

Franchisee Personality: An Examination in the Context of Franchise Unit Density and Service Classification

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Abstract

Purpose. This paper represents the first attempt to examine franchisee personality within the context of alternative franchisee ownership structures (single unit versus multiple unit ownership) and service type (standardised versus customised).

Design/methodology/approach. A self-report mail survey was used to collect data from a random sample of 363 franchisees drawn from 83 franchise groups. Personality was represented by the Big-Five personality traits (IPIP-B5 scales), two dimensions of Empathy (IRI scales of *empathic perspective taking* and *empathic concern*) and Emotional Intelligence (EIS). Two separate between-subjects MANOVAs were conducted for each of the independent variables.

Findings. Significant differences were found between franchisee ownership groups on four personality measures (*conscientiousness, emotional stability, empathic perspective taking and emotional intelligence*) and service type groups on two measures (*extraversion and empathic perspective taking*). Theoretical and practical implications of these results are discussed.

Research limitation/implications. Future research should investigate the personality of franchisors and different types of franchisees within the context of organisational outcomes such as franchisee performance, commitment, organisational learning and intention to remain and grow within the network (within different international settings).

Originality/value. This research supplements the channels literature by using standard personality measures to differentiate franchisees that are likely to engage in different behaviours within franchise systems.

Keywords: Franchising, personality, Big-Five, empathy, emotional intelligence.

Category: Research paper

Introduction

The purpose of this paper is to investigate the personality of franchisees and its relationship to franchisee ownership structures (single unit versus multiple unit ownership) and service type (standardised versus customised). Personality is typically conceptualised by psychologists in terms of a small set of stable enduring characteristics, labeled 'dimensions' or 'factors', which affect the way that individuals will act in different circumstances (Cattell, 1957). A common *conceptualisation* of this idea is the Big-Five factors; extraversion, agreeableness, conscientiousness, emotional stability, and intellect (e.g. Tupes and Christal, 1961; Goldberg, 1992). More recently some have argued that this set should be expanded to include empathy (Caprara *et al.*, 1995), and, more controversially, perhaps also to include emotional intelligence (Schutte and Malouf, 1999).

In the context of business research, personality has often been investigated in terms of identifying the pattern of personality traits which are associated with entrepreneurial behaviour (e.g. Brockhaus, 1982; Brandstätter, 1997; Stewart *et al.*, 1999; Mueller and Thomas, 2000; Beugelsdijk and Noorderhaven, 2005). Although franchisees are generally not considered to be 'entrepreneurs' as they engage in a form of 'controlled self-employment' (Weaven and Frazer, 2006, p. 227), they do, however, often differ from one another in one important respect within many franchise systems. Some franchisees begin by operating a single unit and, in time, develop a 'mini-chain' of units within the system whereas other franchisees continue to operate a single unit only. The principal purpose of this study is to investigate personality of franchisees and its relationship to franchisee ownership structure - single unit versus multiple unit ownership. In addition the relationship between personality and service type (standardised versus customised) will also be investigated.

Franchising

Franchising is an organisational form in which a firm grants an individual or company the right to conduct business in a prescribed manner, within a specified geographic area, during an agreed time period, in return for royalty contributions or other fee payments (Justis and Judd, 2004). The company

granting these rights is deemed the *franchisor*; the receiver of these rights the *franchisee*, and the right is defined as the *franchise* (Hirsch and Peters, 1989). The franchising arrangement may be viewed as an agency relationship in which the franchisor (principal) is reliant upon franchisees (agents) to undertake actions on their behalf (Mathewson and Winter, 1985).

From an agency theoretic perspective, an efficient contract between a franchisor and franchisee may be established through the use of selection criteria that effectively screens potential agents on likely future outcomes desired by the franchisor (Bergen *et al.*, 1992). Selection criteria are used by franchisors as a key input control strategy so as to minimise ex-post costs arising from misdirected and suboptimal franchisee effort (Castrogiovanni *et al.*, 2006). However, franchisee selection criteria has been criticised for being outdated, unreliable, and narrowly focused (Axelrad and Rudnick, 1987; Hing, 1995). In particular, the roles of individual dispositional characteristics have been largely ignored despite being nominated as important determinants of relationship quality in asymmetric exchange relationships (Peterson & Dant, 1990). This appears curious given the renewed interest in the validity of personality factors, and in particular the Big-Five personality dimensions, in predicting a variety of job-related behaviours.

Several business studies have highlighted the predictive power of the Big-Five personality traits of behaviour within the workplace. In a summary of the large longitudinal studies conducted at Berkeley spanning a period of 60 years, Judge *et al.*, (1999) examined the relationship of the Big-Five traits and intelligence with career success. After controlling for intelligence, measures of personality made early in life proved to be salient predictors of career success (both intrinsic represented by job satisfaction, and extrinsic represented by income and occupational status) many decades later. Conscientiousness was positively related to intrinsic career success while extrinsic career success was negatively related to Neuroticism and Agreeableness, and positively related to Extraversion, Conscientiousness and cognitive ability. In a meta-analytic study, Barrick and Mount (1991) found Conscientiousness to be positively related to job performance for each of the five occupational groups encompassed in their study (professionals, police, managers, sales, and skilled/semi-skilled) and Extraversion to be positively related

to job performance for two occupation groups (managers and sales). Openness to Experience, and Extraversion were also found to be correlated with training proficiency for all occupations.

The Big-Five traits have been found to be significant predictors of job performance in jobs requiring a high degree of interpersonal interaction between employees or customers – with the relationships being stronger for jobs requiring teamwork interactions than for jobs requiring interpersonal interactions with customers (Mount *et al.*, 1998). When compared to managers, entrepreneurs have been found to score higher on the dimensions of Conscientiousness and Openness to Experience and lower on Neuroticism and Agreeableness (Zhao and Seibert, 2006). Higher scores on Extraversion have been associated with promoting a positive service climate (Liao & Chuang, 2004), and job burnout is linked to Neuroticism (Maslach *et al.*, 2001). However, the majority of these studies have been conducted in the entrepreneurship domain (See Zhau and Seibert, 2006, for a review), which may not necessarily accord with behavioural outcomes observed within asymmetrical exchange relationships such as franchises (Dant and Schul, 1992; Felstead, 1991).

Within the franchising context, there is some evidence that personality dimensions may predict franchisee performance and interrelationship incompatibility and stability. However, to date, this research has been limited to the single unit franchisee context (Kelly and Conley, 1987; Morrison, 1997) which has long been viewed as the modal form of franchising (Caves & Murphy, 1976). However, multiple unit franchising, in which a franchisee is permitted to own and operate more than one unit within the same franchise system (Kaufmann and Dant, 1996), is growing in popularity (BFA/NatWest, 2006; Frazer *et al.*, 2006), rendering previous explanations incomplete. Although there is some evidence that multiple unit franchisees possess different philosophical orientations and expectations, and engage in different activities to single unit franchisees (Grunhagen and Mittelstaedt, 2002), we do not currently know those personality traits that are present in individuals that are likely to seek ownership of additional units within the same franchise system. As multiple unit franchising arrangements offer the franchisor advantages associated with the minimisation of adverse selection and moral hazard agency expenses, a better understanding of methods of identifying likely chain franchisees would be of considerable benefit to

franchisors in their selection and recruitment process. To this end this research will investigate personality in the context of alternative franchisee governance structures.

Although the focus of much franchising research has been related to structural uniformity dimensions and efficient service delivery in business format franchises (e.g. Kaufmann & Eroglu, 1999), less attention has been given to assessing the role of customer contact and personalisation in franchising service encounters. This is curious given that franchise systems adopt varying service strategies that require owner/managers to engage in different levels of personal contact with customers and use their own personal judgement to solve customer problems (Cunningham *et al.*, 2004; Lovelock, 1983; Olorunniwo and Hsu, 2006). Although personality dimensions of Conscientiousness, Agreeableness and Emotional Stability have been shown to predict successful performance in jobs involving team interaction (Mount *et al.*, 1998) we do not currently know what personality dimensions are associated with successful performance in customised and standardised franchise service organisations. Thus, the Big-Five instrument has the potential to be added to the franchisor's battery of screening devices used in assessing the likely future performance of potential franchisee candidates operating within different ownership and service contexts.

Multiple unit franchising

Although multiple unit arrangements, are growing in popularity, conceptually such arrangements may appear to be an unsound alternative to traditional dyadic revenue sharing arrangements (Bradach, 1995). Multiple unit franchising, however, offers franchisors advantages associated with rapid system growth, systemwide adaptation to competition, systemwide uniformity, the minimisation of horizontal free-riding and the strategic delegation of quantity or price choices (Garg *et al.*, 2005; Kalnins and Lafontaine, 2004). From the franchisee's perspective, 'mini-chain' development is attractive as it affords subsystem scale economies and greater control through increased levels of decision-making involvement in franchise network administration (Grunhagen and Mittelstaedt, 2002).

There has, however, been little research examining the personality characteristics of franchisees

(Morrison, 1997). While there has been extensive research conducted into the psychological characteristics of entrepreneurs (e.g. Brockhaus, 1980; McClelland, 1961; Stewart *et al.*, 1998), only a few studies have examined psychological trait differences between independent and franchise entrepreneurs (e.g. Anderson *et al.*, 1992; Knight, 1984; Mescon and Montanari, 1981; Gauzente, 2002) and their results remain somewhat inconclusive. This may perhaps reflect the fact that franchising represents a method of ‘controlled self employment’ (Felstead, 1991, p.39) that does not afford the same degree of operational independence inherent within fully independent business enterprises. Moreover, these studies have attracted criticism for lacking definitional clarity and empirical measurement of identified constructs (Grunhagen and Mittelstaedt, 2005; Jambulingam and Nevin, 1999). Of further concern is that these studies are couched in the single unit franchising context which neglects the comparison of personality differences between different types of franchisees. This is important as recent research has shown that multiple unit franchisees differ from their single unit counterparts in their initial motivations to enter franchising, approach to unit administration, management of franchisor relations, and philosophical orientation (Dant and Gundlach, 1998; Grunhagen and Mittelstaedt, 2005; Weaven and Frazer, 2006). Therefore, an assessment of the personality of franchisees with different unit holdings in franchise systems is warranted.

Standardised and customised franchisee services

A basic tenet of franchising is that the replication of standardised services throughout the network assists in obtaining large scale economies, maintaining service quality and supporting system brand equity (Shane, 1996). Franchisors, however, balance this drive toward system uniformity with the need to adapt service offerings to local market conditions (Kaufmann and Eroglu, 1998). Similarly, within the context of the service delivery at the unit level, franchise systems often differ in terms of the level of customisation offered to their customers (Lovelock *et al.*, 2004). In particular, some systems offer the same (standardised) service to their customers with minimal customer interaction in the service encounter, while others adapt their service offerings to accommodate individual customer needs. Standardised

service offerings in the franchising context may be best viewed as ‘pseudorelationships’ (Guttek *et al.*, 2000, p. 321) in which customers have repeated contact with the franchise organisation, but not with an individual service provider. Alternatively, customised service offerings involve more personalised service encounters which may be important in franchise systems emphasising the development of longer term and trusting relationships with customers (Guttek, 1995). Personality constructs such as extraversion and agreeableness may positively impact upon social interaction, although there does not appear to be consensus in the literature (e.g. Buss, 1992; Costa and McCrae, 1992; Morrison, 1997). Therefore, an assessment of personality characteristics may provide additional insight into those franchisees that are best suited to working within the context of different types of service interactions.

Personality

The strong link between personality and behaviour has resulted in considerable research effort devoted to the study of personality in many domains. Defined as ‘an individual’s unique psychological makeup, which consistently influences how the person responds to his or her environment’ (Blackwell, Miniard and Engel, 2001, p. 271), personality, in the context of business research, has received substantial attention in the area of entrepreneurial behaviour (e.g., Brockhaus, 1982; Brandstätter, 1997; Stewart *et al.*, 1998; Mueller and Thomas, 2000). What has been discovered is that ‘achievement motivation, locus of control and preference for innovation are seen as the classic themes’ (Beugelsdijk and Noorderhaven, 2005, p. 159-160) in relation to entrepreneurial traits. It has been clearly established, however, that franchisees are not considered to be ‘entrepreneurs’ as they merely engage in a form of ‘controlled self-employment within an *entrepreneurial partnership*’ (Weaven and Frazer, 2006, p. 227). On this basis, franchisees are also quite distinct from employees, as they are self-employed, and from independent small business owners, because they are not independent of the franchisor. To date, we know little of the franchisee personality and to initiate such an exploration the Big-Five personality factors are used in this study.

Big-Five personality factors

Tupes and Christal (1961) developed the Big-Five factor representation of personality by re-analysis of data sets of bipolar variables constructed by Cattell (1957). Traditionally, the five factors may be labeled: 1. *extraversion* (or 'surgency'); 2. *agreeableness*; 3. *conscientiousness* (or 'dependability'); 4. *emotional stability* (or 'neuroticism'); and 5. *intellect* (or 'openness' or 'culture') (Goldberg, 1992). Based on the argument that 'if individuals rate themselves or others on a wide variety of trait descriptors, five factors emerge' (Schutte *et al.*, 2003, p. 592), the Big-Five personality scheme has been widely adopted and used as an efficient and valid means of measuring personality (Levin *et al.*, 2002). The five factors may be described as follows:

Extraversion relates to the degree to which individuals are outgoing and physically and verbally active. Individuals scoring highly on this dimension are adventurous, frank, social, assertive and talkative. Those scoring low on this dimension are generally withdrawn and appear very quiet, shy, reserved and unsociable. The individual in the middle of this dimension prefers a mixture of social and isolated situations (Heinström, 2003).

Agreeableness is linked to altruism, nurturance, caring and emotional support. As a result, agreeable people are described to be kind, gentle, sympathetic, warm and giving. On the other end of the continuum, are individuals described to be competitive, hostile, indifferent, self-centered, spiteful and jealous (Heinström, 2003).

Conscientiousness refers to the degree to which an individual sets high goals, has successful work outcomes and exhibits goal directed behaviour. Conscientiousness is strongly associated with achievement and the will to achieve. An individual scoring highly on this dimension is described to concentrate on a limited amount of goals, which are vigorously pursued. This type of individual is dutiful, orderly, competent, responsible and thorough. On the other hand, individuals scoring low on this dimension are easily distracted and impulsive (Heinström, 2003).

Emotional stability gauges the degree to which a person relates to stress. Individuals scoring highly on this dimension are described to be usually calm and relaxed and to rarely suffer from mental or

physical illness due to stress. Individuals scoring low on this dimension are described to be less stable individuals who tend to be anxious, worried and excitable and tend to suffer from anxiety, depression and psychosomatic illnesses under stress (Heinström, 2003).

Intellect refers to the degree to which a person is open to new ideas, has cultural interests, and is creative. Individuals scoring highly on this dimension are described to be interested in sensory and cognitive experiences, like novelty, thrive on complexity and are very liberal. Individuals with low scores on this dimension are described to be characterised by conventionalism, conservatism, showing a preference for familiarity, and displaying opposition to change (Heinström, 2003).

Some have argued that the Big-Five are not entirely exhaustive in their coverage of personality. Several researchers have, for example, suggested that empathy should be added as a 6th factor (e.g. Caprara *et al.*, 1995; Munro, *et al.*, 2005).

Empathy

Defined as ‘a reaction to the observed experiences of another’ (Davis, 1983, p. 113), empathy is a multidimensional construct that is particularly important in the counseling profession and has received considerable attention in the psychology literature. The ability to ‘place oneself in another’s shoes’ serves individuals extremely well in a variety of interpersonal relationships, including professional relationships (Guzzetta, 1976). This ability has been described to strengthen the ego and to provide a basis of coping with stress and resolving conflict (Kremer and Dietzan, 1991). As the franchising arena provides the opportunity for both stress and conflict, empathy may well be an important construct in this area.

Davis (1980) proposed empathy to comprise four dimensions - *perspective-taking*, *empathic concern*, *fantasy* and *personal distress*. Two of these dimensions, *perspective-taking* and *empathic concern*, are described to be ‘other directed’. *Perspective-taking* is referred to as ‘cognitively taking the perspective of another’, which implies stepping ‘outside the self – when dealing with other people’ (Davis, 1980, p. 9). Those rating highly on the perspective-taking dimension are described to exhibit better social functioning because ‘perspective-taking ability should allow an individual to anticipate the

behaviour and reaction of others, therefore facilitating smoother and more rewarding interpersonal relationships' (Davis, 1983 p. 115). Furthermore, such individuals would be expected to have higher self-esteem as a result of rewarding social relationships (Davis, 1983). *Empathic concern* relates to the feelings of emotional concern for others (Davis, 1980). Individuals rating high on empathic concern are described to exhibit feelings of warmth and sympathy. They would freely express emotion and have a non-selfish concern for others (Davis, 1983).

Davis describes the two other dimensions, *fantasy* and *personal distress*, to be more 'self directed'. *Fantasy* refers to the emotional identification with characters in books, films etc. (Davis, 1980). Those exhibiting high fantasy scores tend to display 'greater physiological arousal ... to a filmed depiction of another's emotional experience and a greater tendency to help another person' (Davis, 1983, p. 115). Higher fantasy scores imply a tendency toward emotional reactivity, verbal intelligence and higher sensitivity to others (Davis, 1983). *Personal distress* refers to an 'individual's own fear, feelings of apprehension and discomfort at witnessing the negative experiences of others' (Davis, 1980, p. 4). Individuals who are prone to such feelings in emotional social settings are likely to have greater difficulty in establishing and maintaining rewarding social relationships and are expected to have lower self-esteem and poor interpersonal functioning (Davis, 1983).

A number of studies have confirmed the multi-dimensionality of empathy (Davis, 1983; Pulos, Ellison and Lennon, 2004) and it has also been shown that empathy follows a developmental path paralleling that of cognitive and moral development (Hoffman, 1977; Coke, Batson and McDavis, 1978). Hatcher *et al.*, (1994) described the development sequence in relation to the four dimensions of empathy with *personal distress* and *fantasy* developing in early life through to adolescence and *perspective-taking* and *empathic concern* developing in maturity. On this basis, it is the latter 'other directed' dimensions (*perspective-taking* and *empathic concern*) that are incorporated within this project.

Another trait-like characteristic that is proposed, by some, as also being important in the study of personality (particularly within the business context), yet distinctively different to the Big-Five personality factors, is *emotional intelligence*.

Emotional intelligence

Emotional intelligence is described to be ‘the ability or tendency to perceive, understand, regulate, and harness emotions adaptively in the self and in others’ (Schutte *et al.*, 2001, p. 523). Emotional intelligence has been conceptualised as both a personality trait (Schutte and Malouf, 1999) and an ability (Ciarrochi *et al.*, 2000; Mayer *et al.*, 1999). Carmeli (2003) refers to it as a ‘competency that is expected to augment positive attitudes toward work, and drive positive behaviours and better outcomes’ (p. 790). Interest in this construct has grown considerably over the past decade as many believe that highly emotionally intelligent individuals are more likely to gain success in the workplace (Carmeli, 2003). In fact, emotional intelligence is purported to explain a higher proportion of variance in individual success than does IQ (Dulewicz *et al.*, 2003).

Based on Salovey and Mayer’s (1990) model, Schutte *et al.*, (1998) developed a comprehensive measure comprising the three components of adaptive abilities in relation to emotional intelligence (appraisal and expression of emotion, regulation of emotion and utilisation of emotions in problem solving). The sum of all 33 items in their scale, entitled the Emotional Intelligence Scale (EIS), provides a single index of emotional intelligence. Schutte *et al.*, (1998) examined the relationships between emotional intelligence and other personality and cognitive traits in their scale development process. The results demonstrated that their measure of emotional intelligence was different from cognitive ability and four of the Big-Five personality dimensions. The construct was significantly correlated with *intellect* (the fifth Big-Five dimension), ‘but not so highly as to be redundant’ (Schutte *et al.*, 1998 p. 176).

Given that emotional intelligence refers to one’s ability to perceive and understand emotions in others, Salovey and Mayer (1990) argued that empathy would be an important component or correlate. However, Schutte *et al.*, (2001), using Davis’s (1980) Interpersonal Reactivity Index (IRI) scale concluded that, in general (with the exception of one empathy dimension – empathic perspective taking), emotional intelligence was not related to empathy. While not strictly a personality trait, emotional intelligence is considered to be an expressive construct that has proven to be a valid and reliable means of

assessing individual differences (Riggio, Tucker and Coffaro, 1989) and, thus warrants inclusion within this study.

Research questions

We have provided arguments supporting the notion that the Big-Five Personality factors (*extraversion, agreeableness, conscientiousness, emotional stability and intellect*), empathy (*empathic concern and empathic perspective taking*) and emotional intelligence, provide potentially useful constructs in the development of a personality profile of individuals. What is of interest here, however, is the understanding of franchisees in general and, furthermore, understanding different types of franchisees. For example, is there a difference in the personality characteristics of franchisees who are likely to ultimately establish mini-chains within the system compared with franchisees who are likely to only ever operate a single unit. Such a connection potentially has both theoretical implications as we increase our understanding of the factors affecting the character, efficiency and quality of a franchise system and, given personality traits are enduring and relatively stable characteristics of an individual, there may also be practical implications as they represent measures which may be taken prior to a franchisee joining a franchise system. Thus, the objective of this research is to gain a better understanding of franchisee personality to assist in attracting, qualifying, selecting and managing suitable franchisee candidates in franchise systems. With these considerations in mind the following research questions were developed.

RQ1: To what extent is there a difference in the *personality characteristics* of *single unit* franchise holders and *multiple unit* franchise holders.

RQ2: To what extent is there a difference in the *personality characteristics* of franchisees providing *standardised service* and those providing *customised service*.

Method

In order to gather data to address the research questions of this study, a self-report mail survey was deemed appropriate. This decision was made on the basis of eliminating interviewer bias, maintaining

respondent anonymity, accommodating a lengthy survey and gaining a large sample appropriate for the intended statistical analysis.

Questionnaire

The Big-Five personality dimensions were measured using the 50 item version of Goldberg's (1992) IPIP-B5. Franchisees were asked to respond to each item on a 5-point Likert-type scale with responses for this scale ranging from 'very inaccurate' to 'very accurate'. Each dimension was represented by ten items and each has, in previous research, been reported to display good reliability; Extraversion (Surgency) ($\alpha = .87$), Agreeableness ($\alpha = .82$), Conscientiousness ($\alpha = .79$), Emotional Stability (Neuroticism) ($\alpha = .86$), Intellect (Openness or imagination) ($\alpha = .84$) (Goldberg, 1999).

Empathy was measured using 14 items of the Interpersonal Reactivity Index (IRI; Davis, 1980). Response options on a 5-point Likert-type scale ranged from 'does not describe me well' to 'describes me very well'. Measures on two dimensions of empathy were also provided - *perspective-taking*, and *empathic concern*. Davis (1994, as cited in Beven *et al.*, 2004) reported internal consistency indices ranging from .70 to .78. In previous research, reports of reliabilities of the IRI confirmed these figures for Perspective-Taking ($\alpha = .74$), and Empathic Concern ($\alpha = .74$) (Christopher, Owens and Stecker 1993, as cited in Beven *et al.*, 2004).

Emotional Intelligence was measured using the Emotional Intelligence Scale (EIS) of Schütté *et al.*, (1998). The EIS comprises 33 items and franchisees were asked to respond to each item on a 5-point Likert-type scale with responses ranging from 'strongly disagree' to 'strongly agree'. Schütté *et al.*, (1998) reported internal consistency to be between .87 and .90 and to demonstrate a two-week test-retest reliability of .78.

Demographic and categorical variables incorporated in the questionnaire included *age*, *gender*, *franchise group*, and *franchise unit density* (single versus multiple unit).

Data Collection Method

In order to obtain a sample frame of potential respondents to the survey, the database of the Franchising Council of Australia was used to locate the names of franchise groups. Using these franchise names, a list of individual franchisees was then obtained from the phone directory. A random selection of 2,500 franchisees from this list was made and they were mailed the survey along with 2 reply-paid envelopes. As an incentive to participate of four draws for \$100 cash was offered and, as the survey was anonymous, a separate envelope was supplied so the respondents could submit their contact details for entry into the draw. There were 363 usable surveys returned which represents a response rate of 15%.

Sample

Respondents were franchisees drawn from 83 different franchise groups. Male respondents comprised 75% (n = 268) of the sample with females representing 25% (n = 87). The uneven split was expected given that females represent only 11% of all franchisees in Australia (Frazer *et al.*, 2006). The sample ranged in age from 20 to over 70 with the majority of the sample (65%) being aged between 40 and 60 years. Seventy percent were single-unit franchisees as opposed to holding multiple units. Given that only 36% of franchisees are multiple unit franchisees in Australia (Frazer *et al.*, 2006), the proportions of this split were not unexpected. Of those who held multiple units, 48% held 2 units, a further 28% held between 3 – 5 units and the remaining 24% held more than 5 units. Fifty-four percent of the sample operated a standardised service in contrast to 46% providing a customised service.

Results

6.1 Validity and reliability of scales

Scales used to represent each construct underwent preliminary analysis in order to examine their reliability and factor structure. Following the procedures described by Manning and Munro (2007), Principal Components Analysis revealed all scales to exhibit the expected factor structures with

eigenvalues greater than 1 and component loadings, in all cases, above the recommended level of .50 (Shi and Wright, 2001). Cronbach's alpha estimates for all scales were above .70 (Hair *et al.*, 1998). The data were deemed appropriate for analysis. Means and standard deviations of the scales are provided in Table 1.

take in Table I

Main analysis

Two separate between-subjects Multivariate Analyses of Variance (MANOVA; Manning and Munro, 2007) were conducted for each of the independent variables, i.e. *franchise unit density* (single unit versus multiple unit) and *service classification* (standardised versus customised). The dependent variables, in each analysis, were the Big-Five personality dimensions (IPIP-B5 scales of *extraversion*, *agreeableness*, *conscientiousness*, *emotional stability* and *intellect*), empathy (IRI scales of *empathic perspective taking* and *empathic concern*) and *emotional intelligence* (EIS). (See Table 2 for a summary of these results.)

take in Table II

Franchise unit density

The sample was first grouped as single unit franchisees ($n = 250$) and multiple unit franchisees ($n = 88$). Box's M test was significant $M = 88.366$, $F(36,95534) = 2.368$, $p < .001$, indicating that the assumption of homogeneity of the variance-covariance matrices had been violated and so Pillai's Trace (which is more robust) was interpreted, rather than Wilk's Lambda (Manning and Munro, 2007). Using Pillai's criterion, the combined dependent variables were found to be significant, $F(8,329) = 3.607$, $p < .05$. Univariate analysis found the multiple unit franchise group to display significantly lower means than the single unit franchise group for *conscientiousness* ($F(1,336) = 16.257$, $p < .05$), *emotional stability* ($F(1,336) = 7.334$, $p < .05$), *perspective taking* ($F(1,336) = 5.190$, $p < .05$) and *emotional intelligence* ($F(1,336) = 4.612$, $p < .05$). All other comparisons were not significant.

Service classification

Prior to analysis, the data were coded by two franchising experts as either franchisees providing a standardised service, or a customised service, based on the franchise group name and the level of problem-solving required during customer contact (Cunningham *et al.*, 2004). Businesses in which franchisees were required to exercise high levels of personal judgement, high personal contact and high problem-solving behaviours were classified as customised operations. Franchises characterised by discrete service encounters and formal relationships with the customer were classified as standardised services. Two expert judges in franchising classified the groups and the initial reliability was .92. Discrepancies in the categorisations were then discussed between the judges and rectified upon agreement. The sample was then grouped as franchisees providing standardised services (n=175) and franchisees providing customised services (n=148). For the proper analysis, Box's *M* test was significant $M = 63.221$, $F(36,327544) = 1.710$, $p < .01$, thus the assumption of homogeneity of the variance-covariance matrices was violated and Pillai's Trace was interpreted, rather than Wilk's Lambda. Using Pillai's criterion, the combined dependent variables were found to be significant, $F(8,314) = 1.269$, $p < .05$. Univariate analysis found the customised services group do display significantly higher mean scores than did the standardised services group on both *extraversion* ($F(1,322) = 4.329$, $p < .05$), and *empathic perspective taking* ($F(1,322) = 4.351$, $p < .05$). All other comparisons were not significant.

Discussion and conclusion

Personality is a determinant of behaviour. Therefore, understanding franchisee personality is potentially useful for franchisors to effectively attract, qualify, select and manage suitable franchisee candidates (agents) who will realise desired system level outcomes. A relevant franchisee behaviour addressed within this study relates to the development of 'mini-chains' by franchisees which hold multiple units within a franchise system as opposed to franchisees who remain single unit operators. The principle research question addressed here (RQ1) was whether we could identify personality characteristics which differentiate single and multiple unit franchisees (RQ1). The psychological measures used to provide a

description of the personality of franchisees comprised the Big-Five personality dimensions (IPIP-B5, Goldman, 1992), two dimensions of empathy (IRI, Davis, 1983), and emotional intelligence (EIS, Schutte *et al.*, 1998). We also examined the relationship between these personality measures and customised and standardised service offerings (RQ2) and franchisee gender (RQ3).

In relation to RQ1 the study shows that multiple unit franchisees scored significantly lower than single unit franchisees on the Big-Five factors of *conscientiousness*, *emotional stability*, the empathy dimension of *empathic perspective taking*, and *emotional intelligence*. Several interpretations can be suggested to explain these results. First, the *conscientiousness* construct indicates an individual's level of organisation, loyalty, persistence and motivation to work hard to achieve successful business outcomes. Within the entrepreneurship literature, this construct is often equated with high achievement motivation and dependability and is said to drive individuals to become entrepreneurs as they have a preference for entering occupations in which their outcomes are based upon their own efforts (Mount and Barrick, 1995). In addition, these individuals operate within self-directed environments in which individual traits play an important role (Snyder and Ikes, 1985). Although not strictly entrepreneurial in nature, single unit franchisees often enter franchising on the basis of being in business 'for themselves, but not by themselves' and franchise agreements are structured so that franchisee remuneration is tied to unit-level performance, that is, individual franchisee performance. Although these franchisees must adhere to franchisor imposed directives, they are often permitted to adapt their business in areas such as advertising and staffing so as to accommodate local market needs and competitor offers (Wilson *et al.*, 1996). This informal flexibility would require an organised, methodical and deliberate approach to business management.

In comparison, multiple unit franchisees tend to closely follow franchisor administrative practices (Dant and Gundlach, 1998) and resemble managers of their own mini-chains (Bradach, 1997). In this way their goals and responsibilities are closely structured and monitored by established systems which may lessen the necessity of having dependability as an individual trait. Their lower scores on both *empathic perspective taking* and *emotional intelligence* with respect to single unit holders, might suggest that single

unit holders are more 'people oriented' and multiple unit holders are more 'systems oriented'.

Emotional stability refers to an individual's level of personal security, anxiety and stress. Single unit franchisees may be attracted to franchising business models as an association with an established system and trademark, together with access to initial and ongoing training and support, may be perceived as reducing their risk exposure and improving chances of business survival. Single unit franchisees appear to be calm and dutiful individuals that favor following system directives and procedures and foregoing some operational independence, in return for ongoing support from the franchisor. Multiple unit franchisees, on the other hand, are driven by an entrepreneurial philosophical orientation (Grunhagen and Mittelstaedt, 2005) and often operate in a less structured environment with higher levels of uncertainty (Dant and Gundlach, 1998). Mini-chain franchisees tend to be heavily involved in the strategic development of their subsystem (e.g. investigating new market opportunities in new territories, supply chain and administrative management, training and monitoring of unit level manager performance, and maintenance of subsystem brand equity) so as to rapidly grow the size of their mini-chains. As a result multiple unit franchisees may find difficulty in managing increased workloads, work and family conflict and the financial risk associated with developing their subsystem. Although franchisees with higher numbers of franchise units may have more decision making involvement, power and operational flexibility within the network (Grunhagen and Mittelstaedt, 2002), there is some evidence that (unlike fully independent entrepreneurs) they do not fully believe in their own ability to control environmental outcomes (Dant and Gundlach, 1998) which may account for lower 'emotional stability' scores (Zhao and Seibert, 2006).

Emotional intelligence has been described as a personality characteristic associated with establishing and maintaining social relationships in the workplace (Goleman, 1995), and has been found to be correlated with empathic perspective taking (Schutte *et al.*, 2001). Single unit franchisees may recognise that '...running ones own business' (Peterson and Dant, 1990, p. 47), involves a high level of personal interaction with suppliers and staff, and that effective (and proactive) leadership strategies are necessary to facilitate intra-system goal alignment and maintain product and service standards. In

comparison, mini-chain franchisees may be initially attracted to multiple unit arrangements as they involve an additional level of management (Kaufmann, 1992) which minimises their involvement in unit level operations, allowing more time for subsystem management and development.

RQ2 examined personality differences between franchisees involved in different service types. Franchisees in customised services scored significantly higher than franchisees in standardised services on both *extraversion* and *empathic perspective taking*. Extraversion is a personality dimension of an interpersonal nature and describes the extent to which an individual is outgoing, assertive, dominant, active, talkative and enthusiastic. Franchisees rarely have a separate human resource function in their organisations and consequently spend considerable time and effort in direct interpersonal contact with their suppliers, employees and customers. Individuals displaying high extraversion scores have been shown to perform better in customised service organisations (Barrick and Mount, 1991), in promoting a positive service climate, and involving other front-line employees in ongoing service management (Liao and Chuang, 2004). Franchisees scoring higher on empathic perspective taking would be expected to be more suited to customised service as they would emphasise the proactive management of customer needs and would be better able to adopt a multi-perspective approach to dealing with uncertainty and contingencies (Tinnila and Vepsalainen, 1995).

One limitation of this study arises as a consequence that any survey-based method involves measurement error. In other words, the elicitation of a scale measurement depends on the respondent's ability to accurately report their level of agreement or feelings with regards to the survey statements. However, preliminary data analysis suggests that measurement errors do not appear to be problematic as reflected in the scale reliability estimates. Furthermore, non-response bias could not be tested due to the anonymous nature of the survey. In addition, as data were collected from Australia, the generalisability of the results may be limited beyond this region. However, given the similarities between the Australian franchising landscape and that of the United Kingdom and the United States, the results of this study could well be applied in a much broader context.

Although personality has been shown to be a valid predictor of job-related behaviours, other

factors (such as competitor strategies and changing consumer preferences) may impact upon a franchise's service offering. Furthermore, a proclivity for multiple unit ownership and operation may be related to factors beyond individual personality traits (such as seeking mini-chain management economies). However, the findings reported in this research add to the significant body of literature showing that the Big-Five measures are predictive of job behaviours over time (Judge *et al.*, 1999). As the Big-Five are easily administered tests, they should provide a valuable addition to the bank of selection techniques currently used by franchisors in assessing the likely future 'fit' and performance of franchisee incumbents. Another issue worthy of mention is the possibility of bias due to the subjective nature by which the data was split into standardised and customised services. However, services research that looks at differences between service classifications often suffers from this potential bias due to the lack of objective classification measures. To alleviate possible bias, the coders used were experts in the field of franchising and, thus, held vast knowledge of the different franchising brands and systems.

In terms of future research, an interesting extension to this research would be in the examination of personality differences and patterns between franchisees and franchisors. This may provide a better understanding of the factors influencing franchising relations and effective franchise operations. In addition, an examination of the personality of different types of franchisees, franchisee satisfaction and organisational outcomes such as franchisee performance, commitment, organisational learning (Sorenson and Sorensen, 2001) and intention to remain in the network, would provide valuable information for franchising theorists and practitioners.

In conclusion, this study used the Big-Five personality factors, two dimensions of empathy and emotional intelligence in an attempt to identify personality characteristics which differentiate franchisees who are likely to remain single unit holders compared with franchisees who are likely to develop 'mini-chains' within a franchise system. In our sample of 363 Australian franchisees, multiple unit holders were found to display lower scores on the Big-Five dimensions of *conscientiousness*, and *emotional stability*, the empathy dimension *empathic perspective taking*, and also on *emotional intelligence*. These results were interpreted as indicating that standard personality measures present useful tools to differentiate

franchisees which are likely to engage in different behaviours within franchise systems. In future research such measures may be useful in investigating franchisee-franchisor relationships and franchisee-customer relationships.

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Table I Preliminary analysis of scales and descriptive statistics

Variable	No. of Items	Mean	S.D.	Loadings	Cronbach's Alpha
Big-Five (IPIP-B5)					
Extraversion	10	3.36	0.66	.55 - .70	.81
Agreeableness	10	3.97	0.55	.55 - .77	.77
Conscientiousness	10	3.81	0.64	.60 - .71	.82
Emotional Stability	10	3.34	0.73	.62 - .80	.85
Intellect	10	3.65	0.56	.52 - .70	.73
Empathy (IRI)					
Perspective Taking	7	3.56	0.71	.52 - .66	.76
Concern	7	3.76	0.64	.51 - .71	.70
Emotional Intelligence (EIS)	33	3.59	0.43	.52 - .76	.88

Table II. Univariate Test Results

			df	F	Sig.	Highest Mean
Franchise Unit Density	Single Unit Mean (S.D.)	Multiple Unit Mean (S.D.)				
Extraversion	3.36 (0.67)	3.38 (0.69)	1,336	.107	.744	-
Agreeableness	3.97 (0.51)	3.98 (0.63)	1,336	.006	.941	-
Conscientiousness	3.89 (0.61)	3.58 (0.64)	1,336	16.257	.001	Single Unit
Emotional Stability	3.41 (0.67)	3.16 (0.61)	1,336	7.344	.007	Single Unit
Intellect	3.65 (0.56)	3.66 (0.51)	1,336	.009	.923	-
Empathic Concern	3.76 (0.61)	3.76 (0.67)	1,336	.000	.997	-
Empathic Perspective Taking	3.63 (0.72)	3.43 (0.67)	1,336	5.190	.023	Single Unit
Emotional Intelligence	3.61 (0.44)	3.50 (0.36)	1,336	4.612	.032	Single Unit
Service Classification	Standardised Mean (S.D.)	Customised Mean (S.D.)				
Extraversion	3.31 (0.66)	3.47 (0.56)	1,322	4.329	.038	Customised
Agreeableness	3.94 (0.59)	4.04 (0.51)	1,322	2.551	.111	-
Conscientiousness	3.78 (0.67)	3.83 (0.62)	1,322	.352	.553	-
Emotional Stability	3.29 (0.79)	3.38 (0.68)	1,322	1.077	.300	-
Intellect	3.66 (0.56)	3.68 (0.57)	1,322	.048	.827	-
Empathic Concern	3.75 (0.67)	3.77 (0.59)	1,322	.077	.781	-
Empathic Perspective Taking	3.48 (0.76)	3.65 (0.68)	1,322	4.351	.038	Customised
Emotional Intelligence	3.56 (0.41)	3.62 (0.46)	1,322	1.362	.244	-