the results of the hypotheses were shocking because most of the franchise brands within the purposeful and extreme case sample have these fees, and their correlation seemingly was not questionable. In marketing, it is important that we audit our decisions related to the marketing mix and do not exclude any component related to product, price, place, or promotion so that areas of potential revenue generation can be found or created. The new knowledge this thesis provides could further boost the economic impact that franchising contributes to the United States if the recommendations to increase the fees are embraced.

While strategic areas remain a focus, which was validated in the interviews (i.e., customer focus as a thrust of the organization, and a competitive advantage when shifts arise within the marketplace), our bold decisions enable the brand to remain highly competitive. We are led by a CEO that inspires us with strategies, hands-on management approaches, and a keen eye for barriers to growth and a creative outlook on exceeding the needs of the end user (our ultimate customer).

At the culmination of the thesis, I felt rewarded by the developments and discoveries of the study while being empowered in my decision-making as an executive and as a scholar-practitioner. I believe our organization can better achieve its goals because of this research. I feel fortunate to have the knowledge and insight provided as a result of the completion of this study.

4.9.5 Action Research Cycle 2 - Summation

The completion of this second research cycle allowed the researcher to become a scholar practitioner and an insider action researcher. During the second research cycle, the principal objective was to investigate how franchise development executives perceive market orientation, entrepreneurial orientation, and charismatic leadership orientation to reduce penitential barriers in the franchise sales process. Conducting a study that would benefit the organization, develop the franchise brand, and further the strategic plan was a responsibility the researcher approached with enthusiasm and conviction.

Cycle 2 of action research posed several challenges for the researcher, including the need to listen to viewpoints that do not align with the researcher's beliefs and the need to remain objective throughout the research process. Participants in some interviews retreated from sharing their opinions and biases, particularly when considering the CEO's disposition to be charismatic. Top management was encouraged to see executives expressed confidence in the brand's market orientation, and that they were proud to work for an organization that encouraged franchisees to achieve their entrepreneurial dreams. In these moments, the researcher felt a sense of pride for having conducted this part of the study.

During the discussion, one notable topic was when the conversation turned toward the sales process and how executives utilize marketing materials to communicate competitive strengths and uniqueness to buyers. It was clear that "people make an organization unique" as well as declaring franchising to be a niche market for entrepreneurship. The addition of these factors may have an effect on how the research question is addressed.

Putting into practice the findings of the second participatory action research cycle required the researcher to continue discussions with the executives, which further enabled collaborative inquiry

with the second participatory action research group. As a precaution against making rash decisions, the researcher brainstormed ideas with two smaller groups of participants, from two different departments, who were closely associated with integrating the study findings into organizational strategy and practice.

Based on the observations step of cycle 2, the researcher implemented the following actions. First, following a discussion at the year-end quarterly review, it was decided to maintain the initial franchise fees and advertising fees until the next growth milestone is achieved and the corporate legal team is able to review the Franchise Disclosure Document (FDD) for 2022 in the coming months. Second, as part of the short-term strategic plan for 2022, market-oriented messaging and the importance of customer experience are two of the main objectives of digital and print collateral for both B2B and B2C marketers. Using the findings with regards to entrepreneurial orientation, the marketing and performance teams were able to better understand their target demographic, and verbiage in digital media was modified to emphasize the achievements associated with an innovative and research-oriented brand. Lastly, during a lengthy meeting, the CEO and senior of executives reluctantly discussed the CEO's charisma and the company's growth strategy.

4.10 Evaluation Action Research Cycle 2

As a general rule, action research challenges conventional wisdom in our subject areas and is a practice of participation that strives to involve those who might otherwise be the subjects of research or intervention as co-researchers (Reason & Bradbury, 2008). Thus, in the second action cycle, the researcher aimed to explore franchise development executives' perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation. After thematically labeling all the transcripts and then combining these initial codes into 17 themes, 71 initial codes were identified. The benefit of the second cycle of action research is the tacit knowledge gained regarding the operationalization of each construct into the brand's strategic plan for 2022 and its corresponding marketing collateral. The completion of the current study will lead to key outcomes for franchise development executives by providing underlying information that could aid in strengthening the brand's performance levels, sales process, and create an opportunity to build a

stronger relationship between franchise development executives and the brand through their valuable input.

4.11 Conclusion

With the adoption of a mixed methods methodology and sequential action research design, as outlined in the previous chapter, Chapter 4 was focused on documenting both the approach to the action research cycles and the analysis of the findings from each cycle, highlighting the ways in which the first action research cycle led to the further development of the second. In both action research cycles, Coghlan and Brannick's (2014) four-step process, consisting of (1) planning, (2) acting, (3) observing, and (4) reflecting, was utilized.

The purpose of this chapter was to relate how the investigating questions were derived, how the action research data were analyzed, and how they contributed to the researcher's organization and to the franchise industry. Action research cycle 1 consisted of website scraping, with the results of the first action research cycle used in the development of the interview protocol used in the collection of semi-structured interview data in action research cycle 2. In addition to statistical data on pricing components of a franchise offering, the researcher obtained the participants' perception of various constructs and formed trusting relationships with colleagues. Accounting for reflexive learning in the process and on the part of the researcher was imperative to the study, as it deepened the understanding and compassion for the subject matter. Although the researcher faced several challenges during each of the action research cycles, the mixed methods study, using a sequential action research design and PAR approach enabled the researcher to analyze, reflect, and learn from the information obtained. The information garnered from the completion of the two action research cycles was then applied in an outcome approach within the researcher's organization, leading to the manifestation of clear influences, discussed in Chapter 5.

CHAPTER 5: FINDINGS & DISCUSSION

5.1 Introduction

This study examined the relationship between initial franchise fees and advertising fees in high-performing franchise brands, and observed executives' perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in positioning franchise opportunities for buyers. Through the completion of this thesis, the researcher sought to explore some of the elements of the franchise sales process by focusing on the price components of the marketing mix, with specific focus on advertising fees and franchise fees, while simultaneously working to identify potential barriers to effectively position a franchise brand. While there are many franchise brands operating in North America, to effectively filter out the prospects and identify the most appropriate for analysis within the current study, the researcher delimited the potential choices using rankings found in the *Franchise 500* list published annually by Entrepreneur Media, Inc.

Brand leaders, like those identified for analysis within the current study, can make use of price as a positioning tool to grow and develop in the US economy. Price remains a significant driver of franchise selection in the US, meaning that a deeper understanding of the impact of advertising fees and franchise fees may contribute to improved franchise positioning. The franchise development executive is responsible for facilitating improved franchise development and effectively identifying the best way to position the franchise brand within the franchising marketplace. With these considerations in mind, ideally franchise development executives who are affiliated with a franchise brand should subscribe to, or be aware of, the market orientation of the franchise, the entrepreneurial orientation of the brand, and the CEO's charismatic leadership orientation. Of further consideration is the concern that if either the pricing components of the franchise or the executive's perception of strength in the company's direction falter or fail, such action could adversely affect the company's growth. To provide franchise development executives, and the researcher's colleagues, with the information necessary to leverage the franchise brands they are responsible for in the competitive market environment, the researcher conducted an action research study with two action research cycles. The first cycle involved website scraping as a methodology and the second cycle involved semi-structured interviews.

In Chapter 5, the study's findings are discussed with respect to the literature. In this step, the researcher concluded the second action research cycle, wherein the results of the study are realized, and the anticipated effects of action research interventions are presented. The results of this DBA study were sufficient to resolve the ten research questions identified as:

RQ 1: To what extent does the franchise license fee influence a franchise brand's performance level?

RQ 2: How does the franchise license fee influence a franchise brand's performance level?

RQ 3: To what extent does the advertising fee influence a franchise brand's performance level?

RQ 4: How does the advertising fee influence a franchise brand's performance level?

RQ 5: To what extent is market orientation perceived by franchise development executives?

RQ 6: How is market orientation perceived by franchise development executives?

RQ 7: To what extent is entrepreneurial orientation perceived by franchise development executives?

RQ 8: How is entrepreneurial orientation perceived by franchise development executives?

RQ 9: To what extent is charismatic leadership orientation perceived by franchise development executives?

RQ 10: How is charismatic leadership orientation perceived by franchise development executives?

The sections that follow include a summary of the findings for both action research cycles, implications for practice, recommendations for research, and concludes with a chapter summary.

5.2 Summary of Findings

5.2.1 Action Research Cycle 1

5.2.1.1 The Franchise License Fee's Influence on Brand Performance

The current study allowed the researcher to explore the extent to and means by which the initial franchise license fee affects franchise performance. Repeatedly in the literature, it was revealed that the franchise fee had a relationship with performance leading to key sources of revenues (Windsperger, 2013) and value (Baucus, Baucus, & Human, 1993). The better the brand performance, the higher the upfront fees (Sadeh & Kacker, 2018), though Brickley (2002) argued that franchise fees should be lower to attract and retain franchisees. The researcher found that a franchise fee is required in the majority of high-performing franchises, which was the case in both the purposeful (n=776; 99%) and extreme case (n=259; 97%) samples in initial observations from the website scraping done in action research cycle 1. In some cases, such as that with Kilwins Chocolates Franchise Inc., the ranking increased from 298 to 160 the following year in 2017 once the franchise fee was introduced. This finding theoretically validated Maruyama and Yamashita (2012) in that the franchise fee has a significant relationship with franchise performance and the presence of an initial franchise fee applies uniformly to top-performing franchises (Sadeh & Kacker, 2018).

To determine statistical significance, a Pearson's correlation test was used on the website scraped data collected to measure franchise performance and the initial franchise fee to which correlation was absent. Therefore, the effect of the initial franchise fee on performance is concluded as the following Hypothesis (H1):

Despite the presence of an initial franchise fee in nearly all the high-performing franchises across the United States and Canada, there is an absence of a significant correlation between the initial franchise fee and franchise performance.

This Hypothesis H1 was not supported and therefore contradicted the perspectives provided by Windsperger (2013) and Sadeh and Kacker (2018). This presents a moral hazard in the franchisor-franchisee relationship: each party must uphold their end of the contract whereby training, central advertising, and the valley are critical (Brickley, 2002). The initial franchise fee is payment toward these efforts, most high-performing brands have them, and shirking these activities is costly for both parties (Brickley, 2002). It is unknown how franchise development executives set the value for their initial franchise fee, and misalignment of the price component can be problematic (Zachary *et al.*, 2011b). Misalignment could result in pricing the initial franchise fee too high and could deter prospective revenue for additional marketing, franchise support, customer service, or another area that further supports the brand and its growth.

A small, relative increase in the franchise fee, perhaps US\$5,000 per license, could add additional revenue for the firm to use toward management and operational expenses that exist to support the strong franchise brand, which is a finding relative to that of Nijmeijer, Fabbriocoti, and Huijsman (2014). For example, an increase of US\$5,000 per license on 25 licenses sold in a fiscal year result in an additional US\$125,000. This increase is relatively minimal for the franchisee, who is paying more than US\$500,000 for their overall initial investment, as an example. However, this small increase has a great effect on the franchisor; the additional revenue could provide marketing resources that fund an additional print, radio, or social media campaign that focuses on soliciting the franchise opportunity branding or adding another person to the organization to support sales or customer service. The franchise license fees are crucial to a franchise's success. If a franchisor fails to deliver the corporate support it promised in exchange for the royalty fees, the franchise's brand performance will deteriorate (Lee, Kim & Rhee, 2021). This discovery demonstrates agreement with previous research and provides further context for the theory, though when royalties rise, there is less surplus left to extract from initial franchise fees (Kaufmann & Dant, 2001). This required the researcher to also investigate royalty rates and advertising fees.

5.2.1.2 The Franchise Advertising Fee's Influence on Brand Performance

The franchise contract includes three costing provisions, including the initial franchise fee, an ongoing royalty, and an advertising fee (Vázquez, 2005), which is oftentimes paid as a royalty. Royalties heighten franchisor performance incentives (Maruyama & Yamashita, 2012), and the

more valuable the set of operational routines, the better franchisees perform and pay royalties (Gillis & Combs, 2009). The literature on royalties is scattered to include and focus on advertising fees, likely because they enable marketing support and are allocated toward branding. The expected benefits of royalties in any form must exceed the costs (Hua *et al.*, 2017), but the value-added benefit is the perception of the ongoing royalties' role. Noted, the value of the franchisor's services to the royalty rate is a contradiction between the franchisor's services and sales-based royalty rates (Maruyama & Yamashita, 2012).

The website scraped data in action research cycle 1 initially revealed that the majority of franchise organizations in both the purposeful (754; 97%) and extreme case (245; 95%) samples require an ongoing royalty. To determine statistical significance, a Pearson's correlation test was used to measure franchise performance and ongoing royalties from the data, which there was correlation abstention. This was not a hypothesized relationship in this study, but it is considered a major finding (see Tables 4.6 and 4.7).

The research explored the means and extent advertising fees affect franchise performance. Advertising fees are recurring costs that operate as royalties paid to the franchisor, whereas initial franchise fees are transactional and paid at the time of sale. Financial incentives show the importance of the franchisor's effort to support franchisees witnessed in both types of fees (Vazquez, 2005), so it is common to see both in a franchise offering. It is known that a franchisor with a higher need for capital would demand higher initial franchise fees and low royalty rates, and a franchisor with access to capital due to the number of outlets demands lower initial franchise fees and higher royalty rates (Rohlfing & Sturm, 2011). This is because the initial franchise fees serve as operating capital for the organization, and the advertising fees support the brand's sustainable growth over time. For example, Great Clips has ranked as high as number seven and as low as 28 from 2016-2019 in the *Franchise 500* ranking. Their initial franchise fee is US\$20,000, their advertising fee is 5%, and they have been franchising since 1983. Conversely, Orangetheory Fitness has been franchising only since 2010, and their initial franchise fee is US\$59,950, and their advertising fee is 2%. Their ranking in the *Franchise 500* moved from 255 to 19, 48, and 25 (respectively) in a period of four years (2016-2019). The newer the franchise brand, the more upfront capital is needed to fund the operations of the firm while the brand is being established (Vázquez, 2005). However, branding and marketing are likely to have a

disproportionate effect on potential franchisees (Wright & Winzar, 2014). Therefore, an additional price component of the marketing mix, advertising fees, was measured concerning ongoing royalties of both the purposeful and extreme case samples.

An analysis of marketing support, as required through an advertising fee, was measured from both the purposeful and extreme case samples from the website scraped data in the first action research cycle. The majority (679, or 88%) of high-performing and consistently ranked high-performing franchise organizations (213, or 82%) require an advertising fee, and so it was hypothesized that performance is affected by the advertising fee. For example, Planet Fitness collects one of the highest advertising fees at 9% and was ranked consistently in the *Franchise 500* from 2016-2019. The advertising fee commonly supports branding marketing efforts that the target market sees in the form of branded ads and campaigns, and, in turn, the brand grows. To determine statistical significance, a Pearson's correlation test was used to measure franchise performance, and the advertising fee on the website scraped data collected, to which correlation was absent. Therefore, the effect of the advertising fee on performance is concluded as the following Hypothesis (H2):

Despite the presence of an advertising fee in nearly all the high-performing franchises across the United States and Canada, there is an absence of a significant correlation between the advertising fee and franchise performance.

Though Hypothesis H2 was not supported, the absence of a correlation between an advertising fee and performance may be an opportunity for franchisors. While the findings by Rohlfing and Sturm (2011) suggest the advertising fee increases when in need of capital, such as in the brand's early years, an absence in correlation means performance is not affected and the advertising fee can be increased earlier on in the brand's tenure since age does not affect performance (Zachary *et al.*, 2011b). Even more critical, these findings complement the under-researched areas provided by Hua *et al.* (2017) in that the benefit of performance exceeds the cost or the advertising fee, whereby attraction is performance-based (Sen, 1993) and not fee-based. This adds additional pressure on marketing, and the brand image of the franchisor (Wright & Winzar, 2014) and effectively supports the brand. A second action research cycle was introduced to the study after sharing the quantitative findings with the participatory action research group. A discussion of these findings follows.

5.2.2 Action Research Cycle 2

5.2.2.1 Franchise Development Executives' Perception of Initial Franchise Fees

The researcher transcribed the interviews after they were completed and scoped them to ensure accuracy with regards to the recorded sessions. Once the transcripts were finalized after verification of their accuracy, the next step was to conduct the qualitative thematic analysis. To accomplish this task, all responses obtained from participants with respect to each question asked were broken down by initial codes. The codes were representative of the essence of what each participant stated in their responses during the interview. Following the collection of codes, like codes were grouped together to identify emergent themes. To ensure accuracy, representative samples of participant responses were maintained next to each of the identified codes. Analyzed transcripts were then divided based on the proposition, P1–P5, that they were most associated with, and the resultant themes were then used to assess the accuracy of the proposition.

An analysis of the respondents' views on to the extent and how the license fee influences brand performance comprises five themes: (1) defining franchise performance; (2) reflection (views) about the initial franchise fee; (3) influence of the franchise fee on performance; (4) how the franchise fee influences; and (5) support from the franchisor (brand) against the fee. The five themes produced a total of 18 initial codes. The researcher created a summary table containing representative statements from the interview transcripts, allowing for a conclusive rejection of Proposition (P1) with the following observation.

Despite awareness of the initial franchise fee in the franchise sales process, most franchise development executives do not perceive it to have an effect on franchise performance.

Support for this observation can be found by returning to the interview transcripts made of participant responses. Initial codes, including achievement of set goals, a collective team effort, effective operation under given standards, financial performance, market share, and utilization of maximum capacity were all linked to the overarching theme of defining franchise performance. As one participant stated, "Franchise performance, to me, means that our studios are achieving success and meeting their goals based off of what we require them to meet, but also what's going

to make them the most money, so to maximize their revenue.” Another participant indicated, “When I think of franchise performance, I think of holding my franchisees accountable to the goals that I’ve set for them, and that are set for us as a company, and meeting with them and communicating with them, and sometimes being tough on them, so that we can make sure that those goals are reached.” These sentiments fall into alignment with those of other participants, such as the participant who stated, “Franchise performance means, to me, a team within a franchise organization, corporate team within a franchise organization, that helps franchisees perform to the best of their ability and stay within brand guidelines.”

The second emergent theme was reflection (views) about initial franchise fee, which was linked to three different codes: initial investment of franchise, reflects success of brand, and resource for franchisor. Initial investment of franchise was best represented in a single quote when a participant stated that the initial investment of franchise was a franchisee’s “initial investment. And I’m going to do my job every day to coach them to success regardless of what they paid initially.” Another participant indicated succinctly that the initial franchise fee reflected the overall success of the brand stating, “The liquid cash that is required of the franchise fee. It has to be cashed that they have available and not everybody has cash in the bank. So I would say yes, the cost of the franchise fee...it is a reflection of the organization’s performance.”

The influence of franchise fee on performance was the third emergent theme, formed under the identified codes of enhancement of franchise performance and no effect of initial franchise fee on franchise performance. These two initial codes were best represented by the responses provided by two different participants. In support of the idea that franchise fees are perceived to enhance franchise performance, a participant stated, “Is franchise performance influenced by the franchise fee? In some instances, I would have to agree with that statement. In the sense that...if the franchise fee is large, then the person perceives the franchise as holding more value...If they view it as holding more value, then they’re more apt to work harder.” In support of the idea that there is no effect of the initial franchise fee on franchise performance, a different participant stated, “No, I don’t think it affects franchise performance. While I knew that they pay that and I am handed them...as a coach that day, it doesn’t affect how I treat them as a franchisee or customer. I’m still going to hold them accountable regardless.”

A fourth emergent theme was how the franchise fee influences, with access to resources and motivation for franchises to perform identified as the two codes linked with this overarching theme. With respect to access to resources, a participant stated, “I think franchise performance is affected by the initial franchise fees; when you pay that initial fee, you are buying into the brand itself, which gives you access to many resources that we have available...it’s keys to success in my opinion.” A different participant stated, with respect to motivation for franchisees to perform, that “franchise performance is influenced by the initial franchise fee...it can motivate individuals and motivate franchisees...to use them...in order to be successful. I think it does influence performance as it’s a motivator.”

The final theme was support from franchisor (brand) against the fee. A total of five different codes were linked to this emergent theme: creative and innovative ways to support franchisees, collective effort to improve franchise performance, increased training and meetings to decide areas of focus, providing connections to franchisees, and support for franchisees from the coaches. Among the different representative quotes linked to these concepts, two stood out as being the most concise. One participant stated that “every six months or so, we find new creative and innovative ways to support our franchisees to grow our company and just to make everything that we do better.” Another participant stated, “We, as a department, have been going through a lot of training and meeting(s) to decide what areas of focus we need to change and evolve...and we are all working on making sure that, from a holistic perspective,...we are putting revised guidelines and performance measures in place that are up to date and realistic.”

Considering the overarching five themes that emerged from the analysis of responses associated with the first proposition, P1, the responses of the participants indicated that awareness of the initial franchise fee did not increase the influence of the initial franchise fee on the performance of the franchise to which the fee was linked. This finding was in direct opposition to the initial proposition but was in alignment with the rejection of H1 and H2 in the completion of the first action research cycle.

5.2.2.2 Franchise Development Executives' Perception of Advertising Fees

Following the completion of the interviews, the interviews were transcribed by the researcher and scoped to ensure the accuracy of the transcript to the recorded interviews themselves. Once the transcripts were finalized after verification of their accuracy, the next step was to conduct the qualitative thematic analysis. To accomplish this task, all responses obtained from participants with respect to each question asked were broken down by initial codes. The codes were representative of the essence of what each participant stated in their responses during the interview. Following the collection of codes, like codes were grouped together to identify emergent themes: enhances performance and reflection of franchisor's performance were used to identify the emergent theme of influence on performance, while enhances responsibility and acts as a motivator, holding advertising groups accountable, improved brand recognition, pressure on franchisor team to perform, and spending advertising fee wisely were linked with the emergent theme of how advertising fee influences performance. To ensure accuracy, representative samples of participant responses were maintained next to each of the identified codes. Analyzed transcripts were then divided based on the proposition, P1–P5, that they were most associated with, and the resultant themes were then used to assess the accuracy of the proposition.

The analysis of the respondents' views on the extent and how advertising fees influence brand performance comprise two themes: (1) influence on performance; and (2) how the advertising fee influences performance. With respect to influence on performance, one participant said, "When franchisees are putting their money where their mouth is, then they're going to make money and we tell them this from day one, that they are required to spend a certain amount of money on advertising and that is put in place to help their business be successful." Another participant stated, "Every week we look at those numbers and we can see how much each franchise studio or each franchisee is paying towards advertising. And we keep track of this for the whole organization, so yes, I think it is a reflection of franchise performance."

Looking to the second emergent theme in this area, how advertising influences performance, there were a host of representative comments to choose from in support of this theme. One participant stated that "(the advertising fee) acts as a motivator for all involved." Another participant indicated that the advertising fee "has a lot to do with how we perform" supported by still a third participant

who stated that the advertising fee “goes hand in hand with what franchisees are expecting with lead generation, and we hold our advertising groups accountable to that level of performance.” In light of these representative statements from the interview transcripts regarding both of the emergent themes, it can be stated that there is sufficient support Proposition (P2) with the following observation.

Franchise development executives are aware of and perceive the advertising fee to have an influence on franchise performance.

Considering the overarching two themes that emerged from the analysis of responses associated with the second proposition, P2, the responses of the participants indicated that awareness of the advertising fee did increase the influence of the advertising fee on the performance of the franchise to which the fee was linked. This finding was in support of the second proposition and was in alignment with the information identified during the completion of the first action research cycle. As the initial franchise fee does not influence performance, but the advertising fee is perceived to affect franchise performance, it is recommended that further research is done with respect to the type of advertising being conducted from funds obtained through the advertising fee in future studies.

5.2.2.3 Franchise Development Executives’ Perception of Market Orientation

As with P₁ and P₂, the following steps were all completed prior to the division of analyzed content. The completion of the transcription and scoping process, once the veracity of the transcripts was finalized, the researcher completed the qualitative thematic analysis. Following the thematic analysis, in which all responses obtained from participants with respect to each question asked were broken down by initial codes, like codes were grouped together to identify emergent themes, and representative sections of the interview transcripts were associated with each. Analyzed transcripts were then divided based on the proposition, P₁–P₅, that they were most associated with, and the resultant themes were then used to assess the accuracy of the proposition. The content is associated with P₃.

An analysis of the respondents' views on the market orientation of their organization comprises five themes: (1) belief to create greater value for customers; (2) alignment of all operations with thrust to serve customers; (3) ability to detect shifts in the market; (4) periodically review of product development efforts to ensure they are in line with what customers want; (5) source of competitive advantage. The five themes produced a total of 21 initial codes. A summary table and representative statements from the interview transcripts is presented below in support of Proposition (P3) with the following observation.

Franchise development executives are aware of and perceive market orientation to have an influence on franchise performance.

The first theme, belief to create greater value for customers, is represented in such comments as, "I think we are constantly looking for ways to increase value for our customers," and "the strategies that I coach them on (are) meant to target customers to increase membership sales, which in turn makes them more money." Looking to alignment of all operations with thrust to serve customers, one participant noted, "I don't know if all of our business functions are integrated...I think that we try and we want them to be integrated but I don't know from the franchises if it comes across that way." Another participant stated, "I think they are fairly organized and integrated well with each other. The next step would be to make sure that they're reaching the customer."

The third theme, the ability to detect shifts in the market, is represented in quotes like those from these two participants. One stated, "Everything that we do is working to stay in compliance to keep our customers safe, to make our customers very happy so we can continue growing." Another indicated, "I think we are very good and on top of all those things (with respect to detecting market shifts), especially technology. Our team is working together to make sure that we provide the best services out there. And part of that is understanding what's going on in the marketplace."

Periodically reviewing product development efforts to ensure that they are in alignment with what the customers want was the fourth emergent theme. Ample representative comments were available in support of this theme, including one participant's statement that "I believe we do (periodically review development efforts) but at the same time, not enough. I think the world is evolving so much faster these days than it has (since) we first were organized and the company

was created... We need to constantly remain aware of our customers' needs and what they want." Another stated, "I know whenever I have ideas that I bring to the table, it's because I've spent hours inside my studio, talking to our members, getting to know them... understanding what their needs are... We as a team, and as an organization, create things that our customers want and our customers need, sometimes even before they know they need it."

The final theme, source of competitive advantage, also had ample comments that could be used in support of this theme. As one participant noted, "I see this in the demand for our products. I see that (in) the demand for getting resources here which are jammed up by the supply chain. I see this every week in the accounting meetings." Another participant stated, "I think that with our technology, being accessible 24/7 makes us have a competitive advantage. I think that our business model... gives us a competitive advantage."

Utilization of the representative comments pulled from the interviews, and in considering the five overarching themes identified with analyzed interview content associated with P3, the responses of participants indicated they believed that the affinity for market orientation maintained by franchise development initiatives worked to better position the franchises for which the franchise market development executives were responsible within the marketplace. This finding suggests that the greater the market orientation maintained by the franchise development executive, the more in alignment the individual will be with the ever-changing needs of the marketplace, which in turn will allow the executive to leverage the market position the franchises for which the executive is responsible.

The third research question focused on how franchise development executives perceive and implement market orientation within the organization. Market orientation should be viewed as a continuous process of proactive action within the organization, providing a level of control over the market environment as well as a firm's competitors (Greenley, 1995). In this sense, it measures behavioral components (Narver & Slater, 1990) that are relevant to the acquisition and distribution of market intelligence across an organization (Kohli & Jaworski, 1990; cited in Lee *et al.*, 2015). This is essential for a franchise development executive whose role is to communicate the brand's value to prospective franchisees. An increased level of market orientation can lead to

innovative responses and a consequently improved ability to meet customer needs (Gauzente, 2010). Thus, a market-oriented organization and communicating market information require congruence, both of which depend on the communicator believing strongly the organization is market-oriented. Even though the spirit of market orientation may be shared between the firm and development executives, the performance outcomes may be inconsistent (Gauzente, 2010).

Interviews with franchise development executives were conducted to examine their perceptions of market orientation. As has been demonstrated, customer value chains and long-term company success should be viewed as one (Narver & Slater, 1990). The results obtained from the analysis demonstrated that, as a market-oriented organization, the organization is characterized by generating value for customers, meeting the needs of customers, creating a competitive advantage that is integrated with the target market, and having well-coordinated departments within the business unit. Several dimensions of market orientation are involved in the acquisition and dissemination of market intelligence information across the company (Kohli & Jaworski, 1990; cited in Lee *et al.*, 2015). Additionally, of equal importance are the behavioral components of market orientation that are conceptually related (Narver & Slater, 1990). In general, it appears the franchise development executives within the organization consider their franchise brand to be market-oriented, which is beneficial for the growth and development of the brand.

5.2.2.4 Franchise Development Executives' Perception of Entrepreneurial Orientation

Codes were obtained through qualitative thematic analysis of all transcribed interviews, as described in the previous three sections. The same process was used in the identification of codes and emergent themes that were pertinent to the resolution of P4 Representative comments obtained from the interviews based on code and emergent themes associated specifically with the resolution of P4 were selected to provide support for P4.

An analysis of the respondents' views on the entrepreneurial orientation of their organization were associated with three emergent themes: (1) propensity to make bold decisions; (2) propensity of senior executives to take risk; (3) propensity for research and development (R&D) and innovations. The three themes produced a total of 13 initial codes. Representative statements from the interview transcripts, which support Proposition (P4) are offered below this observation.

Franchise development executives are aware of and perceive entrepreneurial orientation to have an influence on franchise performance.

The propensity to make bold decisions was linked with several separate codes: a balanced approach, being bolder and more aggressive, and being relative to the situations and resources. Representative comments for this emergent theme were frequent. One participant stated, “I see us being aggressive in the sense of being innovative, but I think that we do what we need to do and we take steps in place in order to make sure that we’re doing the right things for our franchisees...and for the whole executive team.” Another said, “I think this is just relative to what...the situation dictates. If there’s the potential for us to maximize revenue or growth, then I think we’ll be very bold and aggressive with the requirements, the demands, and the timeline to develop programs and projects and deliverables.”

The propensity of senior executives to take risks was divided into the balanced approach, being dependent on the executive, and being dependent on the situation as well as being both more prone to high-risk projects and low risk projects. A participant said, “I think it’s somewhere in the middle, you know, financially. I would say it’s pretty well balanced.” Another stated, “I think it depends,” while a third said, “I really think it depends on the executive that you’re speaking with. I think some of our executives are more low risk, maybe because of the job or the responsibility or the budget you’re operating with.”

Finally, the propensity for R&D and innovations was linked to the following codes: a balanced approach, continuous improvement in products and services, implementing tried and true practices, the idea that innovation and R&D helps performance, and a focus on innovation and technology. As a participant stated, “I think people see the value and see the growth, exponential growth, and the support that you get from our team...makes them a shoe in to be part of the brand. We’re constantly innovating and upgrading and improving and incorporating new and better products.” Another stated, “Oh, we are focused on innovations. This year we launched a new piece of equipment. I know there are more...things in the works with regard to technology especially and products with a new project that is coming up. I think our focus is on innovation.”

This information led the researcher to conclude that the perceptions of franchise development executives as entrepreneurially oriented will lead to better market positioning for the franchises for which the executive is responsible. This finding suggests, given the previous links between franchising and entrepreneurial research within the extant body of literature, those franchises that are viewed in a more entrepreneurial light are more likely to have an improved market position. Thus, the franchise development executive is more likely to be able to effectively leverage the market positions of the franchises which they are responsible for promoting if they are able to perceive the franchise through this lens. By strengthening the relationship between franchise brands and franchisees, franchisees are more likely to be able to maximize the value of their locations.

A fourth research question focused on how franchise development executives perceive and implement entrepreneurial orientation in organizations. There is a great deal of parallel between entrepreneurship and franchising (Dada & Watson, 2013; Short, Zachary, & Ketchen, 2018). For instance, proactiveness has been associated with aggressive strategies in a firm's pursuit of competitive advantage over its competitors (Knight, 1997). The entrepreneurial temperament is essential for success. Franchisees with a high degree of entrepreneurial orientation are more likely to be productive, and productivity leads to more profitable franchise businesses (Botha & Prawlall, 2017). Another example of innovation is the pursuit of unique decision-making styles to overcome challenges facing the organization (Dada & Watson, 2013). It is important to create franchise support structures that promote entrepreneurial orientation within an organization, even when its business is based on standardization (Dada & Watson, 2013).

The researcher conducted interviews with franchise development executives to determine their perceptions of entrepreneurial orientations. An organization must maintain a competitive and sustainable market position concerning profit, sales, and market growth (De Clercq *et al.*, 2009). It is not entirely clear if entrepreneurial orientation is desirable within the system, particularly if franchise development executives do not perceive their firms as entrepreneurial in nature. It is apparent that the boundary between franchising and entrepreneurship remains blurred.

The franchise development executive should be aware of their organization's entrepreneurial culture because this establishes a cooperative relationship where the business decision to franchise

is met satisfactorily by less opportunistic behavior. Researchers disagree on the matter of whether franchisees should be considered innovators (Jambulingan & Nevin, 1999). Furthermore, Jambulingan and Nevin (1999) asserted franchisors should seriously consider franchisees perceived as more innovative since they tend to view the franchisor-franchisee relationship as more cooperative (Strutton, Pelton & Lumpkin, 1995). According to Jambulingan and Nevin (1999), franchisees are more likely to contribute to the performance of the franchise system when they perceive it as a cooperative group. The findings of Zachary *et al.* (2011b) indicate that franchisees who perform better may be more likely to embrace innovation since franchising offers the potential for branding and control over operations. A franchisor may reluctantly seek innovativeness as a desirable trait even though they fully understand the benefits of having innovative franchisees. Innovativeness may be defined as the tendency to engage in or support new ideas, experiments, and creative processes that result in new products, services, or processes (Lumpkin & Dess, 1996). Consequently, a prudent decision to attract those who are inclined towards factors that contribute to the organization's high performance as well as those who will follow the system safeguards the organization's entrepreneurial orientation factors.

In this discussion, the researcher further underscores the emergence of franchisees as entrepreneurs exhibiting creativity and innovation. According to Olm, Eddy, and Adaniya (1988; c.f. Jambulingan & Nevin, 1999), franchisors do not consider franchisees to be entrepreneurs. Franchisees are typically highly involved in the operations of their businesses, and this provides the opportunity for in-depth knowledge of business operations and creative problem solving (Ralston, 1989); this can be advantageous to franchisors (Jambulingan & Nevin, 1999). Proactiveness refers to actively anticipating future market opportunities and introducing products and services ahead of the competition (Lumpkin & Dess, 1996). Innovation and proactiveness establish a relationship between an organization and its performance. A franchisee is bound to utilize a systems-based approach, but there is evidence of proactiveness in both the initial decision to the franchise (Michael, 2003) and a franchisee's attempt to become a market leader (Dada, Watson & Kirby, 2011). The franchisor and franchisee have a synergistic partnership wherein the franchisor provides information about the macro environment and the franchisee provides information about the local market (Zachary *et al.*, 2011b). It is likely that the level of proactiveness demonstrated by both parties to acquire, disseminate, and act on this exchange is greater for high performing franchise brands (Zachary *et al.*, 2011b). In this respect, the suggestion

that the franchisor encourages proactive communication should be communicated by franchise development executives so that expectations and conditions of a successful franchisor-franchisee relationship may be understood.

Research on risk-taking behaviors in franchising has been inconsistent. A risk-taker could challenge the franchisor's business model (Jambulingan & Nevin, 1999), but can be an important attribute to becoming a successful franchisee (Withane, 1991), making the franchise organization successful when faced with an opportunity. The degree of gambling in decision-making and the time commitment required to gather information differs between franchisees. Franchisees may rely on the business model and the means of gathering information to reduce their personal risk. There is a less perceived risk in franchising than in starting a self-owned business (Jambulingan & Nevin, 1999), although a relative amount of risk is purposefully sought in the business format business model. Thus, the attitude of the franchise development executives towards the franchisees affects the organization's performance. This study supports the findings of Jambulingan and Nevin (1999), who found that franchisees who perceive themselves as risk-takers are opportunistic.

Several dimensions of entrepreneurial orientation are discussed, which relate to the processes and practices of entrepreneurial businesses (Zachary *et al.*, 2011b). According to franchise development executives, even though their organization possesses entrepreneurial characteristics such as being aggressive, risk-taking, and innovative, it does not appear they perceive their organization to be entrepreneurial in nature.

5.2.2.5 Franchise Development Executives' Perception of CEO's Charismatic Leadership Orientation

The same steps identified in 5.2.2.1-5.2.2.4 were completed with respect to transcript analysis prior to the creation of these sections. The analyzed transcripts, including the identified codes, representative sample portion of the transcript associated with the code, and the emergent themes identified were divided based on the proposition, P1–P5, that they were most associated with, and the resultant themes were then used to assess the accuracy of the proposition. A total of eleven codes were associated with the generation of the three themes used in the assessment of P5.

An analysis of the respondents' views on the charismatic leadership orientation of their organization's leader comprises three themes: (1) characteristic of the leader; (2) inspirational behavior of the leader; and (3) negative behaviors. Representative statements from the interview transcripts supports Proposition (P5) with the following observation.

Franchise development executives are aware of and perceive the leader's charismatic leadership orientation to have an influence on franchise performance.

Under characteristics of the leader were the ability to recognize challenges and deal with them, being committed to the organization, being an innovative and creative thinker, and being a risk taker. In reference to the CEO, one participant said, "He shares this information (challenge identification). He communicates this (these challenges) to the entire corporate team so that we can overcome these barriers and reach our goals together." Another said of the CEO, "He generates new ideas all the time. I've seen him write down ideas and meetings and conversations and it amazes me with how innovative and creative he can be."

Forming the emergent theme of inspirational behavior of the leader were being concerned about employees, using non-traditional means, providing inspiring strategies or organizational goals, being able to recognize internal barriers to growth, and sending motivational messages. One participant noted, "He is one of the most influential and inspiring leaders I've ever had the privilege to work for. He has a way of giving people opportunities that are inviting and exciting. He empowers them to execute...the company's goals (in) their own way." Another said of the CEO, "Every Monday morning, we get together and as a company, we (read) the blog together. And I see motivational messages that tie back into his philosophy (of) our brand...I think the purpose of those (messages) is to provide insight into his goals and how he envisions our company in the future."

Finally, there were two codes linked to the emergent theme of negative behaviors: the CEO does not accept that there are challenges to prevent organizational success and does not express personal concern toward employees. As one employee stated, "I don't think that he entangles feelings and emotions with his employees. I think when you're talking business with him, while he can be very

passionate about the business side of things, he is very good at segmenting the differences in his personal concerns, unless it involves his business.”

Based on the codes and their associated emergent themes, it became possible to conclude that the perception of the franchise brand leader’s charismatic leadership orientation would position the franchise better within the marketplace. In other words, franchise development executives believed that how charismatic they perceived the leader of the franchise brand to be would affect the position of the franchise within the marketplace. In this regard, franchise development executives believed that the more charismatic the franchise brand leader, the easier it would be to leverage the franchise brand that the franchise leader was associated with, making the franchise brand perceived as more desirable by franchisees. Conversely, the less charismatic the franchise brand leader is perceived to be, the more difficult franchise brand leaders believe it will be to position the franchise brand strongly within the marketplace, making it more difficult to attract franchisees.

In the fifth research question, the use of charismatic leadership orientation was examined in relation to franchise performance. A successful franchise model requires a balance between followers (customers) and leaders (the brand). In both the B2C and B2B contexts, coercion is used to strengthen the relationship. In contrast to the B2C relationship between the end customer and the brand, the B2B relationship extends from the brand and its leader to a franchisee. It is in this context that the franchisee may view the brand as the franchisor does, and this requires buy-in, support, and followership to the extent the franchisee then carries the mission of developing the brand in the franchisee's particular market on behalf of the franchisor. For this financial and emotional commitment to be successful, it is important the franchisee share a trusting connection with the franchisor's vision, their goals are aligned, and that the franchisee has a sense of identity (Zachary *et al.*, 2011b). There is likely to be an emphasis on the charismatic characteristics of the leader's proposition to promote motivational effects (Shamir, Arthur & House, 1994) that are aligned with the objectives of the franchise brand. According to Bass (1990), cooperation and attachment to the goals encourage followers (franchisees) to make additional efforts to achieve the goals of the franchise. Therefore, the franchise leader's relationship with its franchise development executives, franchisees, and customers must be synergistic.

According to Shamir and Howell (199; c.f. Zachary *et al.*, 2011b), charismatic leadership results from the interaction between leaders and followers that facilitates the commitment and willingness of followers to support a leader's goals and values. Based on the interview data, it appears charismatic leadership orientation is oriented toward action. Franchise leaders should incorporate elements that inspire their respective followers, followed by the followers' worth and adversity. Further, respondents do not believe their respective organization places an emphasis on charismatic leadership. There should be a strong charismatic affinity for the franchise development executive toward the CEO.

The misuse of or underestimation of the charismatic leadership orientation of the CEO may hinder growth and success. In this construct, the interesting feature is that rather than exploring the franchise development executive's perception of charismatic leadership on a specific occasion during a crisis situation or crisis as was done by Boal and Bryson (1987), which increased the chances for the emergence of charismatic leadership (Bligh *et al.*, 2004), the study examined the emergence of charismatic leadership in a more interactive and relatable way. Considering this, the idea that a leader can use more charismatic methods to increase followership for the franchise brand is not extinguished.

Charismatic leaders have great power and influence, and employees want to identify with them (Bass, 1990). A high level of trust and confidence stimulates the assumption that franchisees can achieve great things with a charismatic leader (Bass, 1990), and this attribution of charisma is shared by franchise development executives who are responsible for growing and developing the brand. Charisma has a powerful emotional and motivating effect on followers (Shamir, Arthur, & House, 1994) and this is reflected in the contractual agreements binding franchisor-franchisee relationships that are administered by franchise development executives.

Leaders may be charismatic to their followers, meet the emotional needs of each employee, and/or intellectually stimulate their followers (Bass, 1990). Like innovativeness in entrepreneurial orientation, cooperation and attachment to the interests and goals of the franchise organization are also displayed with charisma in the franchisee-franchisor relationship (Bass, 1990). A charismatic leader usually convinces prospective franchisees (followers) to adopt the goals and ambitions of

the leader (Shamir & Howell, 1999), and this can have an impact on how franchisees perceive the franchisor's opportunity (Zachary *et al.*, 2011b).

5.2.3 Completing the Action Research Cycle

Incorporating the data into practice was largely embraced with enthusiasm by the executives, as their participation throughout the second cycle of action research was central to the success of the initiative. In response to the group's support and buy-in, the executives eagerly worked to implement action items that they collectively felt would enable their brand to excel shortly after the interviews concluded. The organization's growth objectives were aggressive, and the franchisees' disposition was volatile due to the nature of decision-making and the reliance on the executive team to perform, so the discussion at the 2022 strategic planning session was welcomed in preparation for the new fiscal year.

For a franchise brand to succeed, it requires executives to work cooperatively in focusing on its strengths and minimizing the risks associated with its operation. The study particularly benefited the marketing and franchise performance teams as they realized the importance and necessity of collaborating seamlessly. To attract an entrepreneurially minded target audience, the executive team saw the need for immediate action in using keywords, phrases, and imagery related to innovation in B2B social media campaigns. It was also discussed how to improve the management of the sales process by better shaping the entrepreneurial aspects of the development process, including site selection and construction, as well as pre-sale marketing; this was compared to a task-list style approach currently employed. Following the completion of the second action research cycle, the executives implemented actions based on their conversations during the planning, acting, observing, and reflecting steps.

5.3 Chapter Summary

Through the completion of a sequential mixed-methods action research study, the researcher completed two action research cycles to obtain the information necessary to resolve the ten

identified research questions. In so doing, the researcher quantitatively examined two hypotheses and qualitatively explored five propositions. The hypotheses were not supported in the first implementation cycle of action research, but the lack of support for the quantitative hypotheses in the findings moved the researcher's organization and the organizations of her former colleagues forward through the application of decision-making based on the absence of correlation between pricing components and high performing high-performing franchise organizations, fostering further investigation.

For the second action research cycle, the researcher examined factors internal to the franchising marketplace that would provide further insight into potential barriers to franchise sales processes for franchise development executives. This was accomplished through a qualitative study conducted with the researcher's colleagues. It was the intent of the study to create actionable plans that could be used to further improve the franchise marketplace based on the resultant findings. The present study worked to fill in the under-researched areas within the extant body of literature, with a focus on addressing areas of the literature where theoretical contributions were contradictory. The reduction of the under-researched areas within the literature allowed the researcher to consider the relative position of franchise development executives to other franchise development practitioners.

Using the quantitative data, which allowed the researcher to determine some of the inaccuracies present in franchise marketing with respect to franchise development, in conjunction with the qualitative data, which allowed the researcher to record the thoughts and perspectives of those working within the industry, it became possible to resolve each of the ten identified research questions. The resolution of the ten research questions provided the researcher with information that was used to formulate strategic plans for the researcher's organization for the next fiscal year using data and insights from those who are directly involved in the development and support of the brand. As the study unfolded, implications and limitations were discovered, which are discussed in Chapter 6, the next and final chapter.

CHAPTER 6: CONCLUSION, IMPLICATIONS & LIMITATIONS

6.1 Introduction

The purpose of this sequential MMAR study was to determine the germaneness of the initial franchise fee, advertising fee, and executive perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in positioning a franchise opportunity to potential buyers. The aims of this study were to: (1) explore the relationship between the initial franchise fee and franchise performance; (2) explore the relationship between the advertising fee and franchise performance; (3) discover executive perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation in positioning a franchise opportunity to potential buyers; (4) improve the franchise marketing practice of franchise organizations for franchise development executives; and (5) improve personal knowledge on potential barriers to the franchise sales process to allow for action research and action learning within the researcher's organization. The action research cycles in this study were shaped by the methodological insights used in the study to achieve its aims.

In the first action research cycle, the researcher collected and analyzed website scraped data from the *Franchise 500* site spanning four consecutive years (2016-2019) in order to achieve the first two objectives of the study. The analyzed data enabled the researcher to define the purposeful and extreme case samples. As part of the second action research cycle, semi-structured interviews with the researcher's colleagues were conducted to discuss potential barriers affecting the franchise's performance, and therefore its success. These interviews incorporated three constructs: market orientation, entrepreneurial orientation, and charismatic leadership orientation. This study allowed for resolution to the ten research questions:

RQ 1: To what extent does the franchise license fee influence a franchise brand's performance level?

RQ 2: How does the franchise license fee influence a franchise brand's performance level?

RQ 3: To what extent does the advertising fee influence a franchise brand's performance level?

RQ 4: How does the advertising fee influence a franchise brand's performance level?

RQ 5: To what extent is market orientation perceived by franchise development executives?

RQ 6: How is market orientation perceived by franchise development executives?

RQ 7: To what extent is entrepreneurial orientation perceived by franchise development executives?

RQ 8: How is entrepreneurial orientation perceived by franchise development executives?

RQ 9: To what extent is charismatic leadership orientation perceived by franchise development executives?

RQ 10: How is charismatic leadership orientation perceived by franchise development executives?

This study is important to both researchers and practitioners because it integrates multiple phenomena in business format franchising that have the potential to deepen the extent to which franchising, its franchise fees, advertising fees, and positioning are understood and actionized in practice. Most high-performing franchise brands included in the 2016, 2017, 2018, and 2019 *Franchise 500* lists reported requiring initial franchise fees and advertising fees, but a Pearson's correlation analysis found no significant relationship between these fees and franchise performance, leading to the rejection of both hypotheses. The participatory action research (PAR) group in the first action research cycle problematized and drew conclusions on how to adopt the findings in their organizations. Executives asserted that, since performance was not affected for many high performing franchise brands by franchise fees, a change in fees would not impact the appeal of their brand. However, increasing cash flow could prove beneficial for developing

revenue streams. The same was stated for franchise advertising fees. The researcher concluded that it might be possible to increase brand awareness and expand growth opportunities through an increase in the continual advertising fee; however, future research studies would be necessary to explore this hypothesis.

Further, leveraging the organization's market orientation, entrepreneurial orientation, and charismatic leadership orientation, as studied in the second phase of action research, and perceived by its franchise development executives, may be advantageous. With respect to the third aim of the study, executives with a strong belief in these constructs noticed the organization was moving toward them, creating a following and conviction with potential franchisees (whereas the reverse could be detrimental). This final chapter of the thesis contains the resolution of the research questions, as well as an analysis of the conceptual model, implications, contributions of the study, and limitations and constraints of the study. The provision of these elements addresses the fourth and fifth aims of the study. The chapter concludes with the researcher's recommendations for future research and practice, as well as a comprehensive reflection on the action research process undertaken throughout the study.

6.2 Resolution to the Research Questions

The first four research questions were addressed through data obtained during both action research cycles. In the first cycle of the action research process, the first and second research questions were created to identify how, and to what extent, the franchise license fee influences a franchise brand's performance level. It can be concluded from the data presented in Chapter 4 and discussed in Chapter 5 that, although 99% of the purposeful sample and 97% of the extreme case sample required an initial franchise fee, there was no correlation between the initial franchise fee and franchise performance, as determined by Pearson's correlation test ($r=-0.0449$). In the semi-structured interviews that comprised the second action research cycle, 19 executives reported (frequency=33) that the initial franchise fee had no effect on franchise performance. Based on these findings, it is recommended that franchise development executives consider increasing the franchise fee to increase revenue since franchise performance is not affected by the initial franchise

fee charged to the franchisee. Less start-up investment may attract a wider range of prospective franchisees (Gillis & Combs, 2009) and retain them (Brickley, 2002), but the franchisor must also be mindful of how the strategic resources are used to uphold the brand for sustainability and growth. According to Gillis and Combs (2009), it remains clear that newer brands are important for standardizing operating procedures that include managing the price components of the marketing mix.

As an additional part of the first action research cycle, the third and fourth research questions were formulated to understand how, and to what extent, the franchise advertising fee influences a franchise brand's performance level. As demonstrated in Chapters 4 and 5, even though 88% of the purposeful sample and 82% of the extreme case sample required advertising fees, the Pearson's correlation test did not indicate a significant relationship between the advertising fee and franchise performance ($r=0.337$). As part of the second action research cycle, which included semi-structured interviews, 21 franchise development executives (frequency=38) indicated that the advertising fee enhanced the advertising fee's impact on brand performance. Herein, there exists an opportunity to increase the advertising fee percentage rate. However, there are many factors still to consider: the royalty rates must be stable over time, it should be relative to the initial franchise fee (Brickley, 2002), and lower fees create higher visibility (Baucus, Baucus, & Human, 1993). Future studies are necessary to explore this phenomenon in greater detail.

The second action research cycle only addressed the last six research questions (RQ 5 – RQ 10)s. The fifth and sixth research questions were formulated to understand how franchise development executives perceive market orientation in their organizations with semi-structured interviews used to gather data. The importance of creating value for customers was a dimension examined, and two important findings were reported. First, 20 executives (frequency=20) cited customer focus as a focal point of the organization, while 21 executives (frequency=22) noted competitive advantages were helpful in achieving goals. Additionally, the ability to detect shifts in the market were accompanied by a readiness to detect and respond, as stated by 18 executives (frequency=19). Market-oriented firms may indicate organizational survival and performance (Gauzente, 2010; Kohli & Jaworski, 1990; Narver & Slater, 1990) and can be developed and implemented in any type of franchise network (Gauzente, 2010). This means that when market orientation becomes weak in the organization, it can be improved on. However, the perception of market orientation

from the executives' point of view is different from the franchisor's (Gauzente, 2010), so market orientation should always be examined from both perspectives.

Additionally, data was collected through semi-structured interviews to uncover how franchise development executives perceived entrepreneurial orientation within their organizations (RQ 7 and RQ 8). Two major findings were reported. A propensity to make bold decisions was reportedly coupled with more aggressive and bold actions within the organization according to 17 executives (frequency=18). Furthermore, the executives' propensity for research, development, and innovations was met within their organization by an emphasis on innovation and technology, as indicated by 14 executives (frequency=17). Executives may champion entrepreneurial initiatives that transform the franchise organization's strategic posture (Lumpkin, Cogliser, & Schneider, 2009). This quality is sought after by those responsible for brand development and growth, though a distinction remains between a franchisee and entrepreneur (Croonen, Brand, & Huizingh, 2014).

To resolve the ninth and tenth research questions, franchise development executives were asked to provide their perceptions of charismatic leadership in their organization using semi-structured interviews in the second research cycle to gather data. Executives reported that their leader was innovative and creative (26 executives; frequency=26), as well as risk-taking (15 executives; frequency=15). The organizational leader demonstrated inspiring behaviors by providing inspirational strategies or organizational goals (23 executives; frequency=24) and recognized internal barriers to growth (20 executives; frequency=21). Other theoretical approaches showed the relative strength of the charismatic bond between followers and leaders (Bligh, Kohles, & Meindl, 2004). The perception of the construct remains something that is both subtly and fundamentally perceived within the organization. The conceptual model summary below refers to the concepts explored in the above ten research questions.

6.3 Conceptual Model Summary

Of major importance to this study was the problematization process based on the researcher's experience in industry combined with an extensive search of the extant literature, a process that

produced several streams of literature from which to create the conceptual model. The conceptual model developed in this study consists of a framework to visualize the study's concepts of initial franchise fees, advertising fees, and executive perceptions of market orientation, entrepreneurial orientation, and charismatic leadership orientation, which were used to position a franchise opportunity to potential investors. The purpose of summarizing the conceptual model was to determine: (1) the relationship of the constructs to franchise performance; (2) which components of the model were more crucial; and (3) whether any additional factors should be incorporated into the model.

It was determined in action research cycle 1 that most high-performing franchise brands charge both franchise fees and advertising fees, and it was presumed, based on the researcher's experience, that both fees would contribute to company performance, but no statistical significance was found. The initial PAR group suggested that the study continue to uncover other factors that have additional effects on franchise performance and may therefore serve as potential barriers to franchise sales. Executives from a second PAR group in action research cycle 2 participated in semi-structured interviews to share their opinions regarding the market orientation, entrepreneurial orientation, and charismatic leadership orientation of their organization. The performance of a franchise can also be affected both directly and indirectly by these constructs. Figure 2.7 illustrates how these concepts are related in the study. In both PAR groups of executives, the results of their respective action research cycles were valuable in making decisions related to their respective roles; given that all were related to franchise performance, and especially that of their brands, the study's results and impact were valuable. Section 6.6 Recommendations for Future Research and Practice presents additional factors for consideration in future research.

6.4 Contributions and Implications of the Study

The present study contributes several noteworthy findings pertaining to marketing-related functions in franchising, namely determining the price and positioning of franchises. To begin, it is imperative to identify the impact, both real and perceived, of initial franchise fees and advertising within franchise organizations. There are also contributions regarding the perceived

influence of market orientation, entrepreneurial orientation, and charismatic leadership orientation within a franchise organization. A detailed discussion of the contributions is provided, as well as their implications regarding the under-researched areas identified in Chapter 2.

One of the organizational functions of franchising is marketing, where the value of the brand is perceived by the investment cost. The price of the initial franchise fee, ongoing royalties, and advertising fees are exchanged for a business plan, branding, and operational support. This study found that most high-performing franchise organizations have an initial franchise fee, which confirmed and updated Sen's (1993) range of 0-50% of gross sales for the franchise fee and 0-50% for advertising fees. While the range was vast across high-performance franchise brands in the 2016-2019 *Franchise 500* lists, most brands have both fees. To extend the knowledge provided by Hua *et al.* (2017), franchise products must be priced rationally with the exchange of each dollar, providing greater financial benefits. The empirical findings of this study provide a new understanding of the effect of prices toward franchise performance, to which there was an absence of a significant correlation between the initial franchise fee and franchise performance. This could mean that an incremental increase or decrease in the initial franchise fee does not affect firm performance and still provides benefits that warrant a franchisee's investment.

In section 5.2.2.2, the researcher revised Proposition 2 (P2) to state that franchise development executives were aware of and perceived the advertising fee to have an influence on franchise performance. However, in section 4.7.1, it was found that the second hypothesis (H2), which stated that advertising fees positively influenced a brand's performance level, was not supported by the quantitative data. In section 4.7.4, it was noted that while there was an absence of correlation between fees and market performance. While this makes it appear as though there are contradictory findings with respect to H2 and P2, it should be noted that perceptions, as discussed in P2 fall into the realm of the individual, in this case, the franchise development executives, a qualitative construct, while H2 falls into the realm of quantitative analysis. Simply because the quantitative analysis leading to the lack of support for H2 does not support the perceptions of the franchise development executives, as stated in P2, this does not indicate inaccuracy in the findings. There are many people who have perceptions that are not in alignment with empirical research. This suggests that there is a further need to explore where these underlying perceptions originate and suggests an area of future research, discussed in greater detail in section 6.6.

In the initial PAR group, executives responsible for franchise development and the researcher both agreed that these fees are often determined arbitrarily within organizations, and paying closer attention to their impact may yield different results. The second PAR group contributed that they did not believe the initial franchise fee had an effect on their organization's performance. However, positioning and signaling the brand's value as an optimal choice amongst competitors remains a priority (Baucus *et al.*, 1993). It might remain that a positive association exists between the level of the fee and the royalty rates and the complexity of a franchise operation (Kaufmann & Dant, 2001), whereby high performance is expected as output, particularly if brand equity is increased. For example, the profits of a brand with a higher fee would be greater than those of a brand with a lower fee.

Therefore, the payment toward buying into a franchise brand should not just contain a lump sum payment, such as an initial franchise fee, but some type of profit-sharing mechanism related to the firm's prosperity is recommended (Kaufmann & Dant, 2001). In addition to initial franchise fees, this study evaluated the perceptions of franchise development executives toward advertising fees and their relationship to performance, as well as a statistical analysis of *Franchise 500* data from 2016-2019. Franchise development executives in the second PAR group felt the advertising fee value affected performance. While an advertising fee is required in nearly all the high-performing franchises across the United States and Canada, there is an absence of a significant correlation between the advertising fee and franchise performance. Hua *et al.* (2017) argued the expected benefits must exceed the expected costs, and this may still be the case. However, if franchise performance is not affected by advertising fees, the disparity between benefits and costs may be narrowed if the cost of advertising fees increases. For example, if the franchisee gains benefit from social media branding campaigns, he or she may be willing to pay higher advertising fees (as with the researcher's organization).

When establishing the franchisor-franchisee relationship, the strategic positioning that conveys a brand's organizational identity and value is balanced by the desire to minimize barriers in the sales process. A franchise opportunity is introduced to potential franchisees with several details disclosed about the brand and organization's market position, ability to satisfy customer requirements (market orientation), and innovations and growth projections (entrepreneurial

orientation), which are influenced by the leader's ability to motivate and influence others to embrace their concept (charismatic leadership orientation). The average sales process takes eight weeks, which means that opportunities to properly market the brand, especially in a competitive environment such as franchising, must be capitalized upon to maximize the limited timeframe.

When a firm is more market-oriented, it builds a sustainable competitive advantage (Zachary *et al.*, 2011b) since it propels the organization ahead of its competitors, an assertion confirmed by the second PAR group. In addition, the second PAR group perceived that market orientation could assist the organization in achieving its goals, which would enhance customer value, especially if it was quick to detect market shifts. There is a dearth of literature on market orientation with respect to franchise channels (Gauzente, 2010). This study contributes to a reduction in this under-researched area. Generally, franchisors have three to four types of customers: (1) B2C customers who frequent the location on a regular basis; (2) B2B customers to sell licenses to; (3) strategic partnerships for materials; and sometimes (4) investors and funding institutions. Having a wide variety of customers makes it particularly vital that market orientation be taken into consideration, as the messaging and positioning must have a singular focus to propel the brand forward.

The conceptual model of this study reflects the findings of Dada and Watson (2013) who stated that entrepreneurial orientation is positively and significantly correlated with the financial and nonfinancial performance outcomes of franchise systems. In the study conducted by Botha and Prawlall (2017), they found entrepreneurial orientation does not always lead to an increase in franchise performance and that, at higher levels, franchisees are likely to be more productive, which leads to a more profitable franchise system. Those in the second PAR group reported their organization was bold and aggressive in its decision-making while remaining innovative, but senior executives did not seem to be prone to taking risks. The perception of continuous improvement in products and services was also at the lower end of perceptions toward the brand, which could have an adverse impact on long-term development and growth. It is likely that these findings will disrupt the association between entrepreneurship and franchising in some respects. Due to these findings, franchise development executives may not have to convince potential franchisees that their organization has an entrepreneurial orientation as there is a strong focus on innovation and technology, but not a strong propensity for research and development. There are implications of this in terms of the attractiveness of franchise organizations and the profile of

prospective franchisees looking for business opportunities in which franchising may be an attractive option.

Franchise leaders are responsible for articulating the brand's vision, which requires trust, alignment of goals, and organizational identity, leading to financial and emotional commitment from franchisees (Zachary et al., 2011b). The conceptual model presented this relationship, and the methodology successfully extended these contributions to research on charismatic leadership orientation. According to the second PAR group, their leader exhibits innovative, creative thinking, and risk-taking characteristics, which are indicative of an entrepreneurial temperament. Identifying barriers to growth and inspiring strategies and goals were some of the motivating behaviors. However, there was concern over accepting challenges that impeded the success of the organization and expressing personal concern for employees. As an implication, franchise development executives should be able to communicate their organization's charismatic leadership orientation to potential franchisees and, where the leader does not possess charisma, it may be reflected in their actions.

6.5 Constraints and Limitations

Several constraints were imposed on this study, including the extreme case sample in cycle 1, the PAR group's biases in cycle 2, and the limitations in the generalizability of the study to every franchise organization, including transferability of market orientation, entrepreneurial orientation, and charismatic leadership orientation. First, the researcher purposefully studied phenomena in high-performing franchise organizations, though it should be noted this data was not studied in comparison to those that were not high-performers. This preference can be viewed as a contribution because it serves as an exemplary model from which to learn. Using the criteria of four consecutive years of *Franchise 500* lists from 2016 through 2019, or a series of years, has been performed by only three sets of researchers since 1993. More commonly, since 1993, only a single year of *Franchise 500* organizations is used as a research sample. However, this over-time analysis created a constraint in the sample size by narrowing the list of franchise organizations from 776 brands in the purposeful sample that spanned all four years to 259 franchise organizations

in the extreme case sample. In effect, this could reflect a need to interpret the study findings cautiously.

Based on their personal and professional experiences, PAR group participants shared their thoughts and opinions regarding the franchise organization they work for. A different leader who has a different vision and standard for franchising may change these perceptions. In addition, depending on the position of the brand in the market (for example, a non-leader), perceptions may shift in a negative direction toward market orientation.

Third, studying phenomena within high-performing franchises resulted in the non-generalizability of the findings to all franchise organizations despite the nationally representative sampling in action research cycle 1. As an example, a new franchise organization may not be able to consider the study's findings as actionable regarding the value of the franchise fee or advertising fee in their marketing mix due to a need to produce cash flow or an attractive business model (as with a reduced initial franchise fee in the early years). These additional business aspects were not part of the present study and contributed to the limitations therein.

Fourth, the size of the extreme case sample (n=259) of action research cycle 1 and the sensitivity of the information in action research cycle 2, may limit the findings and conclusions of this study. This provides an opportunity for future research whereby case studies and a replicated study in future years can provide additional contributions.

6.6 Recommendations for Future Research and Practice

Business format franchising continues to evolve due to macro-environmental factors that affect pricing, positioning, and competitive strengths; changes to the economy and technological advancements also influence the evolution of business format franchising. Though franchising as an industry remains viable even in times of an economic downturn and provides support to franchisees who desire business ownership, it is important for franchise development executives and other decision-makers in these organizations to be aware of any changes that may affect their brands in both major and minor ways. The role of marketing is to adjust the marketing mix in

keeping with industry changes. Accordingly, the culmination of this study has resulted in many recommendations and questions in need of further investigation.

With Hypothesis 1 and Hypothesis 2 not supported, the recommendation is to increase the initial franchise fee of high-performing organizations to generate a small increase in cash flow since the franchise fee does not seem to affect franchise performance. These fees are used as operating revenue for the franchise organization, and small increases per license are minimal in comparison to the ability to support, guide, and consult the franchisee with greater financial resources. The advertising fee should also be minimally increased since its fee does not seem to affect franchise performance. An increase in advertising fees could result in additional or stronger branding and organizational identity efforts and, in return, benefit the franchisor. However, further research might explore the suggested increased percentage or dollar amount of the initial franchise fee and advertising fee. Further research on the ongoing royalty fee is also suggested for the same reasons.

It is further recommended that, in accordance with the discussion present in section 6.4, additional research is conducted with franchise development executives to better understand the underpinnings of the perspective that the advertising fee has an influence on franchise performance. Further investigation is warranted in this regard as the perceptions of franchise development executives with respect to the influence of advertising fees on franchise performance were not supported during the first action research cycle in which it was determined that H2 was not supported. By identifying the underpinning reasons for this perspective, it may be possible to find out where this lack of alignment originates in order to create targeted changes within the franchise environment.

If an argument is to be advanced on the strategic use of market, entrepreneurial, and charismatic leadership orientation to benefit the franchise sales process, an investigation on its use in both franchise brand websites and email communication should be conducted, thereby combining the efforts of the current study and that of Zachary *et al.* (2011b). This could demonstrate that, if higher levels of market, entrepreneurial, and charismatic leadership orientation are used in both communication channels, there may be an effect on franchise performance. Further studies are also recommended in which the lack of same channel information is analyzed to determine the impact of variation in this respect. Further, using the research on profiling the right franchisee in

conjunction with these research suggestions could be incredibly beneficial to franchise development executives looking to make a bigger impact with this new knowledge, which add to the critical literature review map.

While the current study has explored the impact of franchise license fees and advertising fees on brand performance levels in the first action research cycle and explored how and to what extent franchise development executives perceive market orientation, entrepreneurial orientation, and charismatic leadership in the second action research cycle. The current study did not explore executive perceptions of how market orientation, entrepreneurship orientation, and charismatic leadership influence a franchise brand's performance or facilitate its positioning as a franchise organization. Exploration of these two perceptions would allow for linkages to be made between the two action research cycles conducted within the current study while simultaneously allowing for a deeper understanding of how franchise development executives perceive the impact of these conceptual applications on the performance outcomes of respective franchises.

Finally, it is recommended that further investigation is undertaken to determine whether the potential franchisee is aware of the implications of an increase in fees and whether tendencies toward organizations with a market-oriented, entrepreneurial orientation, and charismatic leadership orientation may influence whether they pursue the sales process or sign a franchise contract. To explore this phenomenon in greater detail, there would be a need to conduct interviews with potential customers, or franchisees, to determine other perspectives outside of those explored within the current study. Even though it might be a challenge, as the researcher has no true way of vetting potential franchisees, practitioners could gain a great deal of insight by studying the aforementioned topics from a franchisee's perspective during or immediately after the sales process. Insights from this perspective would serve as a means of rounding out the current study, allowing for the investigation of the subject from all sides in order to identify areas of alignment and disparity and increase the understanding of the franchise fees and the different perspectives that they afford.

6.7 Chapter Summary

The aim of this thesis was to identify actionable marketing strategies for franchise development executives who are part of the franchise sales process, leading to a potential reduction in barriers to entry. Franchise organizations synergistically use innovativeness, competitiveness, and proactiveness for unique decision-making styles (Dada & Watson, 2013), and posture themselves to create competitive advantages (Knight, 1997). The predominant challenge that hindered the study was the partial and confusing advice for practitioners on the theoretical perspectives, methods, and conceptualizations of the ideal franchise business model (Nijmeijer *et al.*, 2014) and its marketing mix components of pricing, market position, and promotion (selling). The completion of this study contributed to the under-researched area regarding the relevance of franchise fees and advertising fees while illuminating the executive perceptions of market orientations, entrepreneurial orientations, and charismatic leadership orientations for positioning franchise opportunities for potential franchisees. There may be more value in these components than many realize, even those who are responsible for and actively involved in franchise growth and expansion.

6.8 Reflection

A key component of the learning process was reflection on the learning process throughout the study as an inquiry "conducted by the self into the self" (McNiff, 2002, p. 6). The reflection-in-action model is an important aspect of action research, as it acknowledges there is little or no separation between research and practice as well as between knowing and doing (Vaccarino *et al.*, 2006). Through reflection and documentation, a problem can be reframed and reevaluated, enabling the researcher to analyze the problem in greater detail. As a result of this analysis, the reader can examine how and why things occurred, as well as identify the assumption underlying the analysis (Sankar, Bailey, & Williams, 2005).

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APPENDICES

Appendix A: Ethics Award Letter

Dear Laura Lott Valenti,

I am pleased to inform you that the DBA Research Ethics Committee has approved your application for ethical approval for your study. Details and conditions of the approval can be found below:

Committee Name: DBA Ethics Committee

Title of Study: The Determinants of Franchise Performance: Franchise Fees, Royalties, and the Inherent Relevance of Marketing Rhetoric during the Franchise Sales Process

Student Investigator: Laura Lott Valenti
School/Institute: School of Management
Date: 08 May 2019

The application was APPROVED subject to the following conditions:

1. The researchers must obtain ethical approval from a local research ethics committee if this is an international study
2. University of Liverpool approval is subject to compliance with all relevant national legislative requirements if this this is an international study.
3. All serious adverse events must be reported to the Sub-Committee within 24 hours of their occurrence, via the Research Integrity and Governance Officer (ethics@liv.ac.uk)
4. If it is proposed to make an amendment to the research, you should notify the Committee of the amendment.

This approval applies to the duration of the research. If it is proposed to extend the duration of the study as specified in the application form, the Committee should be notified.

Kind regards

Dr Ron Fisher

DBA Ethics Committee University of Liverpool On-line Programmes

Appendix B: Participant Information Sheet



Participant Information Sheet

Title of Research Study: An Action Research Approach To Examine The Germaneness Of Franchise Fees, Advertising Fees, And Innate Constructs Involved In The Franchise Sales Process

You are invited to participate in this research study. The information in this form is meant to help you decide whether to take part. If you have any questions or need clarification, feel free to contact the researcher.

This study is being conducted by a doctoral student (researcher) with the University of Liverpool completing her thesis on franchise fees, advertising fees, and franchise development executives' perceptions on market orientation, entrepreneurial orientation, and charismatic leadership orientation and their relationship to franchise performance. The premise of the study stems from the researcher's tenure as a marketing director for two international franchise brands.

In this part of the thesis, semi-structured interviews will be used as a methodology to understand the awareness, perception, and/or affinity toward the brand's initial franchise fees, advertising fees, market orientation, entrepreneurial orientation, and CEO's charismatic leadership orientation and their relationship to franchise performance.

You have been asked to participate in this study because you fit the criteria below:

- (1) The researcher's colleague with a franchise brand
- (2) A vested interest in the research direction
- (3) Executive and decision-making capabilities in your role as a franchise development executive
- (4) A diverse range of experience with the organization
- (5) Representative of a department within the organization
- (6) Involved in the daily function of franchisee communications and development

The data you provide will be qualitatively analyzed in part by using NVivo software.

There are no known risks to you from being in this research study. Possible benefits to the study are advancements of knowledge in the areas of franchising, initial franchise fees, advertising fees, and/or the strategic positioning of market orientation, entrepreneurial orientation, and charismatic leadership orientation of the franchise brand. There is no cost for you to be in this research study.

All data collected in this study will remain confidential. This means that neither names nor identifying information will be recorded during the study. The information from this study may be published in scientific journals or presented at scientific meetings, but your identity and that of the brand will be kept confidential.

Participation in this study is completely voluntary. If you choose to participate, you may stop participation at any time without penalty and without losing any benefits that are a part of this study. Those participants who are under the age of 18 are ineligible to participate.

If at any time during the study you require additional information, encounter issues, or feel uncomfortable while participating, please feel free to contact the researcher (504.415.0565 / lvalenti@liverpool.ac.uk) to discuss the situation. If you remain dissatisfied or have a complaint you feel requires the attention of an ethics officer, you should contact the Research Governance Officer at liverpoolethics@liverpool-online.com. When contacting the Research Governance Officer you would provide the title of the study and its description of the study so that it can be identified, as well as the researcher's name, Laura Lott Valenti, and the details of the complaint you wish to make.