

THE PREDICTION OF FRANCHISEES' EFFECTIVENESS IN THE FAST-FOOD SECTOR WITH THE USE OF LOCUS OF CONTROL

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ABSTRACT

The aim of the study was to determine whether locus of control can be used as a predictive measure to differentiate between effective and less effective franchisees. The locus of control inventory of Schepers (1994; 1995) was used for measuring locus of control. Relevant measurements were obtained in respect of a sample of 160 restaurants of a fast-food franchise. Statistically significant differences were obtained between effective and less effective groups in terms of external locus of control, customers' satisfaction and language preference. The effective group had a lower external locus of control score, received a higher customers' satisfaction rating and were predominantly Afrikaans-speaking. A logistic regression analysis procedure was employed to devise a classification table with which to compare observed and predicted effectiveness rates of franchisees. It was found that locus of control can be used to predict franchisees' effectiveness.

OPSOMMING

Die studiedoelwit was om te bepaal of lokus van beheer as maatstaf aangewend kan word om tussen doeltreffende en minder doeltreffende konsessiehouers te onderskei. Die lokus van beheer-vraelys van Schepers (1994; 1995) is in die meting van lokus van beheer gebruik. Die tersaaklike metings is verkry ten opsigte van 'n steekproef van 160 restaurante van 'n konsessie maatskappy in die kitsvoedselbedryf. Statisties beduidende verskille is verkry tussen doeltreffende en minder doeltreffende konsessiehouers ten opsigte van eksterne lokus van beheer, kliënt-tevredenheid en taalkeuse. Doeltreffende konsessiehouers se eksterne lokus van beheer-telling was laer, hul kliënt-tevredenheid-telling was hoër en die groep was oorwegend Afrikaanssprekend. Deur middel van 'n logistiese regressie-ontledingsprosedure is 'n klassifikasietabel ontwerp ten einde waargenome en voorspelde doeltreffendheidskoerse vir konsessiehouers te vergelyk. Dit is bevind dat lokus van beheer aangewend kan word om die doeltreffendheid van konsessiehouers te voorspel.

To create a viable and stable economy, South Africa faces two major challenges on the macrosocio-economic front: how to earn foreign currency in increasingly more competitive international markets, and how to provide meaningful employment for a growing population of underdeveloped people. These twin challenges are borne out by a recent World Competitiveness Report which places South Africa in the top 20 out of 52 industrial countries in the areas of finance and infrastructure, but in the bottom five in the areas of education, skills development, employment and wealth creation (International Institute for Management Development, 1999). Recent government emphasis has highlighted the need to develop the small business sector. The business format of franchising, in particular, offers one proven option for creating employment, responsibility and wealth.

A business franchise is generally defined as the entitlement of a franchisee by a franchisor to trade under the trademark of the franchise and to make use of a package comprising all the elements necessary to establish a business. This involves the development by the franchisor of a blueprint for conducting the business which eliminates as far as possible the risks inherent in opening a new business by setting out in detail exactly how the business should be run. The pre-established format coupled with the backing of the franchisor's organisation enables a person who has never before owned or operated a business to start a business. The franchise agreement also establishes the format for a comprehensive and continuing relationship in which the initial franchise concept as well as participating franchisees are continually being developed (Mendelsohn, 1994).

Today the business concept of franchising is well established and has been tried and tested in virtually every domain of business. The origins of franchising go back to medieval England where "franchises" were granted for the collection of taxes for the crown (Harris, 1993). In the United States it is commonly traced back to the end of the Civil War when the Singer Sewing Machine Company granted exclusive selling or sewing rights within defined territories to independent

operators. Over the past few decades franchising as a business concept has grown at a rapid rate, principally in the United States. American franchise companies vigorously led the way in the internationalisation of franchising to the extent that 400 American franchise systems were operating 37 600 outlets world-wide by 1991. The world-wide process of urbanisation, rising disposable income and expanding consumer markets coupled with changing work patterns and the increasing number of people looking for self-employment provided a sound foundation for the rapid growth of franchising (Macmillan, 1996).

In South Africa the annual growth since 1994 in franchise systems has been 32,5% (1998/1999 Annual Survey of the South African Franchise Sector, 1999). Franchise systems span 12 business categories of which the largest are retail (15,9%), fast-foods, (15,1%), education and training (11,5%), automotive products (11,1%) and restaurants (10,6%). The retail turnover of franchise systems has shown an annual average growth of 54,6% since 1994. The total retail turnover for 1998 in the franchise sector was R39 969 billion, while providing employment to 266 104 persons. Retail turnover through franchising contributed 11,5% to annual private consumption for 1998, constituting an increase of 85% since 1995, which is far higher than the 46,6% increase in private consumption over the same period. Initial training provided by the majority of franchisors included operational training (73,8% of respondents), business management (61,7% of respondents), and financial training (56,4% of respondents). The vast majority of franchisors provided ongoing training to franchisees and their staff whilst 91% of franchisors indicated that they employ field staff who visit franchisees on a regular basis. A total of 147 franchisors out of 358 franchise systems in operation (41%) responded to the survey. Judging by these findings franchising can assist in meeting the daunting challenges of skills development, employment and wealth creation.

Franchising is a partnership. Franchisors charge a fixed fee up front to establish new franchise outlets, but make the major share of their income from royalties based on turnover. This makes franchisees the major asset of a franchise (Mendelsohn, 1994; Franchise Directions, 1999). Harris (1993) suggested that

the most difficult aspect of franchising is getting the recruitment practice right. This was confirmed by a survey conducted among exhibitors at the National Franchise Exhibition held in Birmingham during 1994 which indicated that the majority of franchisors considered targeting the correct audience for recruitment purposes as the biggest problem area in establishing a franchise (Macmillan, 1996). More than 60% of all franchisors in the survey converted 5% or less of initial enquiries for information into franchise sales. At the same time 72% of respondents estimated the recruitment cost per franchisee to be between R30 000 to R70 000 expressed in 1993 R and value terms.

Stanworth (1995) expressed the opinion that conversion rates to becoming a successful franchisee is low because self-employment is a widely held desire in society, although few people really understand what is involved. To most people the main attraction seems to be the grand notion of "doing your own thing with no one looking over your shoulder". The benefit of previous experience of self-employment is that it creates a strong awareness among potential franchisees of the need for a proven business system which offers more "security", "access to a known tradename" and "business back-up". However, the majority of franchisors believe that the personal qualities of franchisees are very different from the personal qualities of business people who are self-employed.

Stanworth (1995) also asserted that the selection of franchisees is further complicated by a number of additional factors:

- * Some franchisors feel that their experience naturally equip them to identify good or bad potential franchisees on an instinctive "gut feel" basis.
- * Most developing franchises have only a few staff members undertaking a multitude of tasks and few of them possess expertise in the field of personnel selection.
- * Quite often franchisors fall into the common trap of looking for people exactly like themselves when it would be best to select franchisees who complement rather than duplicate their own abilities and weaknesses.

South African franchisors hold essentially the same views as their international counterparts on recruitment and selection issues. A survey conducted by Kasselmann (1996) at the South African Franchise Association and among leading franchisors in the fast-foods and restaurant categories indicated that very little, if any, research has been conducted in the South African franchise sector to address selection issues. The single most important selection factor appeared to be whether an applicant could obtain guaranteed financing to the extent that applicants were seldom rejected on the basis of biographical, educational or demographic factors. The majority of those surveyed were quick to emphasise the need for more scientific selection methods. Overall the impression was gained that franchisors were uncertain as to how to define the unique blend of entrepreneurial and managerial qualities required of the ideal franchisee. This highlighted the classic conflict in the industry between encouraging franchisees to use their initiative to develop a successful small business, yet at the same time exercising strict control over the products sold and methods employed in terms of the franchise agreement. Other issues raised entailed the need to identify key indicators in terms of personal qualities or characteristics, which could be used as reliable predictors for the development of appropriate competencies in franchisees.

The combination of these critical factors highlight the need for research that aims to identify key indicators which could be used as reliable predictors during the selection process. The main aim of the study was to identify and establish a measure that differentiates between effective and less effective performers among franchisees, as correlated with the performance criteria of a franchise company in the fast-food category.

Although there is no generally accepted definition of entrepreneurship (Brockhaus, 1988; Hisrich, 1988; Sexton, 1988) it is

evident from a review of the literature that most authors and researchers appear to support the view that entrepreneurship consists of three main dimensions: economic innovation, organisation creation and profit-seeking in the market sector. Hornaday (1992, pp. 13-14) describes economic innovation as the "what" of entrepreneurship developing new combinations to create economic value where none existed before, which includes developing new technology or using existing technology in new ways. Organisation creation is defined as the "how" of entrepreneurship the method of achieving economic innovation and creating economic value. Profit-seeking is defined as the "where" of entrepreneurship the place in society where economic innovation is accomplished to make profits.

Defining entrepreneurship in terms of activities that entail behaviour on all three dimensions means entrepreneurship is not a matter of "all or nothing" but rather a question of "more or less" depending on the magnitude of activities on each of the three dimensions. The critical factors in this dimensional approach appear to be the combination of innovation and organisation with the degree of risk taking occupying a central role. This viewpoint is also propounded by Birley and Westhead (1990) who stated that the growth of a small business depends primarily on how quickly the owner-manager can adapt and learn from the experience of dealing with the two environments within which the business operates. These two environments are the external environment which consists of environmental realities including the strength of competition, market complexity and sectoral trends; and the internal environment which consists of the resources of the business itself including the control system, physical assets and management skill. The implied central role of risk-taking as the starting point of entrepreneurship was originally stated by McClelland (1969) and later confirmed by Kao (1991), who emphasised that successful entrepreneurs correctly interpret the risk situation, determine the most appropriate policies and use their management skills to mobilise required resources to minimise risk and achieve success.

Viewed in terms of the three dimensions expounded by Hornaday (1992), the franchisor would display a high degree of entrepreneurship in developing new combinations to create economic value, establishing a method of economic innovation, and seeking a profit in a specific market. On the other hand, the degree of entrepreneurship required of the franchisee is considerably less, as the franchise format provides all the elements necessary to establish a business (Mendelsohn, 1994). It appears that the franchise concept is essentially an attempt to reduce the amount of risk taking in setting up, establishing, managing and growing a new business by interpreting the risk situation and determining the appropriate policies and resources to minimise risk as emphasised by Kao (1991). In addition, franchise systems also provide a proven method for the owner-manager to learn how to deal with the internal and external environments expounded by Birley and Westhead (1990).

The prerequisite for establishing a franchise is that a business must possess definable "know-how" coupled with a distinct way of doing things which distinguishes it from another business (Abell, 1992). Setting up a franchise involves five distinct stages:

- (1) The development of a successful business concept that can be replicated elsewhere.
- (2) The successful implementation of a pilot scheme.
- (3) The production of a business operations manual, franchise agreement and marketing prospectus.
- (4) The marketing of the franchise through appropriate channels.
- (5) The establishment of an appropriate franchise selection system together with arrangements for training of new franchisees, including the provision of pre-opening assistance and continued support.

It is generally easier to start a second, third or fourth venture than it is to start a first one, as entrepreneurial expertise increases with time and experience (Hisrich & Brush, 1986). The franchisor not only provides this entrepreneurial expertise but

also acts as a role-model and mentor, which is one of the most important factors in encouraging entrepreneurship (Hisrich, 1990). This supportive role is particularly crucial during the start-up phase in providing information, advice and guidance on such matters as organisational structure, the management control system, needed financial resources, locating the business (site), market segmentation and marketing.

In view of the relative security that the franchise format offers, it is debatable whether franchisees are required to display entrepreneurial behaviours to any great degree. In fact, they appear to fulfil a distinctly managerial type role in the franchise operation. This in turn raises the following questions:

- * Are there differences in managerial or entrepreneurial characteristics, depending on how a person becomes the owner/manager of a business?
- * Does a predictable relationship exist between paths to ownership and entrepreneurial/managerial characteristics?
- * To what extent do effective franchisees exhibit either managerial or entrepreneurial behaviour when compared with less effective franchisees?

Cooper and Dunkelberg (1986) addressed the issue of differences in managerial or entrepreneurial characteristics by examining the respective paths to ownership. Starting a business requires the innovative task of conceiving and shaping a venture where nothing existed before, and involves a strong degree of personal risk taking. Although purchasing a business also involves some risk taking and initiative in finding and negotiating the purchase, there may be little need for creativity. On the other hand becoming a business owner through inheritance or being brought in by other owners requires considerably less risk taking. If the degree of entrepreneurial behaviour for the different paths taken to becoming an owner-manager is considered, these four categories would rank in the following order: (1) starters, (2) purchasers, (3) inheritors and (4) those brought in, with the last two categories displaying noticeably less entrepreneurial behaviour. Those who were brought in were clearly least entrepreneurial and their motivations and attitudes were consistently most managerial. Predictable patterns appeared to exist in terms of the degree of entrepreneurship that was required in terms of the different paths to ownership. Entrepreneurial intensity was greater for "starters" and "purchasers" than for "inheritors" and least for those "brought in" as owner-managers.

Considering the nature of franchising, one could assume that franchisees would probably conform to the least entrepreneurial type: that of being "brought in", and would most likely display managerial rather than entrepreneurial characteristics. This is underscored by the roles defined in franchise agreements for respectively the franchisor and franchisee (Pleasure Foods, 1999). The franchisor is the owner of the business who has invested intellectual property to develop a business system and trademark, which has been tested and proved viable in the market place. The franchisee is brought into the business by the franchisor under a licence agreement, which requires the franchisee to establish and operate the franchise outlet in terms of the franchisor's business system and trademark (Franchise Directions, 1999).

Cooper and Dunkelberg (1986) further classified entrepreneurs into two categories:

- * Craftsmen entrepreneurs who prefer selling or technical activities and are strongly motivated to do the work they want to do and not work for others.
- * Managerial entrepreneurs who prefer administrative duties and are strongly motivated to achieve economic gain or to build an organisation.

Kao (1991) in turn suggested the development of typologies of entrepreneurs and makes a distinction between:

- * Creative entrepreneurs who are commercially innovative.
- * Conventional entrepreneurs who want to own and develop their own businesses but who stick to conventional product/service ideas.

To summarise, the franchise concept appears to conform to a typology of its own which differentiates between craftsman/creative entrepreneurs on the one hand, and managerial/conventional entrepreneurs on the other hand; the franchisor being commercially innovative and the franchisee behaving like a conventional entrepreneur. The roles of entrepreneur and manager clearly overlap in the franchise sector. The entrepreneurial role involves risking financial security and emotional wellbeing for the sake of the business venture to answer the central question of the entrepreneurial model "what" will be successful. By contrast the role of manager requires the less ambiguous challenge of implementing the organisation system that will achieve goals and rewards "how" to create economic value.

The roles of entrepreneur and manager suggest different characteristics, competencies and skills. Whereas entrepreneurs are expected to be skilled in envisioning possibilities (the "what" of entrepreneurship), managers are usually thought of as exercising rational thinking and detail-oriented administrative skills (the "how" of entrepreneurship). In the final analysis franchisees appear to be most similar to intrapreneurs who develop profitable businesses within the confines of an existing business entity (Pinchot, 1985).

Intrapreneurship emerged as a hybrid form of entrepreneurship due, in part, to the high risks and costs involved in entrepreneurship. Intrapreneurs are corporate entrepreneurs who pursue independent and creative business opportunities under the overall supervision of the corporation, expect their performance to be suitably rewarded, yet are prepared to let the corporation decide on the nature and size of the reward (Pinchot, 1985). Although intrapreneurs share the same entrepreneurial spirit as entrepreneurs in terms of taking risks to achieve goals, they also behave to a large degree like managers, by following corporate policies and procedures in the process of achieving goals. Intrapreneurs appear to fall somewhere between the total involvement of entrepreneurs in all stages of the business venture, and the delegated responsibility of managers who act within an established framework. This is similar to the partnership between franchisor and franchisee in which both have a financial stake in the business and take mutual responsibility to maintain operational standards and achieve financial goals. The main differences/similarities between entrepreneurs, intrapreneurs, franchisees and managers are set out in Table 1.

TABLE 1
COMPARISON OF ENTREPRENEURS, INTRAPRENEURS,
FRANCHISEES AND MANAGERS

Trait	Entrepreneurs	Intrapreneurs	Franchisees	Managers
Primary motives	Independence, creativity and money	Interdependence, advancement and corporate rewards	Interdependence, self-employment and money	Promotion and corporate rewards
Risk taking	Moderate to high	Moderate	Limits risk	Controls risk
Failures and mistakes	Deals with failures and mistakes	Hides risky projects from view till ready	Minimises chances of failure and mistakes	Tries to avoid failures and mistakes
Activity	Direct involvement in all aspects of the business	Direct involvement more than delegation	Direct involvement with some delegation	Delegates and supervises more than direct involvement
Decisions	Follows own vision	Tries to get others to help achieve own vision	Supports the vision of the franchisor	Usually agrees with senior management
Who serves	Self and customers	Self, customers and sponsors	Self, customers and franchisor	The corporation
Time orientation	Long term focus on survival, growth, sales and profits	Depends on urgency of self-imposed and corporate time-tables	Long term focus on profits and return on investment	Short term focus on achieving targets and budgets

Note: This table is an extensively modified version of a table by Hisrich (1990, p. 218).

It appears that franchisees, much like intrapreneurs, exercise a unique blend of entrepreneurial and managerial characteristics by exposing themselves to a moderate degree of risk within a proven and established business framework. In the final analysis franchisees are, on the one hand, most like entrepreneurs (and less like intrapreneurs) in risking their own financial security by investing money in a business and, on the other hand, most like managers (and less like intrapreneurs) in minimising experimentation by strictly managing the business in accordance with the franchise agreement.

The question remains which mixture of entrepreneurial and managerial characteristics will predispose a person towards becoming an effective franchisee?

The literature does not provide clear and conclusive evidence as to what these common characteristics are, although at least three theoretical and methodological approaches emerge which are commonly used to research the characteristics of entrepreneurship (Lau, 1992). First in this regard is the trait approach which focuses on the personality theory underlying that individual behaviour which could be identified as entrepreneurial or non-entrepreneurial (Brockhaus & Horwitz, 1986; Gartner, 1988). The second approach uses demographic information such as age, education level, work habits, etc. to profile the typical entrepreneur (Boshoff, Bennett & Owusu, 1992; Stanworth, 1995), while the third approach, which focuses on attitudes, is more behaviour-specific rather than characteristic-specific (Robinson, Stimpson, Huefner & Hunt, 1991).

Epstein (1984) observed that the trait approach is the most common theoretical and methodological approach used in researching the characteristics of people, but tends to measure general characteristics and is intended for use across a broad spectrum. The main criticism against the trait approach is that its research methodologies are based on personality theory which was not developed for measuring entrepreneurship and therefore uses information that is not directly applicable (Carsrud & Johnson, 1989; Sexton, 1987). A general criticism of personality measurement instruments are that they do not focus on measuring a specific dimension of a considered concept in a specific context, and this, in turn, decreases the appropriateness and accuracy of such instruments (Robinson, Simpson, Huefner & Hunt, 1991). This negates the use of such instruments to determine the characteristics of effective franchisees. Lau (1992) asserted that the trait and demographic approaches have reached their limit in predicting entrepreneurial behaviour and are inappropriate to the dynamic nature of entrepreneurship.

Using the trait approach, various studies by Boshoff and Van Vuuren (1993) and Van Vuuren and Boshoff (1993) found entrepreneurs to be persons of higher ego strength, assertive, independent, self-assured, resourceful and hard to fool. Kasselman and De Beer (1999), in turn, identified higher ego strength, being hard to fool and a more sober orientation to be characteristics of franchisees (as a special case of entrepreneur). South African studies on demographic variables found significant differences between entrepreneurs and non-entrepreneurs in terms of language, age, place of birth, gender, marital status, race, educational level, religious affiliation and father's occupation (Boshoff & Van Vuuren, 1993; Van Vuuren & Boshoff, 1993). This viewpoint is confirmed by Schutte, Bennett and Boshoff (1993) who studied entrepreneurial ventures in a third world setting and found that demographic variables by themselves are only moderate predictors of entrepreneurial success.

Attitude theory offers another alternative for developing an instrument which focus on measuring a specific dimension of a considered concept in a specific context. Attitude is defined as the predisposition to respond in a favourable or unfavourable manner with respect to the object of the attitude, be it a specific person, place, thing, event, activity, mental concept, cognitive orientation, life-style or even combinations of these

categories (Ajzen, 1982; Shaver, 1987). Attitudes are usually considered less stable than personality traits, in that they change over time, and from situation to situation through interactive processes with the environment. The rate at which attitudes change may, of course, vary depending both on how deep-seated or fundamental the attitude is to the individual's identity and on the intensity of experiences that influence a particular attitude. This changeability in turn influences the consistency with which behaviours can be predicted from measured attitudes, particularly when attitudes are measured in very general ways (Chaiken & Stanger, 1987).

Robinson, Stimpson, Huefner and Hunt (1991) attempted to avoid these pitfalls with the entrepreneurial attitude questionnaire which measures an interrelated set of attitudes towards entrepreneurship across the four constructs of achievement in business, innovation in business, perceived control of business outcomes and perceived self-esteem in business. Although Boshoff and Scholtz (1995) concurred that the approach developed by Robinson, et al. (1991) must be seen as potentially very useful and considered it a major step forward in research in the entrepreneurial field, they concluded that entrepreneurs are not a homogeneous group and that it may be useful to differentiate among entrepreneurs themselves. This was borne out by Kasselman and De Beer (1999) who found that effective franchisees in the South African fast-foods sector varied significantly from less effective franchisees on only one of the four constructs of the entrepreneurial attitude questionnaire, namely self-esteem in business.

Lau (1992) advocated that a more behaviour-oriented approach should be followed that could overcome the deficiencies of the trait and demographic approaches, and which would incorporate the idea of interaction and reaction of the entrepreneur to specific situations. In the wake of the main criticisms of the personality, demographic and attitudinal approaches, locus of control offers yet another alternative, but a more integrationist model of entrepreneurship that focuses on measuring a specific dimension of a considered concept in a specific context. According to Reid (1977, p.186) locus of control is an important construct in the conceptualisation of the interactional perspective in the study of human behaviour in particular "by interpreting the complex interplay between the person and his or her environment". It appears that the degree to which a person exercises control in his or her interaction with the external environment is a strong underlying determinant of behaviour (Louw & Raubenheimer, 1990).

The construct of locus of control is derived from Rotter's social learning theory which states that the expectancy about the outcomes of actions, rather than the actions themselves, is the major determinant of behaviour where expectancy is the "probability held by the individual that a particular reinforcement will occur as a function of a specific behaviour on his part in a specific situation or situations" (Rotter, 1954, p.107). The concept of internal versus external locus of control in terms of reinforcement is based on this fundamental tenet that "a reinforcement acts to strengthen an expectancy that a particular behaviour or event will be followed by that reinforcement in the future" (Rotter, 1966, p.2). Whereas a person with an internal locus of control perceives events to be contingent upon his own behaviour, a person with an external locus of control perceives events to be under the control of luck, chance, fate or other complex and unpredictable forces surrounding him, rather than being contingent upon his own actions (Rotter, 1966; Lefcourt, 1981). Autonomy, in turn, is posited as a drive that impels people toward need satisfaction through manipulation of and influence over the environment (Angyal, 1941; Rank, 1945).

Even though some researchers (Brockhouse, 1975; Hull, Boseley & Udell, 1980) concluded that a dominant internal locus of control is not a prerequisite for entrepreneurship, other investigators (Rao, 1975; Venkatapathy, 1983) strongly contended that entrepreneurs are generally more internally focused. The results of a longitudinal study spanning three

years also indicated that the owners of businesses that survived held more internal locus of control beliefs than those whose businesses ceased to exist (Brockhouse, 1982). A review of literature on locus of control by Van Daalen, Van Niekerk and Pottas (1989) highlighted that internal locus of control is generally considered as one of the important characteristics of entrepreneurs. Following an extensive review of research on the relevance of locus of control to entrepreneurs, Ward (1993) also concluded that it is a fruitful area of study for those wishing to understand entrepreneurs. Three decades of research consistently showed that persons with an internal locus of control have greater degrees of perceptual alertness which enable them to discover opportunities and to scrutinise their environment for information in order to devise an optimal approach to exploit these opportunities. Entrepreneurs, in particular, are alert to unnoticed opportunities, consequently locus of control may be viewed as a potential indicator of whether or not a person is aware of and seeks opportunities overlooked by others. A person with an internal locus of control is also more likely to believe that environmental forces can be influenced rather than passively accepting the status quo. This is confirmed by Kaufmann, Welsh and Bushmarin (1995) who asserted that a belief in having control over the events in one's life (a dominant internal locus of control) can also be linked to an individual's propensity to engage in entrepreneurial activity. It similarly offers a plausible explanation of Rahim's (1996) observation that entrepreneurs are better able to deal with the stress imposed by environmental demands.

By contrast, although it is plausible to associate a dominant internal locus of control with more effective managerial performance, the evidence is far from conclusive. According to Durand and Nord (1976) the ideal manager is more likely to have an external orientation, because externally controlled managers are perceived as initiating structure and consideration more than internally controlled managers. On the other hand, the results of an extensive study of almost 3 000 working males by Andrasani and Nestel (1976) concluded that internally-oriented individuals earned higher compensation, had higher status occupations, and were more satisfied with their jobs. In turn, Brockhaus (1982) found that the owners of new businesses as well as successful managers exhibited a dominant internal locus of control. He concluded that internal locus of control is an asset for advancement to middle and upper management positions and that those who display a dominant external locus of control may not exhibit sufficient belief in their own ability to achieve such positions through their own effort. Blau (1993) investigated the relationship between locus of control and job performance and found that internals exhibited higher initiative performance while externals showed higher compliant performance. Internals look to themselves for direction and prefer tasks or organisational demands requiring initiative and independence, while externals depend on outside factors such as their supervisor or company rules, where the requirement is compliance.

It is quite plausible that managers are required to exhibit more initiative (and consequently more internal control) and less compliance (and consequently less external control) to perform more effectively. If one accepts this argument it is also reasonable to assume that entrepreneurs are further along the same continuum, as they are required to exercise even more initiative and less compliance in view of the higher environmental demands placed on them to achieve effective performance. Consequently, although locus of control failed to uniquely distinguish successful entrepreneurs from successful managers, it clearly distinguished between successful and unsuccessful entrepreneurs. It is therefore reasonable to assume that locus of control may also distinguish between effective and less effective franchisees, particularly in view of the assumption that franchisees may behave either more like entrepreneurs or more like managers.

These conclusions also highlight the need to determine the relationship between locus of control and actual work per-

formance. In this regard Kasselmann (1996) could not identify studies that investigated the relationship between locus of control and actual work performance in the franchise sector. Although various studies concentrated on the relationship between locus of control and achievement motivation, very few studies focused on the relationship between locus of control and actual work performance (Bothma & Schepers, 1997; Coetzer & Schepers, 1997). Coetzer and Schepers (1997) nonetheless cite several studies that found positive correlation between internal locus of control and work performance. More recently Gordon (1999), the managing partner of Parker Gordon Associates, a leading South African consulting company in the franchise sector who conduct regular surveys to monitor the development of franchising, indicated that research to investigate the relationship between locus of control and actual work performance in the franchise sector is non-existent.

To summarise, the degree of risk taking is the determining variable in the three-dimensional model which views entrepreneurship as displaying more or less economic innovation, organisation creation and profit seeking. The franchise concept is essentially an attempt to reduce the amount of risk in establishing and growing a new business by means of utilising the entrepreneurial expertise of the franchisor as the basis for economic innovation, and the franchise format as the basis for organisation creation. The management skill of the franchisee is confined to profit seeking and, to a lesser degree, organisation creation. Franchisees appear to be most similar to intrapreneurs who are totally involved in most aspects of the business venture within an established framework. Franchisees exercise a unique blend of entrepreneurial and managerial characteristics in risking their financial security, whilst strictly managing the business in accordance with the franchise agreement. The literature does not provide clear and conclusive evidence as to what these common characteristics are. The trait and demographic approaches have reached their limit in predicting entrepreneurial behaviour and are inappropriate to the dynamic nature of entrepreneurship, although South African studies on demographic variables found significant differences between entrepreneurs, state employees and bankers (non-entrepreneurs). The attitude approach is also considered to be unsuitable because of its changeability, both across time and from situation to situation, which influences the consistency with which behaviours can be predicted from measured attitudes. Locus of control offers the most viable alternative to identify the common characteristics of effective franchisees by interpreting the complex interplay between the person and his or her environment. Various studies have concluded that both successful entrepreneurs and effective managers are more likely to display a higher internal locus of control which confirms the appropriateness of locus of control to assess franchisees who most likely exercise both entrepreneurial and managerial characteristics.

In view of the primary aim of this study, namely to determine whether locus of control can be used as a predictive measure to differentiate between effective and less effective franchisees based on current performance measures, the following research hypotheses will be examined:

- (1) It is hypothesised that the two franchisee performance measures of restaurant evaluation and customers' satisfaction evaluation will be positively correlated with one another. The maintenance of franchise standards (as assessed by the restaurant evaluation) forms the basis for the achievement of sound customer service, as assessed by the customers' satisfaction evaluations (refer to page 12 for a brief review of the various performance measures).
- (2) It is hypothesised that the franchisees' performance measure of sales growth will be uncorrelated with the two franchisees' performance measures of restaurant evaluation and customers' satisfaction evaluation. Factors outside the control of franchisees, e.g. location, regional economic pressures, restaurant age, competitor activity, etc., exert a strong influence over sales growth.
- (3) It is hypothesised that franchisees' biographical variables

such as language, age, gender, experience, educational level and position held in the restaurant will not significantly relate to franchisees' performance. The franchise concept prescribes a distinct way of doing things which tends to negate the influence of biographical variables such as age, gender, experience and educational level.

- (4) It is hypothesised that the three locus of control measures (internal control, external control and autonomy) can be employed to differentiate between and therefore predict, effective and less effective performers among franchisees. Although to a lesser extent than entrepreneurs, franchisees still risk their livelihood and this most likely requires a higher degree of internal control and autonomy than external control. At the same time franchisees have to comply with the business parameters and policies provided by the franchisor not unlike that of managers which consequently suggests also the alternative possibility of higher external control (cf. Blau, 1993).

METHOD

One of the most difficult aspects in *ex post facto* field studies is that of identifying adequate criteria of what represents success. For a criterion to be valid it should, of course, measure important aspects of performance, and the criterion measurements themselves should be reliable and valid. Once selected, the further problem is to secure dependable measurements, which are then combined and weighted (Guilford & Fruchter, 1978). In this study the scales of the locus of control inventory will serve as the independent (primary) variables and the three performance measures, restaurant evaluation, customers' satisfaction evaluation and sales growth as the dependent (criterion variables).

Sample

The target population consisted of male and female franchisees or franchise managers who manage the fast-food restaurants of an established South African franchise operation. Franchisees are the owners of the restaurants in terms of the franchise agreement and franchisee managers are in turn employed by the franchisees to manage the restaurants. The sample comprised 267 restaurants, which are geographically dispersed throughout all nine provinces of South Africa. In order to maximise the sample size it was decided to include the total target population in the study.

The locus of control inventory was completed by 137 franchisees and 23 managers. This constitutes a response rate of 59,9%. The average age of respondents was 39,04 years with a maximum age of 76 and a minimum of 20. The sample consisted of 124 whites, 13 Asians and 5 blacks, and was made up of 112 males and 48 females of which 78 were English-speaking and 82 Afrikaans-speaking. It was found that 4,4% of the respondents have an educational qualification of standard 9 or lower, 47,5% have standard 10 and 28,1% have a national certificate or diploma. Approximately 16% have a degree and 3,7% have post-graduate qualifications.

Experience in a franchise outlet ranged from 1 to 25 years with an average of 5,53 years. It was found that 38,1% of the respondents have 1 or 2 years' experience while 32,5% have between 3 and 5 years' experience. Approximately 17% have 6 to 10 years' experience, and 11,9% have 11 to 25 years' experience.

Measuring instruments

Even though the Rotter I-E scale is more frequently used, it is of limited value in inter-individual comparisons (Schepers, 1994). Moreover, it is important to use an instrument designed for the South African context, particularly in view of current government legislation (Employment Equity Act, 1998; Society for Industrial Psychology, 1998).

The locus of control inventory (LCI) developed by Schepers (1994) for the South African context was used to measure the

primary variable of locus of control. The 1994 LCI consisted of 65 items. In 1995 the scale was extended to 80 items and applied to 1662 RAU first-year students (Schepers, 1995). The reliability and the validity of the LCI were established afresh for this sample.

The instrument consists of 80 items, of which 25 measure internal control (Scale 1), 31 items measure external control (Scale 2), and 24 items measure autonomy (Scale 3). Schepers (1994) described the three scales of the locus of control inventory as follows:

- (1) Internal control: The individual believes that outcomes are a consequence of their own behaviour.
- (2) External control: The individual believes that outcomes are independent of their own behaviour.
- (3) Autonomy: The individual practises internal locus of control and prefers working alone.

High internal consistency, employing Cronbach's coefficient alpha, is reported in respect of each of the three scales (Scale 1: Internal control = 0,832; Scale 2: External control = 0,841; Scale 3: Autonomy = 0,866).

In terms of the criterion variable, franchisees' performance or effectiveness, it is noted that performance measures in the franchise sector are generally well defined and consistently monitored in terms of the franchise agreement. Profitability which includes assessing the gross and net profit of franchisees was monitored by 92,3% of franchisors who participated in the 1998/1999 annual survey of the South African franchise sector (Franchise Directions, 1999). Franchisors also regularly monitor whether franchise outlets trade under the established trademark and operate according to the operations manual which sets out the defined business method. Franchisors in the fast-food category often monitor profitability by means of sales growth, and conduct restaurant evaluations to monitor whether franchisees operate according to the operations manual. They also regularly evaluate customers' satisfaction. Franchise and therefore franchisees' performance in this study was measured using the three performance indicators suggested (and used) by the franchisor, namely:

- (1) Restaurant evaluation, which is conducted by the franchisor's franchise support managers on at least three occasions per year. This evaluation assesses the achievement of franchise standards in terms of hygiene, maintenance, product management, service, hospitality, uniforms, management and marketing, and is essentially designed to assess the implementation of the franchisor's organisational delivery and control system.
- (2) A customers' satisfaction evaluation which assesses hospitality, speed of service, restaurant ambience and management support from the customer's point of view. This so-called "mystery shopper" evaluation was designed to measure customers' response to the particular products and services offered by the delivery and control system and is conducted by an anonymous visitor to the restaurant on at least six occasions per year.
- (3) Sales growth, which measures the annual growth of net sales per restaurant. Sales growth is the ultimate success criterion of each restaurant and is contingent on the maintenance of high restaurant and customer standards by the franchisee, as well as other factors outside the franchisee's control. These factors are under the direct control of the franchisor and include such factors as the strength of the trademark or brand, the location (site) and construction of the restaurant, the national distribution of equipment and raw materials, effective marketing and management of the franchise.

Procedure

The questionnaires were individually administered to 137 franchisees and 23 managers (i.e. 160 respondents) in an office environment during visits to franchise outlets. The franchisees were given the option to participate or not and were requested

to nominate the person who made the most significant impact on the results of the restaurant (franchisees/owners or franchise managers). The nominations were verified with the national franchise manager and regional franchise support managers of the franchisor to ensure that nominees were indeed the main persons responsible for the management of the restaurant. Franchisees' performance as measured by the identified (three) performance measures was assessed by the franchisor over a period of one year, for each restaurant.

Statistical analysis

It is of primary importance to determine the extent to which the locus of control scores of the sample group conform to that reported by Schepers (1995), prior to utilising this variable in a predictive capacity. For this reason the locus of control scores will be correlated.

In order to test research hypotheses 1 and 2, correlation between the various performance measures (and locus of control scores) will be determined. Of the three performance criteria measured, the franchisor (management) emphasised the importance and salience of restaurant evaluations above customers' satisfaction ratings and sales growth, on the basis that the maintenance of restaurant standards establishes the platform for effective customer service, which in turn results in sales growth. Given the prominence of this measure, the mean value of this performance measure will be employed to differentiate between "effective" and "less effective" franchisees.

To determine whether locus of control is independent of the biographical variables of franchisees (hypothesis 3), the influence of variables such as language, age, gender, educational level, experience, and position held in the restaurant, in respect of the effective and less effective groups will be investigated by means of chi-square and Hotelling's T^2 , followed by t-tests (two-tailed).

Hotelling's T^2 , which is offered as a multidimensional generalisation of the univariate t-test (Flury & Riedwyl, 1988, p. 114) will be employed to determine whether the vectors of means of the locus of control measures (three independent variables) differed significantly for the effective and less effective groups. However, as Hotelling's T^2 does not provide an indication of the significance (and/or redundancy) of individual locus of control variables, t-tests (two-tailed) will be utilised to test the influence of the individual variables. The predictive power of the locus of control variables (hypothesis 4) will be explored through regression analysis.

A similar procedure will be followed in respect of the remaining performance criteria (sales growth and customers' satisfaction evaluations), and a combination of these performance criteria, and briefly reported. The combined performance criterion will be construed from the three criterion variables (after standardisation, and with equal weightings). These further analyses will be undertaken in an attempt to identify the measure which will maximise differentiation between, and prediction of membership of effective and less effective franchisee groups.

RESULTS

Sample characteristics and descriptive statistics for the sample group are conveyed in Table 2. Of the 160 respondents 112 were male. Matric appears to be the most common qualification

TABLE 2
FRANCHISEES: SAMPLE CHARACTERISTICS

	N	Minimum	Maximum	M	SD
Age	160	20,00	76,00	39,044	10,843
Education	160	1,00	8,00	5,038	1,445
Experience	160	1,00	25,00	5,525	5,182
Restaurant evaluation	160	76,00	100,00	93,275	5,206
Customer evaluation	160	64,00	100,00	89,763	6,900
Sales growth	160	8,00	195,00	60,319	17,617

among members of the sample (76 respondents). In general the respondents are in their late thirties with relatively low experience (average of 5 years). Performance ratings generally reflect very high ratings by both the franchisor (restaurant evaluations) and "mystery shoppers" (customers' satisfaction evaluation).

The data presented in Table 3, and specifically the high positive correlation between internal control and autonomy, coupled with the low negative correlation between internal control and external control on the one hand, and the high negative correlation between external control and autonomy on the other hand, correspond with the established constructs of the locus of control inventory (Schepers, 1995).

TABLE 3
INTERCORRELATION MATRIX OF THE LOCUS OF CONTROL SCORES
PERFORMANCE MEASURES

	Internal	External	Autonomy	Restaurant	Customer	Sales growth
Internal	–					
External	-0,220**	–				
Autonomy	0,533**	-0,568**	–			
Restaurant	0,110	-0,115	0,102	–		
Customer	0,043	-0,072	0,050	0,455**	–	
Growth	-0,007	0,040	0,003	0,170*	0,169*	–

** $p < 0.01$ (two-tailed)

* $p < 0.05$ (two-tailed)

On the basis of the observed correlation between restaurant evaluation and customers' satisfaction evaluation, the implicit null hypothesis of no relation is rejected and interpreted as support for research hypothesis 1, which argues that the maintenance of restaurant standards and customers' satisfaction are positively related.

Although weak, the positive correlation between sales growth and restaurant evaluation ($r = 0,170$) on the one hand, and sales growth and customers' satisfaction evaluation ($r = 0,169$) on the other, nonetheless does not allow the rejection of the implicit null hypothesis of no relation. The absence of a stronger correlation between sales growth and the other two performance measures, however, suggest that this performance variable is less contingent on factors under the direct control of the franchisee, but probably under the direct influence of the franchisor. This view gains support from the absence of meaningful relations (correlation) between any of the three locus of control variables and sales growth.

It is also evident from Table 3 that there is no statistically significant correlation between the primary variables (locus of control scores) and the criterion variables (performance measures). Given these findings, the franchisor's strong reliance on restaurant evaluations to guide managerial practice prompted the selection and adaptation of this criterion variable as the primary dependent variable during subsequent analyses.

The mean value of restaurant evaluation (93,275) was used as cut-off point to divide the sample group into two performance groups, i.e. effective (those who perform on or above the mean) and less effective (those who perform below the mean). This resulted in 94 respondents being classified as effective and 66 respondents as less effective. The descriptive statistics for the criterion variables and primary variables for the two groups are summarised in Table 4. Individual t-tests (two-tailed) were performed to establish the significance of differences between the two groups.

TABLE 4
DIFFERENCES BETWEEN EFFECTIVE AND LESS EFFECTIVE FRANCHISEE GROUPS IN RESPECT OF THE CRITERION AND PRIMARY VARIABLES

Variable	n	M	SD	SE of M	t	p	Sig
Customers' satisfaction evaluation							
Less effective	66	86,697	6,628	0,186	-5,061	0,000	***
Effective	94	91,915	6,273	0,647			
Sales growth							
Less effective	66	58,333	15,758	1,940	-1,196	0,233	*
Effective	94	61,713	18,769	1,936			
Internal control							
Less effective	66	155,91	14,559	1,792	-1,670	0,097	ns
Effective	94	159,45	12,149	1,253			
External control							
Less effective	66	79,667	24,782	3,051	2,046	0,042	*
Effective	94	71,872	22,949	2,367			
Autonomy							
Less effective	66	156,15	17,341	2,135	-1,089*	0,278	ns
Effective	94	158,96	13,995	1,444			

*** $p < 0,001$ (two-tailed)

** $p < 0,01$ (two-tailed)

* $p < 0,05$ (two-tailed)

ns = not significant

From Table 4 it is evident that the effective group differs significantly from the less effective group in terms of customers' satisfaction ($t = -5,061$, $p < 0,001$ [two-tailed]) and external locus of control ($t = 2,046$, $p < 0,05$ [two-tailed]). As far as customers' satisfaction is concerned, the effective group tends to receive higher satisfaction ratings by "mystery shoppers" when compared with the less effective group. In terms of the external locus of control scores, the effective group (when compared to the less effective group) displays less of a belief/orientation that their performance is contingent on events beyond their control. The two groups do not differ significantly in terms of sales growth ($t = -1,196$, $p = 0,233$ [two-tailed]), internal locus of control ($t = -1,670$, $p = 0,097$ [two-tailed]) and autonomy ($t = -1,089$, $p = 0,278$ [two-tailed]).

To ascertain the extent to which biographical variables differentiate between effective and less effective franchisee groups, chi-square analyses (discrete data) and Hotelling's T^2 , followed by t-tests (continuous data) were carried out. A comparison of effective and less effective franchisees reveal that the two groups do not differ significantly in terms of educational level, gender, position held in the restaurant, age and experience (refer Tables 5 and 6). A statistically significant difference between the effective and less effective groups was, however, observed in respect of language, which is further highlighted in Table 7.

In terms of research hypothesis 3, the null hypothesis of no relation is accepted in respect of the biographical variables age, gender, experience, educational level and position held in the restaurant. Effective and less effective franchisees, however, differ significantly on the basis of language, χ^2 ($df = 1$) = 6,320; $p = 0,012$, and the null hypothesis of no relation is therefore rejected. Research hypothesis 3 can therefore be accepted, namely that biographical variables, with the exception of language, do not differentiate franchisees' performance. From Table 7 it appears that Afrikaans-speaking franchisees are more likely to be effective.

TABLE 5
DIFFERENCES BETWEEN EFFECTIVE AND LESS EFFECTIVE FRANCHISEE GROUPS IN RESPECT OF BIOGRAPHICAL VARIABLES

Variable	n	χ^2	df	p
Education				
Less effective	66	2,787	3	0,426
Effective	94			
Gender				
Less effective	66	0,398	1	0,528
Effective	94			
Language				
Less effective	66		1	0,528
Effective	94			
Position held				
Less effective	66	1,323	1	0,250
Effective	94			

* $p < 0,05$ (two-tailed)

ns = not significant

TABLE 6
DIFFERENCES BETWEEN EFFECTIVE AND LESS EFFECTIVE FRANCHISEE GROUPS IN RESPECT OF AGE AND EXPERIENCE

Variable	n	M	SD	SE of M	Levene F	p	t	df	p
Age									
Less effective	66	37,712	10,548	1,298	0,331	0,566 ⁺	-1,305	158	0,194 ^{ns}
Effective	94	39,979	11,005	1,135					
Experience									
Less effective	66	6,121	6,030	0,742	5,979	0,016 ⁺⁺	1,161	113,272	0,248 ^{ns}
Effective	94	5,106	4,481	0,462					

ns = Not significant

⁺ = Equal variances assumed

⁺⁺ = Equal variances not assumed

TABLE 7
CONTINGENCY TABLE; FRANCHISEES' EFFECTIVENESS AND FRANCHISEE'S LANGUAGE*

Language	Less effective	Effective	Total
English	40 (32,18) ^b	38 (45,83)	78
%	60,6%	40,4%	48,8%
Afrikaans	26 (33,83)	56 (48,18)	82
%	39,4%	59,6%	51,3%
Total	66	94	160
%	100%	160	100%

a χ^2 ($df = 1$) = 6,320, $p = 0,012$.

b Expected cell frequencies are indicated in parentheses.

Hotelling's T^2 -test for independent samples was used to determine whether the vectors of means of the locus of control measurements (variables) differed significantly for the effective and less effective groups. The results of this analysis are presented in Table 8.

TABLE 8
DIFFERENCES BETWEEN EFFECTIVE AND LESS EFFECT FRANCHISEE GROUPS IN RESPECT OF LOCUS OF CONTROL (THREE MEASURES)

Variable	Effective group (E)			Less effective group (LE)			Levene's F msF	df	p(F)	t	df	p(t) (2-tailed)
	M	SD	n	M	SD	n						
Internal locus	159,450	12,149	94	155,910	14,559	66	2,025	3 and 156	0,157 ⁺	-1,670	158	0,097 ^{ns}
External locus	71,872	22,949	94	79,667	24,782	66	2,180	3 and 156	0,142 ⁺	2,046	158	0,042 [*]
Autonomy	158,960	13,995	94	156,150	17,341	66	5,092	3 and 156	0,025 ⁺⁺	-1,089	120,441	0,278 ^{ns}

Hotelling T² = 0,041; Associated F (3, 156) = 2,123; p(F) = 0,099^{ns}

** p < 0.01 (two-tailed)

* p < 0.05 (two-tailed)

ns = Not significant

⁺ = Equal variances assumed

⁺⁺ = Equal variances not assumed

From Table 8 it is evident that the overall level of significance of the difference in the vectors of means of the effective and less effective groups in respect of locus of control, is not significant; F (3,156) = 2,123; p = 0,099. Of the three locus of control variables, external locus of control, however, differentiates statistically significantly between effective and less effective franchisees (t = 2,046, p = 0,042*) when employing restaurant evaluations as performance criterion. When compared with less effective franchisees, effective franchisees have lower external control scores, i.e. they believe their performance is less contingent on events beyond their control.

Following from the results of the preceding analysis (Hotelling's T² and independent t-tests), the difference between effective and less effective franchisees was further explored by means of a step-wise logistic regression analysis (cf. Norusis, 1997) with performance group (effective/less effective) as the dependent variable. The independent (predictor) variables comprised the three continuous locus of control scores (internal control, external control and autonomy) and a biographical variable (language). The results of the logistic regression analysis are presented in Table 9 and indicate that external control and language are the best predictors of performance, resulting in an overall correct classification of respondents into the appropriate performance groups (effective/less effective) of 63,75%. However, 81,9% of the effective group were correctly predicted.

TABLE 9
CLASSIFICATION OF EFFECTIVE/LESS EFFECTIVE FRANCHISEES

	Actual group membership	Predicted group membership		% Correctly classified
		Less effective	Effective	
Less effective	66	25	41	37,88
Effective	94	17	77	81,9
Total	160			63,75

The accuracy ratio of 81,9% for the identification of franchisees with the potential to be effective is of particular interest and provides a sound basis for the formulation of two equations which can be used to screen potential franchisees in the fast-food category.

The results of the logistic regression analysis enable the calculation of a performance probability for a franchisee. If the calculated probability is larger than or equal to 0,5, the franchisee is predicted to belong to the effective group; whereas if the calculated probability is less than 0,5, the franchisee is predicted to belong to the less effective group. The equations for calculating the probabilities are as follows:

$$P = \begin{cases} \frac{1}{1 + \exp(-2,0638 + 0,0164 \cdot \text{external})} & \text{if the franchisee is English-speaking} \\ \frac{1}{1 + \exp(-1,141 + 0,0164 \cdot \text{external})} & \text{if the franchisee is Afrikaans-speaking} \end{cases}$$

On the basis of the observed differences between effective and less effective franchisees in respect of locus of control, and the ability to utilise these results to predict membership of effective and less effective franchisee groups, the implicit null hypothesis (refer hypothesis 4) is rejected and interpreted as support for research hypothesis 4. It is concluded that locus of control scores can be employed to differentiate between effective and less effective franchisees.

Without detracting from the primary criterion variable as indicated by the franchisor (restaurant evaluations), it is useful to review the effectiveness of prediction formulas for alternative definitions of franchisees' effectiveness. The criterion variables sales growth and customers' satisfaction and a composite criterion involving the three criterion variables, are briefly reviewed. The mean performance in terms of the selected criterion variable was consistently employed as decision parameter for classifying franchisees into effective (on or above the mean) and less effective (below the mean) groups.

With sales growth figures as criterion for categorising franchisees into effective (n = 90) and less effective (n = 70) groups, biographical variables once again demonstrated a negligible influence in terms of franchisees' performance. Exceptions in this regard are education (higher for the effective group - χ^2 (df = 3) = 8,132; p = 0,043* and language, which approaches significance (the effective group is more likely to be Afrikaans - χ^2 (df = 1) = 3,813; p = 0,051). In terms of the locus of control scores, the two groups do not differ statistically significantly (Hotelling's T² = 0,015, with associated F [3,156] = 0,786; p = 0,503). Using the biographical variables education and language as independent variables in a logistic regression procedure with performance group (effective/less effective) as dependent variable, an overall prediction accuracy of 63,8% was obtained. The predictive accuracy for membership of the effective and less effective groups are 47,1% and 76,7% respectively. In contrast to restaurant evaluations, the use of this criterion appears to offer a more effective prediction formula for less effective franchisees (assuming that sales growth in this context is considered a valid criterion for franchisees' effectiveness).

Franchisees categorised into effective (n = 94) and less effective (n = 66) groups on the basis of customers' satisfaction ratings, did not differ significantly in terms of biographical variables. The role of gender, though not significant (χ^2 [df = 1] = 2,830; p = 0,093 [two-tailed]), appears to be more prominent. The groups similarly did not differ in terms of locus of control on this criterion variable (Hotelling's T² = 0,027, with an associated F [3, 156] = 1,409; p = 0,242). In the absence of statistically significant differences between the groups in respect of both the locus of control and biographical variables, a logistic regression was nonetheless attempted, using those independent variables employed earlier with restaurant evaluation as criterion (internal locus, external locus and language). An overall prediction accuracy of 60,6% was obtained, with the prediction accuracy for membership of

the effective and less effective groups at 90,4% and 18,2% respectively.

Finally with a composite criterion variable consisting of standardised and equally weighted criterion scores for restaurant evaluation, customers' satisfaction and sales growth, franchisees were once again categorised into effective ($n = 86$) and less effective ($n = 74$) groups. Language, once again was the only biographical variable which differentiated between the two groups in a statistically significant manner ($\chi^2 [df = 1] = 4,826$; $p = 0,028^*$). The observed difference between the two groups in respect of locus of control (vectors of means for the three scales) approached significance (Hotelling's $T^2 = 0,047$, with an associated $F [3, 156] = 2,438$; $p = 0,067$). Closer scrutiny revealed that the groups differed significantly in terms of external locus of control; $t (df = 144,559) = 2,353$; $p = 0,020^*$. Effective franchisees, once again, were likely to present with lower external locus of control scores. Employing language and external locus of control as predictors in a logistic regression, franchisees' membership of performance groups (effective/less effective) could be predicted with an overall accuracy of 57,5%. Membership of the effective and less effective groups could be predicted with an accuracy of 68,6% and 44,6% respectively.

DISCUSSION AND CONCLUSIONS

The primary aim of the study was to determine whether locus of control can be used as a predictive measure to differentiate between effective and less effective franchisees when utilising current performance measures (hypothesis 4). The results of the correlation study and the logistic regression analysis suggest this to be true. For this research population the locus of control inventory can be used reliably to predict which franchisees are most likely to become effective.

The observation that effective franchisees are significantly less externally directed and only moderately internally oriented and autonomous, offers support for the view that franchisees are not truly entrepreneurial in nature, but instead behave more like intrapreneurs who want to own and develop their own businesses, but prefer to stick to proven conventional products and services (Kao, 1991). This study highlighted that franchisees appear to focus more on the "how" of entrepreneurship the method of achieving economic gain, rather than the "what" of entrepreneurship developing new combinations of creating economic value (Hornaday, 1992). In this regard franchisees differ noticeably from the well-acknowledged concept of entrepreneurship (McClelland, 1969), and in many respects resemble the concept of intrapreneurship as described by Pinchot (1985). These findings suggest firm grounds for the development of a specific typology for the franchise sector which recognises the distinctive features of the franchise concept (and franchisor's and franchisee's roles) when juxtaposed against entrepreneurs, intrapreneurs and managerial staff. At the same time the findings suggest that the mere adoption of existing recruitment and selection methodologies employed in the domain of entrepreneurship, for use in franchises, may be invalid as a consequence of variation in entrepreneurs' and franchisees' profiles.

The perception of risk and the expectation of reward are salient components of the franchisee-environment relationship and a source of variation when comparing franchisees with entrepreneurs, managers and others. Indeed, the franchise concept is essentially an attempt to reduce the amount of risk taking in setting up, establishing, managing and growing a new business by interpreting the risk situation and determining the appropriate policies and resources to minimise risk (Birley & Westhead, 1990). The franchise format, in addition, creates a clear framework of expectancies and rewards so that franchisees enter the franchise agreement with a clear understanding of the action to be taken to reap reward. It is in this context that locus of control is particularly useful as a vehicle with which to determine the extent to which the franchisee believes that reward will be delivered by personal

effort and ability within the franchisor's system of control and delivery (system of risk minimisation).

The somewhat tenuous relationship observed between higher customers' satisfaction evaluation scores and lower external control scores of franchisees nonetheless imply that more effective franchisees are less inclined to accept that success is contingent on the effective management of the franchisor's organisational delivery and control system, and more likely to attribute this to the franchisees' ability and initiative. The weak relationship conveyed by the results, where a stronger relationship could be expected, may, however, be accounted for by the methodological constraints operative in this study (addressed elsewhere in this section).

The intuitive link between restaurant standards and customers' satisfaction received further support in this study (research hypothesis 1) and provides justification for confirmation of the franchisor's focus and continued emphasis on the maintenance of franchise (restaurant) standards as basis for customers' satisfaction.

The finding that sales growth is minimally correlated with restaurant evaluation and customers' satisfaction evaluation (research hypothesis 2), tends to negate the role and participation (and therefore potential influence) of the franchisee in determining the financial success and growth of the franchise. Locus of control has been identified as an important mediating factor in the relationship between economic rewards, which are contingent on the achievement of performance goals, and participation in the formulation of those performance goals (Kren 1992). Internally oriented individuals prefer to exercise personal initiative and to demonstrate competence by participating in the setting of performance goals. By contrast, when participation is absent and control is denied, the source of control is perceived to be external, and the performance of internally oriented individuals decline (Newton & Keenan, 1990). In general, effective franchisees are more internally oriented than externally directed, and may perceive that financial rewards are not contingent on their own performance, which may lead to a decline in their performance. In this regard it is of particular interest to note that sales growth as criterion variable presents a more effective prediction formula for less effective franchisees (rather than effective franchisees). This suggests that factors which are largely under the control of the franchisor, such as marketing, pricing policies, product development and product lines may have a more pronounced bearing on franchisees' success (sales growth as measure) and have particular implications for the continued growth in earnings of both franchisor and franchisee.

Reflecting on the biographical variables of franchisees, such as age, gender, educational level, experience, and position held in the restaurant, it is evident that these variables, with the exception of language, do not appear to be meaningful predictors of franchisees' effectiveness (research hypothesis 3). Moreover, language is the only biographical variable which consistently differentiates between effective and less effective groups in a statistically significant way when predicting performance group membership with either restaurant evaluation, sales growth or a composite criterion variable. These findings are to some extent at variance with the results of previous studies by Boshoff and Van Vuuren (1993) and Van Vuuren and Boshoff (1993), which found that entrepreneurs in the South African context tended to be English-speaking, older, male rather than female, and have an equal probability of having/not having tertiary education. A study by Schutte, Bennett and Boshoff (1993) similarly found that educational level and language preference could be used as predictors of entrepreneurial success or failure. The role of language which emerges as a common denominator and a meaningful predictor in the mentioned studies (and the present study) may be indicative of the culture subset (including aspects such as values and work ethic) represented by the language group of the respondents and which is conducive to success in a given environment. Culture is transmitted to employees in many forms, the most

potent being stories, rituals, material symbols, and language (Robbins, 1993). Many organisations use language as a way to identify members of a culture or subculture. By using a particular language, members attest to their acceptance of the culture and, in so doing, help to preserve it. In the present study the participating franchisor promotes a distinct Afrikaans-speaking culture which may favour that particular language group.

The trivial role of biographical variables (other than language) may also relate to the meticulous pre-selection of franchisees, coupled with an established and tried franchise concept (business format and structure) and effective, ongoing support systems, which serve to neutralise the influence of these variables in the process of becoming an effective franchisee. If this is the case, the franchise concept indeed holds promise for development, employment and wealth creation in third world settings.

The results of the present study strongly suggest that franchisees differ from entrepreneurs in meaningful ways and operate in different contexts. The underlying culture and values conducive to success in a risk-minimised and highly structured business context (the franchise concept) may be quite inappropriate in an entrepreneurial operating context, which is characterised by an increase in risk and less structure. The latter suggests several potentially useful avenues for continued research.

Several recommendations for the maintenance and management of the franchise concept arise from the reported findings and implications. Foremost in this regard is that the respective roles of franchisor and franchisee be revisited and redefined in order to realise the full potential of the franchise concept. Such an analysis may well lead to a redefinition of the franchisor's role away from a dominant control paradigm (for example in terms of the maintenance of standards) towards a more collaborative and consultative paradigm wherein the franchisee is afforded greater opportunity to participate and influence the performance of the franchise. An investigation of the influences that moderate the relationship between restaurant evaluation and customers' satisfaction evaluation on the one hand, and sales growth on the other hand, may shed further light on the dynamic relationship between franchisor and franchisee, and the distribution of their respective responsibilities.

Findings in respect of the various performance measures employed by the franchisor suggest several areas of concern which require further analysis and research. The absence of stronger relationships between the various performance measures employed by the franchisor, in general, require further analysis. The method and frequency of performance assessments need to be reconsidered, with a greater emphasis placed on the training and execution of performance assessments in a uniform and consistent manner. Indeed, a major limitation of the study is the skewness of both restaurant evaluation and customers' satisfaction evaluation distributions (restaurant evaluation mean value rating: 93,275, and customers' satisfaction evaluation mean value rating: 89,763 with an upper limit of 100 in both cases). It is notable that the franchisor generally rates franchisees' performance (restaurant evaluations) higher than independent outsiders (customers' satisfaction evaluation).

This apparent tendency to over-rate the performance of franchisees is cause for concern, particularly in view of the fact that 38,1% of the sample group have only 1 or 2 years' experience in managing a franchise outlet and are consequently unlikely to have achieved peak performance within this short period of time. This over-rating of performance may conceivably lead to a gradual downgrading of standards in the long term, as franchisees expend less effort to achieve performance standards. In this regard the introduction of performance benchmarks which can be applied during the different stages of the life cycle of a franchisee may prove beneficial. It will allow the tracking of franchisees' performance in terms of the maintenance

and improvement of standards (or otherwise) over time. At the same time it will allow the franchisor the latitude of varying his/her approach and focus in accordance with the stage-specific "needs" of franchisees.

Franchisees could, for example, be divided into three groups, namely "beginners", "mature" and "high performers" which are then assessed in terms of the specific benchmarks set for each group. Greater emphasis should be placed on the achievement of franchise standards for "beginners", whilst the focus for "mature" franchisees should shift towards mastering advanced management and marketing techniques that will optimise customers' satisfaction and sales growth. "High performers", in turn, could be used to pioneer new directions and test improvements in the franchise concept.

Apart from the research opportunities implied by the preceding discussion of performance measures, it is evident that continuing research should focus on those influences that moderate the interaction between franchisor and franchisee, with particular emphasis on the participation of franchisees in the setting of performance goals. There is a need to isolate the factors in the franchise concept that should be under the franchisor's control (in order to maintain the integrity and standards of the franchise) and those factors that should be under the franchisee's control (in order to ensure continued growth in the effectiveness and earnings of the franchise).

A comparison of the success rate of newly recruited franchisees with high scores on internal control and autonomy, with that of newly recruited franchisees with a high score on external control, may prove a particularly useful research avenue and will shed more light on the attributes and profile of the franchisee vis-à-vis that of entrepreneurs and intrapreneurs. Generally though, replication of the present study in the same category (fast-food), but also in other, different categories in the franchise sector, with different franchise concepts, are required to set the stage for meaningful intervention in the structure, implementation and management of the franchise concept in general.

In conclusion, locus of control appears to be more relevant for determining the critical determinant of behaviour at work in the dynamic interaction between the franchisee and the environment than the trait, demographic or attitude approaches. This is because locus of control, in particular, incorporates a high degree of situational specificity by determining the individual's perception of the relationship that exists between his/her own behaviour and reward. Consequently, locus of control appears to be suitable for ascertaining the degree to which the franchisee believes that the reward will be determined by exercising personal effort and ability in terms of the franchisor's control and delivery system. At the same time the results point to the differentiated nature of the work domains and profiles of franchisor and franchisee with its concomitant implications for recruitment and selection of franchisees.

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