

**FRANCHISING AS AN ALTERNATIVE STRATEGY FOR DEVELOPING  
ENTERPRISES IN BOTSWANA**

**BY**

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## ***TABLE OF CONTENTS***

Title	Page No.
Acknowledgements	ii
Table of Contents	iii
Acronyms	vi
Definitions	vii
List of Tables	ix
List of Figures	x
List of Appendices	xi
Summary	1

### **CHAPTER 1 :        BACKGROUND AND CONCEPTUAL FRAMEWORK**

1.1 Introduction.....	3
1.2 Statement of the Problem.....	5
1.3 Objectives of the Study.....	7
1.4 Factors Favouring Botswana as a Franchising Country.....	8
1.5 Justification Questions.....	10
1.6 Delimitation of the Study.....	13
1.7 Importance of the Study.....	16
1.8 The Statements.....	18
1.9 Outline of the Thesis.....	20

### **CHAPTER 2 :        REVIEW OF LITERATURE**

2.1 Introduction.....	21
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2.2	Batswana and Developing Countries’ Entrepreneurship Skills.....	21
2.3	The Behaviour of Franchisees and their relationship to Franchisers.....	45
2.4	Level of Performance of Franchisees.....	54
2.5	Franchising as a Strategy in Developing Ventures.....	61
 <b>CHAPTER 3 :       RESEARCH METHODOLOGY</b>		
3.1	Introduction.....	81
3.2	Research Design.....	82
3.2.1	Sampling and sample.....	82
3.2.2	Data Collection Instruments.....	84
3.2.3	Data Collection Methods and Procedures.....	85
3.3	Analysis of Data.....	86
3.4	Reliability and Validity of Measuring Instruments.....	90
 <b>CHAPTER 4 :       RESEARCH RESULTS</b>		
4.1	Introduction.....	91
4.2	Establishing the level of entrepreneurial skills.....	95
4.3	Establishing the form of behaviour that the franchisee adapt to their franchisers.....	106
4.4	Establishing the levels of performance for franchisees and Non-franchised entrepreneurs.....	107
4.5	Establishing the levels of effectiveness of franchising	

as a strategy of promoting ventures.....	110
<b>CHAPTER 5 : DISCUSSION</b>	
5.1 Introduction.....	117
5.2 The level of entrepreneurial skills.....	118
5.3 The form of behaviour that the franchisees adopt.....	122
5.4 The levels of performance for Franchisees and Non-franchised entrepreneurs.....	124
5.5 Effectiveness of franchising as a strategy to promote ventures.....	126
5.6 Managerial implications of the findings.....	129
<b>CHAPTER 6 : RECOMMENDATIONS AND CONCLUSIONS</b>	
6.1 Conclusions.....	132
6.2 Limitations.....	134
6.3 Recommendations.....	135
<b>REFERENCES.....</b>	<b>139</b>
<b>APPENDICES.....</b>	<b>146</b>

## ACRONYMS

BFA – British Franchise Association

GDP – Gross Domestic Product

GLM – General Linear Model

ILC – Internal Locus Control

ISIC – International Standard Industrial Classification

MANOVA – Multivariate Analysis of Variance

nAch – Need for Achievement

OECD – Organization for Economic Co-operation and Development

P - PULA (Botswana currency). P1.00 = ZAR 1.18 (On 21 July, 2008).

SADC – Southern African Development Community

SMME – Small, Medium and Micro-Enterprise

SPSS – Statistical Package for Social Sciences

UK – United Kingdom

US (A) – United States (of America)

## DEFINITIONS

**Agency theory** - postulation that firms franchise to minimize monitoring and sharing costs (Alon, 2001).

**Botswana** – an African country bordered by South Africa, Zimbabwe, and Namibia. It is also said that it is bordered by Zambia at a point.

**Batswana** – citizens of Botswana.

**Business-format franchising** – a business system that includes a strategic Plan for growth and on-going guidance (Azoulay and Shane, 2001).

**Entrepreneur** - a person who undertakes an enterprise or business with a chance of making profit.

**Expert** – Someone knowledgeable on entrepreneurship, and/or franchising.

**Frantrepeneur** – the person who uses the franchise concept as a springboard for service innovation to adapt or improve service delivery on a foreign market (Sundbo et. al., 2001:251).

**Franchising** – a contractual relationship between the franchiser and franchisee in which the franchiser offers to maintain continuing interest in the business of the franchisee. (International Franchise Association).

**Franchiser** – a company or individual who permits another company or individual for a fee to use his trade or service mark. This is usually referred to as the principal.

**Franchisee** – the company or individual who uses another's trade or service mark. This is also usually referred to as the agent.

**Non-franchised entrepreneur** – A person undertaking a business in their own right without joining a franchise. This will be used interchangeably with **independent entrepreneur** (Fenwick & Strombom, 1998:29).

**Product/Trade name franchising** – a distribution system in which suppliers make contracts with dealers to buy or sell products or product lines (Alon, 2001:111).

**Resource-scarcity theory** – a supposition that firms' expand with scant resources (Alon, *op.cit.*)

**Trait** - a distinguishing feature or characteristic, particularly of a person (The Concise Oxford Dictionary, the New Edition for the 1990s).



## LIST OF TABLES

Table 1- Some Biographic Data for experts.....	91
Table 2 – Some Biographic Data for Franchisees.....	92
Table 3 – Some Biographic Data for Non-franchised Entrepreneurs.....	93
Table 4 – Responses from 32 Franchisees.....	95-6
Table 5 – Responses from 64 Non-franchised Entrepreneurs.....	96-7
Table 6 – A Selection of 21 variables from Questionnaires.....	98
Table 7 – Multivariate Tests.....	99
Table 8 – Tests of Between-Subjects effects.....	102
Table 9 – Multiple comparisons.....	103
Table 10 – Average rankings of Franchisees and Non-franchised Entrepreneurs in Skill Categories.....	104
Table 11 – Average Employees for Franchisees and Non-franchised Entrepreneurs (Last Five years).....	107
Table 12 – Average Sales per Month for Franchisees and Non-franchised Entrepreneurs (Last five Years) – Pula.....	107
Table 13 – Average Sales per Employee per Month (Last Five Years) – Pula.....	108
Table 14 – Ratings by Respondents on some Statements Relating to Effectiveness of Franchising.....	109-110

## **LIST OF FIGURES**

Figure 1 – Mean Skill Rankings of the Three Groups.....	100
Figure 2 – Mean Scores for One Skill for the Three Groups.....	101

## **LIST OF APPENDICES**

Appendix 1 – Responses from Experts during First Round of Interviews.....	147
Appendix 2 – Questionnaire Developed from Expert Responses.....	152
Appendix 3 – Questionnaire for Franchisees and Non-franchised Entrepreneurs.....	162
Appendix 4 – Experts’ Scores .....	170
Appendix 5 – Franchisees’ Scores.....	172
Appendix 6 – Non-franchised Entrepreneurs’ Scores.....	173
Appendix 7 - Multiple Comparisons.....	174-178

## **SUMMARY**

Botswana is a middle-income economy. It has become dependent on non-renewable resources. Agriculture and manufacturing have failed to develop in a significant way. The small population has not provided adequate demand. The Government has tried a number of strategies in order to diversify the economy. One of these is the promotion of Small and Medium Enterprises (SMEs).

Unfortunately, SMEs have failed to thrive, so far. A number of researchers have concluded that SMEs will not thrive due to the fact that Botswana have low entrepreneurial skills. High failure rates are experienced where enterprises are established.

The thesis identifies an alternative strategy in the development of enterprises in Botswana. It is generally believed that a franchisee does not need high levels of entrepreneurial skills to succeed. If this is so, Botswana can solve her problem of lack of sufficient enterprises by promoting franchising. The thesis uses the interview technique to assess whether existing franchisees in Botswana have low levels of entrepreneurial skills. Indeed it proves that franchisees have low skill levels compared to non-franchised entrepreneurs. Secondly, the thesis proves that franchisees in Botswana operate as employee-managers. Thirdly, the thesis establishes that franchisees perform better than non-franchised entrepreneurs, even though they have low entrepreneurial skill levels. Lastly, the thesis, using evidence from findings above, and from responses of experts interviewed, establishes that the promotion of franchising is a viable alternative strategy to one that depends solely on non-franchised enterprises.

While there are some methodological limitations, like those stemming from a low and unknown franchisee population in Botswana, the use of ordinal data, use of techniques to rate their own skills, and a relatively small sample for franchised and non-franchised entrepreneurs, the statistical techniques used are powerful enough to generate reliable findings.

### **Key Terms**

*Employee-manager, enterprises, entrepreneurship, franchisees, franchising, non-franchised entrepreneurs, ordinal, skills, strategy.*

## CHAPTER 1

# BACKGROUND AND CONCEPTUAL FRAMEWORK

### 1.1 Introduction

In this chapter, a brief background of Botswana is given: its successes and its key problems. The country's "Achilles' heel" is defined as the basis for the choice of the topic. The Statement of the problem is defined, after which the objectives of the thesis are laid out. Some factors leading to Botswana being disposed to franchising are discussed and the justification questions are then explained leading to the delimitation and the importance of the study. The study's statements round-up the chapter before the outline of the thesis is given.

The Botswana economy has undergone a significant transformation since the country's independence from Great Britain on 30<sup>th</sup> September, 1966. At that time, the country could hardly balance her national budget, relying on 'Grant-in-aid' from the British exchequer. It had a small livestock-farming sector, constantly under threat from droughts. There was hardly any infrastructure and before independence (in 1966), the administrative capital was in Mafikeng in the neighbouring Republic of South Africa.

The transformation in the economy seen over the last four decades can largely be attributed to the discovery and production of diamonds in the country (Republic of Botswana, 2003). Mineral revenue has been the dominant source of the country's development, accounting for over 50% of all Government revenue. Credit should also be given to good governance and prudent economic management that continues to be the

distinguishing feature and hallmark of the present government. The country has moved from the ranks of the poorest in the world to those in the middle-income category.

New challenges relating to economic diversification, employment creation, income distribution and poverty alleviation face the country, however. Botswana's economy is dependent on mining, although a small proportion of its foreign earnings come from the export of beef. The contribution of agriculture to the Gross Domestic Product (GDP) has been decreasing since independence and is now at a paltry 4%, down from 16%. The country also lacks an industrial base; hence it relies on the South African economy through the importation of basic goods and services. The population is small and with high unemployment, there is little effective demand to attract massive foreign investment to boost the manufacturing sector. The economy "cries out" for diversification.

Over the last four decades, the public sector has led in the development of the economy, as there was the need to develop infrastructure. Since the mid-1970's, the government found itself in the fortunate position of experiencing budget surpluses due to massive diamond revenues. This era, where the government led in development, seems to be at an end. The government has acknowledged this and has indicated the need for the private sector to take over leadership in order to create more employment opportunities and diversification from mining. Recent budgets have been in deficit.

A major strategy that is being pursued to diversify the economy is the promotion of small enterprises in the economy. This is due to the argument that small enterprises employ more people per unit of investment as compared to larger enterprises (Republic of Botswana, 1998). Moreover, it is the citizen population that owns and runs small enterprises; hence they are good for citizen empowerment. Can Botswana mobilize the

adequate resources to generate employment opportunities, diversify the economy, and hence develop an industrial base through small enterprises development?

## **1.2 Statement of the Problem**

The question, above, is faced by the Botswana policy maker, in a country with a small population (1.68 million in 2001) (Republic of Botswana, 2003). The lack of manufacturing and service industries is usually explained by the lack of a large domestic market. Botswana is, however, one of the Southern African Development Community (SADC) countries receiving refugees from other African countries. This is due to its political and economic stability.

While Botswana is fortunate to be enjoying a windfall in the form of mineral revenues, reliance on such an exhaustible resource is risky. The country should find a way of generating entrepreneurship and human skills in the development of wealth.

The question has also to be considered in the light of local public and expert opinion that local small businesspersons have low entrepreneurial skills (Ronan, Chinyoka, Iwisi, & Moeti., 1997). If leadership in developing manufacturing and service industries is left to the private sector, as decided by the Government of Botswana, how successful can this be with such low entrepreneurial skills?

A Small, Medium and Micro Enterprises (SMMEs) Task Force set up by the Ministry of Commerce and Industry in Botswana in April 1998 also concluded:

*It is more a lack of entrepreneurial skills rather than a lack of finance which has been the fundamental constraint to SMME development in Botswana (Republic of Botswana, 1998 :12).*



The Policy document developed from the above Task Force Report, confirms internationally proven failure rates of SMMEs, i.e. 80 to 85% of the enterprises disappear within five years of start-up (Republic of Botswana, 1998b). Those enterprises that do not disappear also, paradoxically, do not grow.

Faced with the problems stated above, the Government of Botswana has a policy challenge that it is facing. As a contribution to solving this challenge, this study asks the following question: In view of the nature of franchising and that of franchisees, would the Government of Botswana partly meet its challenge of setting up enterprises by promoting franchising in the country?

The promotion of franchising is likely to generate enterprises and employment. It is also evident that most products of franchises are consumer goods. For Botswana, these are likely to be imported goods. Hence the fears of some commentators are justified that over-dependency on franchising might divert Botswana from the objectives of export promotion and manufacturing.

However, the problem facing Botswana at present is lack of entrepreneurs who can generate some economic activities and employment, diversifying from mining and bringing Botswana into the mainstream economic activity. Manufacturing is a higher-order activity to be embarked on later by the then created entrepreneurs

.

### **1.3 Objectives of the Study**

The study's objectives can be stated as follows:

1. To establish the level of entrepreneurial skills of Botswana business operators, particularly franchisees;

2. To establish the relational behaviour of franchisees to their franchisers;
3. To establish performance levels of franchisees in Botswana;
4. To establish the effectiveness of franchising as a strategy of promoting business ventures.

Establishing the level of entrepreneurial skills for all business operators is important for any country. The premise that the level of entrepreneurial skills determines the success and growth of enterprises is generally accepted. In this study, if franchisees' level of entrepreneurial skills is lower than that for non-franchised entrepreneurs, but their performance is at least as good as that of non-franchised entrepreneurs, then it would make sense to promote franchisees, particularly in a country that suffers from low entrepreneurs skills.

Franchisees that have low entrepreneurial, but perform well are likely to have a special relationship with their franchisers. In particular, they are likely to be under close supervision; hence the relational behaviour of franchisees with their franchisers is important.

In a country like Botswana with a population possessing low skill levels generally, a strategy to promote franchisees satisfying the above characteristics would be considered a viable strategy.

#### **1.4 Factors Favouring Botswana as a Franchising Country**

Chutarat Inma, writing on franchising, states that it is a business arrangement from 18<sup>th</sup> Century France. "Franchising" is derived from a French term that means "granting a right" or an "exemption" (Inma, 2005:28).

There are both pushing and pulling factors towards Botswana becoming a country promoting franchises. Among the pushing factors are the several negative situations mentioned above that Botswana finds herself in, like lack of enterprising people (Ronan et al, 1997), dependence on a mono-economy, unemployment, lack of employment-generating economic activities, poor agricultural environment, poor manufacturing infrastructure, etc. In addition, the desire and scramble for markets by foreign firms results in foreign franchisers entering the country through franchisees marketing the foreign franchisers' products. The motivating factor here is the desire for new markets by firms in the external environment.

Pulling factors include availability of foreign currency (which is rare among African countries), a viable education sector able to educate a large number of young people, good infrastructure, a development-oriented government, a suitable policy framework (like the Policy on SMME's), a vibrant service and distribution sector, etc.(Republic of Botswana,2003). Hoffman and Preble (2001:3), discussing country characteristics that are most likely to encourage the diffusion of franchising across borders, quote industry observers who have noted that the recent growth of international franchising has occurred in countries that:

are politically stable, urbanized, have a high level of economic growth, and have a substantial middle class with considerable disposable income.

Excluding South Africa among the countries of Southern Africa, Botswana is the most politically stable, has enjoyed rates of growth averaging 8 to 10 per cent over the last 30 years, has had a high rate of urbanisation, i.e. 9.1% in 1971 growing to 54.2% in 2001 (Republic of Botswana, 2003). Its middle class enjoys a reasonably high disposable

income, by African standards. Hoffman and Preble (2003), highlighting key trends in the world economy as globalization, market liberalization, and advances in information technology, emphasized that these trends favour franchising. It is the contention of this study that the Botswana Government's Policy on SMMEs will fail if based on independent entrepreneurship, hence the suggestion for special attention to franchising.

It is the combination of pushing and pulling factors, not all of which are mentioned here, that makes Botswana the perfect candidate for economic regeneration through franchising. One has to establish, however, the link between franchising and entrepreneurial skills of franchisees.

While there has been no significant research on franchising in Botswana, there seems to be a budding franchise sector coming up in the country. Several sub-sectors seem to be represented by franchisees already in the country, e.g. automotive products and services, entertainment and leisure services, fast food and restaurants, pub concepts, health and body cultures, personal services, real estate services, retailing and direct marketing, banks, other financial institutions, etc. Some popular fast food restaurants enjoying popularity in the country already are: Chicken Licken, Juicy Lucy, Kentucky Fried Chicken, Milky Lane, Nandos, Something Fishy, Steers, Wimpy, Debonairs, Hungry Lion, etc.

### **1.5 Research Questions**

While most studies in the area of franchising are from the franchiser's viewpoint, one of the few that are from the franchisee's viewpoint (Fenwick and Strombom, 1998:28-29) highlights an entrepreneurial continuum within which franchisees could behave as either independent (non-franchised) entrepreneurs, employee-managers, or intermediate

between employee-managers and non-franchised entrepreneurs. If franchisees behave as non-franchised entrepreneurs, then the problems facing the non-franchised entrepreneurs (like lack of entrepreneurial skills in Botswana) will affect these franchisees and franchising as a mode of operation will not be any different from that of non-franchised entrepreneurs from the skill viewpoint. But, if franchisees operate as employee-managers, then the level of entrepreneurship skills required need not be that high.

If the major problem facing Botswana is lack of entrepreneurial skills leading to high failure rates of new ventures, the country can enhance its development efforts by taking up a different strategy of setting up ventures, i.e. stepping up franchising.

The pertinent research questions are as follows:

1. Are entrepreneurial skills prevalent among Botswana business people, particularly franchisees?
2. Do Botswana franchisees behave as employee-managers of franchisers?
3. Do these franchisees perform at desirable levels?
4. How is franchising rated as a strategy in developing ventures?

If franchising is to be recommended as a strategy in Botswana, there needs to be established a specific level of entrepreneurial skills since a successful franchising strategy assumes a certain level of entrepreneurial skills. Possession of entrepreneurial skills is an aspect that can be judged by a panel of experts; hence it is possible to establish whether such skills exist among Botswana. Franchisees and non-franchised entrepreneurs can also self-assess their entrepreneurial skills.

The second question is closely related to the first one since franchising assumes certain behaviours for franchisees. One assumption, that might have to be confirmed, is that

franchisees behave like employee-managers of franchisers. Behaviour of employee-managers is different from that of entrepreneurs as the two categories of persons possess different traits. Employee-managers take instructions and cannot take their own initiatives. Entrepreneurs find it difficult to follow someone's instructions. They would rather give instructions.

Once it is established that franchisees possess a different set of traits from entrepreneurs, it could also be established whether they perform satisfactorily in their ventures. With satisfactorily-performing franchisees, it could be argued that franchising as a strategy will be more effective. This should be relatively so, given that independent entrepreneurs have failed in Botswana.

Several writers, including Fenwick and Strombom (1998), identified four factors as contributing to venture performance: entrepreneurial competence, managerial competence, venture-related determinants and environmental determinants; or assuming an additive model:

$$VP = f(e) + f(m) + f(v) + f(r)^*$$

Where,

VP is venture performance, e is entrepreneurial competence, m is managerial competence, v is venture-related determinants, and r is environmental determinants; f being a functional operative.

- *Source: derivation by the writer from literature.*

### Entrepreneurial Competence

Several studies have looked at background characteristics (like age, education etc) of non-franchise entrepreneurs and their effects on firm development and performance. The

results of the studies are inconclusive (Lumpkin and Dess, 1996) leading to the conclusion that entrepreneurship is as a “multi-dimensional phenomenon” with entrepreneurs “as different from each other as they are from the rest of the population” (Palich and Bagby, 1995: 426 and 427).

In this study, entrepreneurial competence will be measured by constructs we view as reflecting entrepreneurial skills better, like those used in Ronan et al.(1997), e.g. drive and energy, self-confidence, initiative etc. If the model above is applied to Botswana franchisees, the first term applicable to entrepreneurship will be weak.

#### Managerial Competence

Managerial roles like ‘acting as figurehead’, liaison, monitoring, ‘allocating resources’, ‘handling disturbances’, negotiating, innovating, planning, controlling and directing are commonly discussed in management texts. One would expect positive correlations between managerial competence and performance of start-up, non-franchised ventures. In the additive model above, the term for managerial competence will be stronger than the entrepreneurial term due to the fact that franchising strengthens management systems at the venture level.

#### Venture – related Determinants of Performance

Some studies (Stearns, Carter, Reynolds and Williams, 1995) revealed that there are venture-related factors, like venture age and strategy, that determine level of venture performance. Both venture age and venture strategy could be positively related to performance. Like management competence, the venture-related determinants’ term will be stronger than the first term. This is due to schemes put in place by franchisers in order to strengthen the franchisee, e.g. a strategy of operation.

## Environmental Determinants of Performance

Shane & Kolvareid (1995) identified industry structure or context as having a greater impact on new venture performance than either strategy or the venture-owner's entrepreneurial characteristics. Location has also been acknowledged as a determinant for performance (Stearns et al, 1995). In a similar vein, the environmental determinants term will be a strong one. Under franchising, one would expect the last three terms to over-compensate the weakness in the first term.

### **1.6 Delimitations of the Study**

This study focuses on franchisees and their entrepreneurial skill levels. In seeking to establish an alternative strategy for setting up enterprises in Botswana, it attempts to investigate the link between performance and entrepreneurial skill endowment as measured by the possession of specific skills or traits. Franchisees are contrasted to independent or non-franchised entrepreneurs in an attempt to demonstrate that a country's success in setting up enterprises needs not be confined to the setting up of only independent, non-franchised enterprises.

The survey focuses on franchisees, non-franchised entrepreneurs and a group of business persons defined as 'experts' in Gaborone, the capital city of Botswana. It is assumed that franchisees, non-franchised entrepreneurs and experts in other cities and towns of Botswana have the same characteristics. The study excludes franchisers, whether or not they exist in Botswana.

The study aims to prove that there is substance in the hypothesis that has been stated by several writers in passing (e.g. Hing, 1995; Fenwick and Strombom, 1998:29), i.e. that franchisees need not possess entrepreneurial traits to succeed. In fact, other writers state



that it is better for franchisees to possess less entrepreneurial traits. This is not a study of the theory of franchising. Once it has been established that franchisees need not possess a high level of entrepreneurial skills/traits, and we establish that Botswana lack these traits, we can recommend franchising to the Botswana policy planner.

Morrison (1997) suggested that there are four main groups of research on franchising:

1. Market-related issues concerned with conflict within channels of distribution and models of channel member interactions;
2. Strategic and economic considerations of the franchise form of business;
3. Legal issues;
4. Narratives and attitudinal research examining such issues as advantages and disadvantages of franchising.

This research falls within the second group of research. Having looked at the nature of Botswana's economy, it is proposed that if the country has to enhance its development, it should consider franchising as a strategy for development.

Elango and Fried (1997), reviewing franchising literature, identified three broad categories of franchising articles:

- i) Franchising and Society: a group of articles that view franchising from the perspective of utility to society. The articles explore benefits and costs of franchising to society, and are mainly found in economic and legal literature.
- ii) Creation of the franchising relationship with four topics for this kind of research: reasons to franchise, internationalisation

of the franchising system, rent sharing, and determining which units to franchise.

- iii) Operating a franchising system: which assumes that the decision to franchise has been made, hence from the perspective of the franchising system, “What is the best way to operate the franchising system?”

While current research will touch on category (i) topics, it will mainly be geared to address topics under category (ii) topics: reasons to franchise and internationalisation of the franchising system.

The study carries the following key assumptions:

- i) Independent business start-ups experience high failure rates. Specifically, as high as 80 to 85% of enterprises disappear within five years of start up. These rates are assumed to be true for Botswana (see Republic of Botswana, 1998b)
- ii) The major cause of failure of independent enterprises is lack of the promoter’s entrepreneurial skills (Republic of Botswana, 1998b). Literature supports this, but we cannot claim that this is unassailable. We start off assuming that the link exists.
- iii) Franchising has been proved to be effective from the standpoint of the franchiser. This research aims at proving that it is equally effective from the franchisee’s point of view in the Botswana context. This should demonstrate that it is an effective development strategy.

## **1.7 Importance of the Study**

The importance of the topic in Botswana is defined by the need for diversification of the economy. The country has developed its infrastructure very well over the last forty years. However, its dependence on non-renewable resources has increased. Mining has not been a good employment generator as it is capital-intensive. As an alternative, the country's planners have identified small enterprise development as a way to generate employment opportunities. But the small enterprise sector is currently not growing presumably due to the lack of entrepreneurial skills among Botswana. The cause of this lack of skills needs to be both explained and minimized (Freytag and Thurik, 2007).

The "Policy on Small, Medium and Micro Enterprises (SMMEs) in Botswana" (Republic of Botswana, 1998a) cites eleven problems and constraints facing SMMEs among which is lack of entrepreneurial skills. Botswana themselves have expressed doubts as to whether it is really true that they lack entrepreneurial skills. The SMME Task Force Report (Republic of Botswana, 1998b) points out that the majority of entrepreneurs surveyed mention the lack of finance as the greatest constraint. The Task Force itself thought that it was lack of entrepreneurial skills, which was the fundamental problem. This study seeks to provide evidence to policy implementers that clearly franchisees, in particular, have low entrepreneurial skill levels. Other evidence, though weak, will show that all business operators lack entrepreneurial skills. This has never been done in Botswana.

Most studies in franchising the world over are from the franchiser's point of view. This thesis looks at franchising from the franchisee's point of view. Its significant contribution to knowledge is that in Botswana, franchisees lack entrepreneurial skills,

they behave like employee-managers to their franchisers, and they perform better than skilled non-franchised entrepreneurs. This study can assist policy makers in Botswana, and perhaps, other developing countries to add the franchise strategy to their arsenal of strategies for development.

The study used the interview method to collect data with the assistance of structured questionnaires. Two types of sampling techniques were followed: snowball sampling for experts and purposive sampling for franchisees and non-franchised entrepreneurs.

The thesis could be one of the first research endeavours to utilize the so-called profile method of Multivariate Statistical Analysis as per Tabachnick and Fidell (2007). This method is suitable for manipulating ordinal data. Groups of data are compared through their means to enable a conclusion as to whether data series are similar or not. This is an important application that can be replicated in other studies.

Specifically, the thesis should demonstrate that Botswana can forge forward with its development efforts despite a population viewed as lacking entrepreneurial skills by promoting franchising as franchisees do not require the set of entrepreneurship skills required by independent businesspersons. The planner in Botswana should select a different set of projects that lend themselves to the franchising mode of operation.

## **1.8 The Hypothesis and Statements**

### Hypothesis:

**Botswana franchisees have low levels of entrepreneurial skills, compared to non-franchised entrepreneurs.**

One research paper (Ronan, et al, 1997) and a Government Task Force (Republic of Botswana, 1998b) conclude that indeed Botswana business operators lack entrepreneurial

skills. The task force explained business failures in the country through lack of entrepreneurial skills. While they recommended a package of interventions, the question can still be asked; do business operators really lack entrepreneurial skills? Do all categories of business operators fare equally or do others fare better? How do franchisees fare compared to others?

Statement 1:

**Botswana franchisees behave as employee-managers of their franchisers.**

Specific questions needed to be asked to experts and franchisees to establish their relationship to franchisers. The study needed, for instance, to establish whether the franchisees act independently or are the conforming type. Is this behaviour consistent with conclusions reached under Hypothesis 1? The statement wished to prove that franchisees behave as employee-managers to franchisers, hence their traits, if they have to be satisfied with their situation, have to differ from those of franchisers (who are the entrepreneurs).

Statement 2:

**Franchisees, whose entrepreneurial skills are presumed to be rated lower than the (classical independent) non-franchised entrepreneurs, will still perform at desirable levels.**

From conclusions of several writers, like Inma (2005), who linked the franchisee's high motivation to the relationship between the franchisee and franchiser, and also like Geyskens, Jan-Benedict and Kumar (1999), who linked the relationship to positive economic satisfaction of the franchisee, we surmised that franchisees generally perform at desirable levels. The panel of experts was asked to reach another consensus on

whether or not the franchisees perform at desirable levels. Either conclusion will be valuable for the research. The survey also established performance levels of franchisees versus non-franchised entrepreneurs using sales and employees. Conclusions were, hence, derived after consideration of these positions.

Statement 3:

**Franchising, as a strategy, is seen as more effective than non-franchised enterprising in promoting ventures, hence in developing the business and economic base in Botswana.**

This statement is based on the arguments provided above. Government, having decided on a Policy of promoting Small, Medium, and Micro scale enterprises, will still fail to attain its objectives due to lack of entrepreneurial skills in the country.

Should franchisees be proved to operate as employee-managers of franchisers, and perform well without much entrepreneurial skills, the statement will be proved correct.

This is the major policy decision the thesis will prove.

A strategy of promoting non-franchised entrepreneurs is only suitable in a community with a high number of individuals with high entrepreneurial skills. In a situation where individual entrepreneurial skills are low, the rate of business failures tends to be high. Prior literature has demonstrated that, overall, Botswana business operators have low skill levels. While non-franchised entrepreneurs might be rated higher than franchisees, this overall conclusion remains true. If, however, franchisees' levels of performance are high, franchising could be the strategy to promote. This seems to be the situation in Botswana.

## **1.8 Outline of Thesis**

The Thesis has six chapters. Chapter 2 covers the Review of Current literature. Chapter 3 reviews the methodological issues of the research and Chapter 4 presents the research results. A discussion of the findings is presented in Chapter 5, with Chapter 6 covering the conclusions, limitations and recommendations.

## **CHAPTER 2**

### **REVIEW OF LITERATURE**

#### **2.1 Introduction**

This discussion will follow the order of the thesis' pertinent questions as follows:

- i) Batswana and developing countries' citizens and entrepreneurial skills;
- ii) Behaviour of franchisees and their relationship to franchisers;
- iii) Level of performance of franchisees, and
- iv) Franchising as a strategy in developing ventures.

Presentation of relevant literature in each section shall be followed by a short commentary and analysis aimed at showing the relevance of literature.

#### **2.2 Batswana and Developing Countries' Entrepreneurship Skills**

Ronan et al. (1997) seems to be the only study to have addressed the issue on whether or not Batswana business persons possess entrepreneurial skills. This study concluded that Batswana entrepreneurs rank lowly in entrepreneurship skills (Ronan et al, 1997:43). The

Delphi technique was used to collect the data and a high degree of consensus was reached among the selected experts in their ranking of Batswana entrepreneurs. The experts were given a list of traits, attitudes and business skills on which they had to rank the entrepreneurs on a Likert scale of 1 to 5, with 5 indicating the highest level of skills. The entrepreneurs were ranked highest with respect to optimism; and ranked lowest with respect to innovativeness and creativity, foresightfulness and competitiveness.

The strength of this study is that it sought views of bankers and consultants, experts who deal with Batswana entrepreneurs on a daily basis. The weakness of the study lay in the fact that the views of the experts were merely on notional 'Batswana entrepreneurs' and not any specific selected group of individuals. Secondly the conclusions were drawn from a sample of only 28 experts whose representativeness was questionable as we were not given the total population of such experts in Botswana.

Ronan *et al.* (1997) assume background knowledge of traits, attitudes and business skills. This knowledge is, however, not that common. Hannu Littunen (2000) explains some of the characteristics of the entrepreneurial personality. (S)he highlights the two schools of thought in existence in entrepreneurship: the trait model and contingency thinking. In the trait model, the basic question is why certain individuals start firms and are successful as entrepreneurs. In contingency thinking, characteristics needed in entrepreneurship are bound up with the firm's environment and prevailing situation.

Under the trait theory, the individual's traits or qualities are central in the investigation of entrepreneurship. During the start-up phase of a firm, important characteristics of an entrepreneur must include innovativeness and the will to act. Other typical characteristics are: ability to take risks, knowledge of how the market works,



manufacturing know-how, marketing skills, business management skills, the ability to cooperate, and a good nose for business.

Littunen also describes theories most commonly applied in research on entrepreneurship as McClelland's theory of the need to achieve, and Rotter's locus of control theory. Locus of control of an individual can be seen as either internal or external. Internal control expectation is a control over one's own life where results of one's actions are dependent on either one's behaviour or on one's permanent characteristics. An external control focuses on other people's actions or on fate, luck or chance. Internal control expectation is related to learning and motivates and supports active striving. It is also associated with entrepreneurial characteristics. External control expectation, on the other hand, impedes learning and encourages passivity. As a theoretical review, Littunen's intervention is quite useful to us as we look at Botswana business people's capabilities. The characteristics reviewed above, which assume the internal locus control, are used. Several researchers like Freytag & Thurik (2007), however, use the percentage of owner/managers of incorporated and unincorporated businesses relative to the labour force as indicating the level of entrepreneurship in a country.

While questioning the existence of entrepreneurial skills in Botswana business people, it is pertinent to ask: what triggers the release of the spirit of enterprise? The answer to this will explain to us why certain societies are not entrepreneurial while others are entrepreneurial.

Alison Morrison (2000:60) answers this question by explaining the relationship between entrepreneurship and cultural specificity. (S)he starts off with the definition of culture as given by Tayeb (1988:42):

a set of historically evolved learned values, attitudes and meanings shared by members of a given community that influence their material and non-material way of life....” (Morrison, 2000:60).

These characteristics are learned through different socialization processes in institutions like family, religion, formal education and society as a whole.

Morrison (2000) further explains how cultures can be differentiated using Hofstede’s (1996) framework of five dimensions:

power distance (degree of inequality among people considered normal), individualism (degree to which people prefer to act as individuals), masculinity (degree to which such “masculine” values are emphasized), uncertainty avoidance (the degree to which people prefer structured over unstructured situations) and long-term orientation (a stress on virtuous living with thrift and persistence) (Morrison, 2000:61).

(S)he concludes that one can use the above framework to form a cultural profile for society e.g. a profile for North America rating low on power distance, long-term orientation and uncertainty avoidance; and high on individualism and masculinity. (S)he further concludes that in less developed and transitional societies, the dimensions are less clear cut. This is why presence of entrepreneurship among Batswana becomes questionable.

Entrepreneurial culture is described by Vernon-Wortzel and Wortzel (1997) as an attitude towards commerce in which a positive social attitude towards personal enterprise is prevalent. Bateman (1997) also states that those economies and regions which have flourished in the late 20<sup>th</sup> century have in common a business culture that can be termed

entrepreneurial. Throughout history, entrepreneurship has been found to be important and meaningful to society at points of transition e.g. traditional to modern, modern to post-modern, and state-controlled to free market.

In defining cultural specificity, Morrison (2000) lists the following inputs: personal motivations and characteristics: formal education system; family background; regional history and characteristics; and intergenerational role models.

Entrepreneurs bring their own unique set of personal motivations and characteristics e.g. intelligence and sound analytical skills to bear on risk management. They are all, to some respect, deviants from social norms within their countries. Morrison's study found that, in the cases of Finland, Australia and Kenya, the characteristics and behaviours are of a more implicit "low key" nature, rather than aggressively explicit. One would perhaps include Botswana in this list.

The formal education system conditions the young and dominant approaches are reinforced within family life. This plays an initiating role of the characteristics generally associated with entrepreneurial behaviour (Gibb, 1996). The formal education system has been recognized as a strong influence in the development of conformist, anti-entrepreneurial behaviour in Kenya, South Africa, Singapore, Finland and Slovenia. This has resulted in population masses ambivalent towards entrepreneurship as a consequence of their educational conditioning.

A characteristic of entrepreneurship is that it tends to pervade family life, with the entrepreneur being unable to divorce business from social living (Deakin, 1996). Entrepreneurs, with previous experience of the effect of entrepreneurship from a family member are more prepared for the consequences of their own activities. Secondly,

family support of entrepreneurship can make a positive contribution to its sustenance. Extended family support was seen to play decisive roles in Kenya, South Africa, Australia and North America.

Considerable variance in the responses of populations to entrepreneurship is a consequence of the history and resultant characteristics of the country. For example, countries where the state was in control of the economy tended to be anti-entrepreneurial e.g. Slovenia, South Africa, Kenya and Finland. In these countries, a significant power distance is created in society with an elite group on one side and the “ruled” on the other side that lack in personal attributes generally associated with entrepreneurship, in particular: leadership, creativity, self-reliance, and self-confidence (Morrison, 2000).

In more egalitarian and democratic societies of North America and Australia, these qualities are fostered, thus stimulating entrepreneurial behaviour. In Botswana, due to the extent of underdevelopment at independence, the public sector assumed similar dominance as in South Africa.

Anderson (1995) highlighted how the degree to which an entrepreneurial culture that has been and currently is embedded in a country will result in a volume of practicing and historic entrepreneurs who can be identified as role models for future generations.

Morrison’s (2000) analysis is useful as a contribution to the analysis of entrepreneurship in Botswana. In particular, his conclusion that there is a significant relationship between entrepreneurship and cultural specificity is very useful. In Botswana, as in any other society, the following cultural dimensions significantly determine entrepreneurial behaviour: communal versus individual, conformist versus divergent, and equal versus elitist.

Further propositions are advanced for the study of culture as a moderating influence on entrepreneurial characteristics in developing countries in Kojo Saffu's study (2003) of South Pacific Islands' entrepreneurs. Saffu investigates the impact of culture on the characteristics of entrepreneurs even though he recognizes that entrepreneurs share universal traits. (S)he discusses elements of culture with respect to Pacific Islands' entrepreneurs. Contrasting western to Pacific Islands' cultures, it is clear that western cultures are individualistic while Pacific Islands' cultures are collective. Individualistic cultures focus on individual pursuits and personal goals. In collectivist cultures, out-group interest values, affiliation and goals are important and hold sway.

Another element of culture discussed is power distance, which is the degree of power distribution across members of a culture (Early, 1997). Inequalities are allowed and accepted where there is power distance. In Western cultures, power distance is low, while it is high in developing societies like South Pacific Islands.

The third element introduced is uncertainty avoidance, which refers to how culture manages the uncertain future. Countries or cultures can either be high or low uncertainty avoidance countries/cultures. In low uncertainty avoidance countries, people are more easy-going. Uncertainty avoidance relates to tolerant to ambiguity, which is the degree to which members of society are open to change and innovation.

The last element considered is masculinity/femininity, which implies the presence or absence of toughness and competitiveness of members of society. Masculine cultures emphasize assertiveness which is associated with entrepreneurship.

The purpose of discussing the four elements above is not to prove that traits exhibited by, say western entrepreneurs are absent in entrepreneurs in developing cultures, as this is

not the case. In fact entrepreneurs share universal traits. However, the elements will add specific nuances to the traits in specific cultures. For example, Saffu concludes that the cultural dimensions underscore a new set of characteristics that would be required to succeed as an entrepreneur in South Pacific Islands. These characteristics include flexibility, adaptability and ability to operate in the traditional and modern milieus; need for power and status, and the ability to use the extended family. South Pacific Islands' culture is quite similar to Batswana culture. This means that the conclusions reached by Saffu will apply equally in Botswana.

Freytag and Thurik (2007) also discuss the relationship between values, beliefs and behaviour established in psychological research. They point out that differences in culture, imbedding individual values and beliefs, influence a wide range of behaviours, including entrepreneurial behaviour. They further cite several studies that explore the relationship between various aspects of culture and entrepreneurial behaviour across cultures. Citing Wennekers (2006), they distinguish three views highlighted in these studies: (i) the 'aggregate psychological trait' explanation of entrepreneurship, which concludes that if a society contains more people with 'entrepreneurial values,' more people will become entrepreneurs (Uhlener and Thurik, 2007); (ii) a reference to the degree of 'legitimation' or 'moral approval' of entrepreneurship within a culture which imply wide ranging manifestations like more attention to entrepreneurship within the educational system, a higher social status of entrepreneurs, and more tax incentives to encourage entrepreneurial start-ups; (iii) the 'push' explanation of entrepreneurship, which assumes that the variation in entrepreneurship is based upon differences in values and beliefs between the population as a whole and potential entrepreneurs. In a

predominantly non-entrepreneurial culture, a clash between the two groups may drive potential entrepreneurs away from a non-entrepreneurial organization into self-employment (Noorderhaven et al., 2004).

Louw, Van Eden, Bosch & Venter (2003) discuss and report on the levels of South African students' entrepreneurial traits; establish whether their traits are interrelated; and determine the extent to which demographic variables have an impact on entrepreneurial traits of the students.

In view of the proximity of South Africa to Botswana and the commonality of cultures, the findings of this research should also be pertinent to our research on Botswana. The paper starts-off by remarking that promotion of entrepreneurship is regarded as a major key to economic development and wealth creation (Mare, 1996:3); and that in South Africa, small businesses contribute approximately 42% to GDP (Government Communication and Information System, 2001:256). It continues to state that despite the above facts an entrepreneurial culture seems to be missing in South Africa, as well as the broader presence of entrepreneurs as initiators and innovators. There are a significant number of business failures each year (Streek, 2001). Reasons often cited for business failures include unfamiliarity with established business practices and lack of managerial expertise.

The findings of the paper by Louw et al (2003) established that the respondents regarded the following of their traits as well-developed: competing against self-imposed standards, self-confidence, dealing with failure, goal-setting/perseverance, and drive and energy. Over 75% of respondents obtained low scores for risk-taking. Most of the traits are statistically significantly correlated at the 99% confidence level. Technical knowledge

was found to be statistically more developed among males than the females, while the opposite was true for Human relations ability.

The following entrepreneurial traits were found to be statistically significantly related to the selected demographic variable (tertiary institution, race, gender and age): competing against self-imposed standards, self-confidence/belief in self-determination and risk-taking are significantly related to the institution and race. Taking initiative/seeking personal responsibilities and the use of outside resources are significantly related to gender, race and age. Technical knowledge is significantly related to the tertiary institution, gender and race. Number sense (or ability to understand financial statements) is significantly related to the tertiary institutions. Business knowledge is significantly related to the tertiary institutions, gender and age. Hence, demographic variables have an influence on the development of entrepreneurial traits.

Such a conclusion should apply in Botswana. In other words, indigenous Batswana should exhibit different skill levels from, say immigrants. Perhaps an explanation of why Batswana entrepreneurial skill levels are low could follow Co's (2003) arguments. Co starts off by quoting Begley, Tan, Lasarati, Rab, Zamora & Narayakhara (1997) who stressed the potential importance of socio-cultural variables in explaining variations in entrepreneurship and economic development. Since entrepreneurship is perhaps the most significant causal factor in the process of economic growth and development, differences in rates of growth and development can be traced to societal differences in entrepreneurship.

Co's (2003) discussion concentrated on socio-cultural explanations of entrepreneurship. (S)he highlights that the traditional views of entrepreneurship have emphasized



psychological and economic models. Personality-based theories posit that people's special personality traits make them prone to behaving and succeeding as entrepreneurs. (S)he points out that an endless list of traits goes with the theories e.g. internal locus of control, low aversion to risk-taking, aggressiveness, ambition, marginality and high need for achievement etc.

The economic models, on the other hand, assume that with a clear vision of one's goals and all required information, a person chooses to enter employment or if motivated, he/she scans the market and chooses a niche that will maximize returns of an asset invested in business (Co, 2003).

Neither of these models explains entrepreneurship holistically. Co's paper attempts to rectify this by looking at entrepreneurship activity in the context of the socio-cultural environment. (S)he initially discusses five theories: Max Weber's Protestant Ethic, Everett Hagen's Withdrawal of Social Status, Wilken's Social Mobility, Light's Marginality, and Pfeffer's effect of role models.

Weber proffered his Protestant ethic in the 1950's and he was interested in the influence of the psychological sanctions originating from religious beliefs. He came to believe that the Protestant ethic broke the hold of tradition while it encouraged men to apply themselves rationally to their work. Moral discipline drove people to accumulate wealth without the interest in worldly pleasures. Weber also believed that the Protestant ethic was a powerful force in fostering capitalism (Weber, 1958:155-183).

There are a lot of weaknesses with the protestant ethic. It does not explain the emergence of entrepreneurship in non-Protestant societies, like Japan (Shapero & Sokol, 1982). While Co (2003) discusses the Protestant ethic as an explanation of why

entrepreneurship levels are low in South Africa, (s)he seems to fail to notice that this ethic exists in South Africa far much more than in other societies with higher entrepreneurship levels.

Everette Hagen (1962) propounded his Withdrawal of Social Status thesis almost at the same time as Weber. (S)he believed that the initial condition leading to eventual entrepreneurial behaviour is the loss of status by a group. This could be due to group displacement, denigration of the groups valued symbols, status inconsistency due to status displacement, or due to migration of a group into a society in which it does not have prestige.

Hagen (1962) suggests that there are several possible reactions to this loss of group status: retreatism, ritualism, innovation, reformism, and rebellion. The most significant of these for entrepreneurship is retreatism which ultimately leads to a later generation becoming innovators.

Hagen's theory is also criticized from a number of viewpoints. His/her theory is *post hoc*. (S)he discovered instances of withdrawal of status respect by looking at situations in which economic growth occurred then instances of status losses preceding this growth was searched for. His/her theory was also criticized on the grounds that it took as long as five generations for withdrawal status respect to result in emergence of entrepreneurship. Lastly, there are studies proving that entrepreneurs need not necessarily come from groups that are seeking redress of social grievances. Elite, upper class, upper middle class and even nobility were entrepreneurs.

Wilken (1979) defined social structure as including degree of mobility and nature of mobility channels within a situation. His/her three points of view were:

- i) A high degree of mobility is conducive to entrepreneurship, where the system must be “open” and “flexible” in the role relationships;
- ii) from Hagen’s assertion, lack of mobility possibilities promotes entrepreneurial behaviour;
- iii) a combination of the two positions above – need for both flexibility and the denial of conventional routes to prestige.

Wilken concludes that the setting should neither be too rigid nor too flexible. If it is too flexible, then individuals will gravitate towards other roles; if too rigid, entrepreneurship will be restricted along with other activities.

Light (1979) propounded his theory of marginality where (s)he claimed that disadvantages such as poverty, unemployment, underemployment, and discrimination in the labour force lead minority members to turn to self-employment. (S)he also concluded that the foreign born population has shown a higher proportion of self-employment because of its disadvantages in the labour market. Marginal individuals and groups will be excluded from access to the established mobility channels, hence are likely to play entrepreneurial roles.

Several factors increase the likelihood of marginal people becoming entrepreneurs. One is the presence of positive attitudes towards entrepreneurship within that marginalized group. Entrepreneurship must be acceptable within the group in spite of its being unacceptable to society in general. The second important factor is a high degree of group solidarity or cohesion. Cohesion is necessary to counteract whatever opposition may be forthcoming from mainstream groups.

Researchers have traced a thread from role expectations to role models. Successful entrepreneurs are those who fulfilled role-expectations successfully. Entrepreneurs have been found to have experience in the industry in which they start their business. Hence, prior work experience in a particular line of business is correlated positively with success as an entrepreneur in the same line. Successful high technology entrepreneurs had fathers who were owners or managers so the existence of a successful role model encourages entrepreneurial efforts.

It is important to define an entrepreneur. When it is said that Batswana businesspersons lack entrepreneurial skills, what skills are we talking about? Timmons (1999) defined what he termed “desirable attitudes and behaviours”. These are discussed under the headings “acquirable” and “not so acquirable” attitudes and behaviours. Six themes are discussed under the “acquirable” and these are:

- i) Commitment and Determination, which are seen as more important than any other factor. Under these are included tenacity, and decisiveness, discipline, persistence, total immersion, and personal sacrifice.
- ii) Leadership, which implies experience, intimate knowledge of technology and the marketplace, and management skills.
- iii) Opportunity obsession, which implies that successful entrepreneurs, being ultimately familiar with their industries, customers and competitions, are obsessed with the opportunity they are pursuing.
- iv) Tolerance of risk, ambiguity and uncertainty – entrepreneurs manage paradoxes and contradictions. Knowing that they risk both their money and their reputation, they take calculated risks as opposed to gambling.

- v) Creativity, self-reliance and ability to adapt – these are people who believe in themselves, who have the ability to see and “sweat the details”, and also to conceptualise.
- vi) Motivation to excel: as self-starters, entrepreneurs are driven internally by a strong desire to compete against their own self-imposed standards (Timmons, 1999:221).

There are other desirable, but “not so acquirable” attitudes and behaviours. These are characteristics that most experts would argue are more innate than acquired. If one has to learn or nurture them, much work will be required than those on the list above. Five areas are of this nature:

- i) Energy, health and emotional stability.
- ii) Creativity and innovativeness. Creativity was once thought of as an exclusively inherited capacity but a growing School of Thought believes that creativity can be learned.
- iii) Intelligence: intelligence and conceptual ability are great advantages for an entrepreneur, but it is a nose for business, the entrepreneur’s gut feel and instincts, and “rat-like cunning” which are special kinds of intelligence that are not easy to learn. There are numerous examples of school dropouts who go on to become truly extraordinary entrepreneurs.
- iv) Capacity to inspire: this is a natural leadership quality, also referred to as vision that is charismatic, bold and inspirational. It is difficult to nature it.

- v) Values: Personal and ethical values seem to reflect the environments and backgrounds from which entrepreneurs have come and are developed early in life. These values are an integral part of an individual, and we usually find it difficult to make people learn them (Timmons, 1999:225).

These “not so acquirable” traits (attitudes and behaviours) are crucial in this thesis. If Batswana business person do not have them, there is no other way we can have them nurtured. An alternative way of creating ventures has to be found. There are communities that do not have a ‘nose for business’. While it might be possible to teach such communities in the long run, it might be easier to find other alternative ways to make them participate in business faster.

Mtigwe (2005), researching on small firms internationalizing, cites Leonidou, Katsikeas & Piercy (1998) who emphasize that to understand the behaviour of these firms, it is necessary to understand the entrepreneur him/herself since (s)he is the main influence.

The human capital of the owner/founder is the source of the firm’s differential advantage (Manalova, Brush, Edelman & Greene, 2002). Sadler-Smith, Spicer & Chaston (2001) also view management of small firms as the key to success, as they state that they are relatively fast learners and use active forms of learning.

Mtigwe (2005), like many other writers on entrepreneurial firm internationalization, uses four constructs in his measuring instrument: firm characteristics and behaviour, managerial characteristics and behaviour, motivational factors, and environmental conditions. Such constructs can also be used in other instances like franchising. Since a firm’s own characteristics are taken as the starting point, a franchisee’s almost standardised characteristics are strengths or enablers to work with.

Visser, de Coning & Smit (2005) demonstrate that a significant and positive relationship exists between characteristics of an entrepreneur and characteristics of a transformational leader in South African Small and Medium Enterprises. Transformational leadership is seen as a “systematic process of searching for change, innovation and entrepreneurship” (Lussier, 2003). Transformational leadership puts greater emphasis on: vision/mission; infusing vision, motivating and inspiring, creating change and innovation, empowerment of others, creating commitment, stimulating extra efforts, interest in others and intuition on the part of the leader, and a proactive approach to environment. Literature reveals that transformational leadership has been reported mainly in the USA, UK, Sweden and New Zealand (Dvir & Shamir, 2003).

Evidence from South African data show that large scale enterprises failed to sustain the economic growth rate established in the 1960’s and early 1970’s and SMEs, to which expectations were directed, failed to perform due to inadequate leadership and management skills (Freese & Friedrich, 2002; Anderson, 2002).

Pounder (2003) demonstrates that transformational leadership, as a behavioural process, can be quite useful. Hence, small and medium entrepreneurs can become transformational leaders who inspire, energise and intellectually stimulate their employees. Pearce, Sims, Cox, Ball Schnell, Smith & Trevino (2003) suggest that transformational leadership can be conceptually organized along four correlated dimensions:

- (1) idealized influence (charismatic/ visionary leadership)
- (2) inspirational leadership
- (3) intellectual stimulation, and

(4) individualized consideration.

Idealised influence is the ability to articulate and provide vision and a sense of mission, instilling pride and value in the firm, and gaining respect and trust. Inspirational leadership is the extent to which the leader communicates high expectation; while intellectual stimulation is the degree to which the leader promotes intelligence, rationality and careful problem-solving. Lastly, individualized consideration is the extent to which the leader gives personal attention, treats employees individually, coaches and advises them.

An entrepreneur can be viewed from three perspectives (Viser et al., 2005). First the entrepreneur can be viewed from a socio-psychological perspective. This places the entrepreneur within the wider social environment giving acknowledgment to factors such as family and social background, education, religion, culture, work and general life experiences as factors impacting on entrepreneurial effort.

Secondly, from a behavioural approach, the entrepreneur is viewed in terms of a set of activities associated with the venture. How well does the entrepreneur perform? How do attitudes, behaviours, management skills and experience combine in determining entrepreneurial success? The most common behaviours shared by entrepreneurs are hard-working, energetic, commitment and determination, ambition, competitiveness, excelling and winning.

Thirdly, from a psychological perspective, researchers have attempted to develop an understanding of the entrepreneur by focusing on a set of personality traits and characteristics. These have been highlighted above where six themes are discussed as constructs of entrepreneurship (Timmons, 1999; Timmons and Spinelli, 2004).



The findings of the survey conducted to test the relationship between transformational leadership characteristics and entrepreneurial constructs were that:

- Owners and managers of South African Small and Medium Enterprises possess characteristics that are inherent to both entrepreneurs and transformational leaders;
- charisma or idealized influence, as a transformational characteristic, correlates positively, to a medium degree, with entrepreneurship;
- similarly, inspiration as the second transformative characteristic, correlates positively, to a medium degree, with entrepreneurship;
- the third element of transformational leadership, intellectual stimulation, correlates positively, to a medium degree, with entrepreneurship; and
- individualised consideration, as the fourth factor of transformational leadership, also correlates positively, to a medium degree, with entrepreneurship.
- It is also evident that Commitment and Determination, and also Leadership, being themes of entrepreneurship, correlate, fairly moderately, with transformational leadership factors. The other entrepreneurship themes do not correlate with transformational leadership factors (Visser et al, 2005).

The starting point of this paper was that transformational leadership can be learned. Since most of the elements of transformational leadership correlate with entrepreneurship, it follows that profile elements for strategic behaviour in small and medium enterprises can be acquired and developed by means of a number of interventions.

There are some researchers who distinguish entrepreneurship from family business ownership, and entrepreneurs from owner-managers. Morrison (2006) cites debate on

whether small family businesses represent a manifestation of entrepreneurship. (S)he makes reference to Bolton and Thomson (2003) who caution against the casual linkage of “small business” with “entrepreneurship” as this leads to a mistaken assumption that they are synonymous. While the borderline between the two terms is not clear cut, they are not the same. Dominant academic conventional wisdom relates entrepreneurial venture and entrepreneur to entrepreneurial behaviour such as innovation, opportunity exploitation and realization, risk acceptance, new market creation, growth and profit motivations, and strategic management (Burns, 2001; Beaver, 2002; Kaplan, 2003; Mc Adam et al., 2004). The definitions pertaining to a small business venture and a small business owner are concerned with ownership structure, market position and prioritization of personal goals over those of economic optimization.

A distinction of family businesses from true entrepreneurship is made by Cromie, Adams, Dunn & Reid (1999) who suggest that family entrepreneurship differs from economic entrepreneurship in that it incorporates a domestic dimension. Family businesses are defined in terms of organizational behavioural characteristics. They are represented as enterprises in which family members influence the direction of the business through kinship ties, ownership rights or management roles. Further, a family business possesses the following complex and humanistic dimensions:

- characterized by relatively low professional skill and financial barriers to entry;
- perceived as an attractive mode for individuals seeking life change away from the corporate career ladder;

- commercial pursuit of enterprise is a necessary sustenance for, but subordinated to, the pursuit of socially driven lifestyle aspirations;
- many of the entrepreneurs can be classified as social, operating primarily in a domestic-market economy;
- locational decisions are heavily influenced by personal preferences and the aesthetic appeal or particular geographical locations rather than rational economic assessment;
- businesses are dominated by the entrepreneurial family that can act either as a valuable competitive-human asset or a detrimental drain on the efficiency and quality of the operation (Cromie et al, 1999).

Salgado-Banda (2007) followed Schumpeter (1934, 1943) and William Baumol (1990, 2002) in defining entrepreneurship as innovation rather than self-employment or indeed any other activity that leads the individual to starting or running a business. This approach insists that only business starts that are innovative qualify to be termed entrepreneurial. It follows therefore that an entrepreneur would have registered a patent. Salgado-Banda (2007), thus, proved that patent applications, as an indicator of innovation, measured productive entrepreneurship better than any other indicators. (S)he used cross-sectional data of 22 OECD countries for the period 1975-1998. If this indicator is used for Botswana, an even more dismal entrepreneurial performance will be registered.

Bennett (2006) investigated the connections between ways in which university lecturers define the term “entrepreneurship” and the pedagogical methods they apply when teaching the subject. (S)he surveyed lecturers and tested the emerging model using the

technique of partial least squares. (S)he found that lecturers' definitions were influenced by their backgrounds and the number of years they had worked in businesses. (S)he also found that there was no consensus on the interpretation of "entrepreneurship" or on how it should be taught. The study's limitations were that only 29% of the sample returned the questionnaire, and that there is no similar study before this. The implications of the findings are that a consistent theory of entrepreneurship needs to be developed and disseminated.

Some literature is cited to demonstrate the variety of definitions attached to entrepreneurship. Pittaway (2005) and Llewelyn & Wilson (2003) follow Schumpeter's dictum that "entrepreneurship" involves the bringing together of all factors of production, hence anyone who initiates and manages a new venture is an entrepreneur. There is an alternative view that an "entrepreneur" is really quite distinct from a typical owner-manager.

Gibb (2002) differentiated between entrepreneurship and owning and managing a small business on the grounds that the former involved the application of a certain set of personal attributes, whereas the latter was concerned simply with the performance of specific tasks. It can similarly be inferred that franchisees are people who have become adept at performing specific tasks. Some writers go considerably further in their assertions that entrepreneurs are identifiably different to the rest of the population (Gibb, 2002; Llewellyn & Wilson, 2003; Shook, Priem & McGee, 2003; Deamer & Earle, 2004; and Basu, 2004).

Basu (2004) suggested that entrepreneurs often had aspirations different to those of other people. Personal characteristics distinguishing entrepreneurs from owner-managers

include initiative, willingness to take risks, self-confidence, perseverance, resourcefulness, independence, persuasiveness, tolerance for uncertainty and ambiguity, imagination, high need for achievement, and a strong belief in being in control of one's destiny. These traits (or the lack of them) should also distinguish the franchisee who is an employee-manager from an entrepreneur.

Advocates of the attribute development approach to entrepreneurship education, maintain that entrepreneurship is a "learned competency" rather than an inherited predisposition or cultural trait (Etzkowitz, 2003; Rae, 2000). This contrasts with the view that entrepreneurs are "born not made". The counter-argument to the "born not made" hypothesis is that many entrepreneurial aptitudes and attributes are in fact acquired experientially, i.e., life experience, including educational experience, can itself engender and encourage innovativeness, self-determination, imaginative problem-solving, etc. (Haynes, 2003).

In summary to this section reviewing literature on entrepreneurship skills, citation has been made of one view from Ronan et al. (1997) which concluded that the entrepreneurial skills of Botswana business operators are quite low. The SMME Task Force of 1998 (Government of Botswana, 1998b) also concluded that entrepreneurial skills of Botswana business operators are the major cause of business failures.

Literature has, however, shown that there are several approaches to the study of entrepreneurship, the one used by Ronan et al. (1997) being only one of them. This review has discussed the trait approach, cultural, economic approach etc. Culture affects entrepreneurship, and in particular, developing countries' cultures, e.g. that of Botswana, demand more of flexibility and adaptability. The aggregate psychological trait approach

states that if society contains more people with “entrepreneurial values”, more people will become entrepreneurs. This has a relationship to the conclusion that the degree of “legitimation” or “moral approval” of entrepreneurship encourages entrepreneurship the higher it is. It follows then that countries with few entrepreneurs will experience slow entrepreneurial growth, like Botswana. Few entrepreneurs thrive only in isolated communities, hence, retreatism resulting from withdrawal of social status as per Hagen (1962). This is also related to Light’s (1979) Theory of Marginality, where marginal groups of society are able to play entrepreneurial roles.

The skills themselves have various categories with Timmons (1999) providing two broad categories, the acquirable and not-so-acquirable traits. While this topic is full of controversy, it might be asked what a country could do if it has a group of business operators facing not-so-acquirable traits. The gap that seems apparent in literature is whether such skills or traits exist in franchisees in Botswana. This study proposes to fill this gap using Botswana data. What are the entrepreneurial skill levels of franchisees, besides other categories of business operators?

### **2.3 The Behaviour of Franchisees and their Relationship to Franchisers**

Generally, most studies on franchising are done from the viewpoint of the franchiser and not from that of the franchisee. Hing’s 1995 study is one of the few that looked at franchising from the franchisee’s view point. From the outset, Hing states that franchising is a response to the horrendous failure rate of small businesses. Hing states that franchisee satisfaction should be a consequence of both franchiser and franchisee characteristics. From the franchisee’s side, the following may influence the franchisee’s post-purchase satisfaction: entrepreneurial personality factors, pre-purchase experience,

use of helpful advisers, and financial capability. Hing (1995) used the franchisee's post-purchase satisfaction as a proxy to industry growth and development.

Four entrepreneurial personality traits (need for achievement-nAch, internal locus control-ILC, ambiguity tolerance, and role perceptions) were tested against post-purchase satisfaction. Only nAch was found to be statistically associated with post-purchase satisfaction. There are also numerous empirical studies that support an association between high nAch and the disposition for entrepreneurial activity. This finding implies that while high levels of internal locus control, ambiguity tolerance, and accurate role perception might be necessary to operate a non-franchised business, they might not be necessary for franchising. This conclusion is important for the introduction of new enterprises in countries whose citizens are adjudged to have low entrepreneurial skill levels. It appears that even with low entrepreneurial skill levels, people might still do well as franchisees. Franchisees with high ILC may be dissatisfied with their lack of autonomy in franchising. Similarly, ambiguity tolerance might not have to be high for franchisees since the business concept has gone through prior testing.

In addition, Hing (1995) found that pre-purchase experience of franchisees was not significantly associated with their satisfaction. It would appear that franchiser inputs effectively negate the need for prior experience to satisfactorily operate a franchised outlet. So franchising appears to be an appropriate alternative for aspiring small business operators who lack experience.

Brown & Dev (1997) investigated whether a stronger marketing partnership between a hotel franchiser and its franchised hotel leads to higher performance both for the hotel and the partnership as a whole. Marketing partnerships are contrasted with discrete

exchanges, which are short-term and terminated at the conclusion of the transaction; while marketing partnerships are more complex exchanges involving express agreements and contracts. Marketing partnerships offer extensive personal relationships, substantial expectation for future exchange, high relationship, preservation, high role integrity, and high harmonization of marketing conflict.

The survey conducted by Brown & Dev (1997) indicated that, compared to direct competition, a hotel franchise with marketing partnerships has a higher occupancy rate, higher average room rate, hence consequently has higher gross operating profit. The researchers concluded that if a franchiser wants to improve the performance of its hotels, it should treat them more like partners than as “necessary evils” to be tolerated, or worse, adversaries to exploit.

Fenwick and Strombom (1998) investigate an emerging area of interest whose concern is whether the franchisee should be regarded as an entrepreneur. Literature presents two opposing views:

- 1) The franchisee is regarded as managing an outlet operating within the umbrella of another truly independent business – the franchiser. Hence the franchisee resembles an employee more than an independent entrepreneur due to constraints imposed by the franchise agreement.
- 2) The franchisee operates within a close strategic alliance which allows substantial operational independence, and thus, the franchisee resembles a normal, independent small business operator whose entrepreneurial qualities and decision-making independence influence performance of the franchised outlet.



- 3) Fenwick and Strombom (1998), however present, in addition, a third view: the franchisee is intermediate between the employee-managers and independent owners in terms of decision-making independence, but with the extent of this independence varying between franchise systems according to the constraints imposed by each franchise agreement.

Phan, Butler and Lee (1996:380) expanded this view: “Franchisees are in fact potentially entrepreneurial because a franchiser’s ability to impose a strategic direction on a franchisee is limited.” The extent to which a franchisee’s entrepreneurial tendencies influence venture performance is a fundamental question of interest to academics and practitioners. Franchisers will also confront this question as they try to recruit ideal franchisees. Franchisees who behave like entrepreneurs might present difficulties to franchisers. Li, Huang and Ashley (2002) present alternative scenarios of how franchisers and franchisees relate. They initially state that a franchise is normally based on either some unique product or service, on a method of doing business, or on a trademark, goodwill or patent that the franchiser has developed.

Their first scenario, termed the “Leader-follower game structure” involves the franchiser as the leader and the franchisee as the follower. In this situation, the franchiser may offer site location, training programmes, standard operating manuals, ongoing advice and advertising. The franchisee may also be required to purchase from the franchiser or franchiser-designated supplier. The franchiser specifies the fixed lump-sum fee, wholesale price, and royalty fee, while the franchisee decides on the retail price. Under this scenario, the franchiser benefits more than the franchisee.

Their second scenario is termed the “Cooperative Partnership Games Structure”. This scenario is based on Wal-Mart/P&G’s relationship that developed from scenario 1 as Wal-Mart grew in size. The supply chain’s total profit is higher than it is in scenario 1, hence there is a possibility that both the franchiser and the franchisee can gain more profits. Hence, the conclusion reached here is similar to that reached in the survey conducted by Brown and Dev above - both parties have greater benefits under cooperation than without cooperation.

Grunhagen and Dorsch (2003) investigated:

- 1) whether single-unit and sequential multiple-unit franchisees exhibited the same strength in the belief that they were receiving value from their various franchise fees;
- 2) the extent to which the strength in the belief of receiving value from the franchiser remained stable over time.

It was believed that the answers to these questions would provide insight into whether franchisers should be concerned about how strongly they are perceived as providing value to these two types of franchisees. A strengthening of franchisee opinions about the received value from franchisers can help to solidify a positive relationship between the franchisee and the franchiser. Attitude theory stresses that a change in opinion, such as the strength of franchisees’ perceptions of franchiser value, tends to precede a change in behaviour.

The study’s weakness is that it focused on one industry (fast foods) which limits generalizability of findings. Otherwise, it had major strengths, like the method of analysis which involved four stages.

The findings included the following:

- both single–and multi-unit franchisees reported significantly stronger positive perceptions of expected franchiser value in the past compared to the more undecided perceptions of current value they perceived to be receiving from their franchisers;
- it was revealed that all sampled franchisees, no matter which type, were similarly undecided when asked about the current value they place on their franchisers;
- for both single- and multi–unit franchisees, the indecisiveness about franchiser value continued to pervade franchisees’ perceptions of anticipated future franchiser value as franchisees contemplate adding to their franchise operations.

So the study revealed that franchisees, whether single- or multi-unit, changed their perceptions of value received from the franchiser over time. The shift from strong positive perceived franchiser value to undecided indicates that single- and multi-unit franchisees’ expectations of franchiser value were not met. This change in perceived franchiser value over time may have resulted from unrealistically high franchisee expectations of the franchiser; from franchisee’s inability to estimate the benefits received from a franchiser; or from the franchisees’ expectations of their franchisers being realistic but unmet by the franchisers.

The behaviour of franchisees and their relationship with franchisers might also depend on how the franchiser has induced the franchisee into the relationship. Burke and Malcom Abel II (2003) discuss problems associated with inducement of franchisees by franchisers. They highlight failure rates of franchisees compared to non-franchised

businesses. Amazingly their failure rates, at 31%, are higher than any researcher has ever highlighted. They describe two types of franchising problems:

- relationship problems, or those concerning performance failure by the franchiser after the franchise has begun operating; and
- inducement problems or those related to misrepresentations or material omissions occurring in the sale of the franchise which may have induced franchisees to purchase a franchise that otherwise they would not have purchased (Burke & Malcom Abel II, 2003:358).

With respect to inducement, there are three types of information critical to the decision to purchase a franchise:

- a) franchisee accounts and failure rate of franchisees.
- b) knowledge of whether or not a franchise has ever failed in the area of interest; and
- c) baseless oral profit projections (Burke & Malcom Abel II, 2003: 358 – 359).

Each potential franchisee has to behave in a professional manner since the maxim that governs the purchase of franchise is *caveat emptor* (let the buyer be aware). Franchisers are in the habit of selling failed franchised territories over and over again. By selling the same territories, the franchisers can become profitable even without royalties. This might mean that the franchiser enjoys brief relationships with its franchisees.

Chutarat Inma (2005) highlights prior research which found that franchisee motivation was perceived to be the most important strategy of franchise firms. It seems likely that the franchisee's high motivation is related to their satisfaction with the franchise relationship.

Grunhagen & Mittelstaedt (2005) relate franchisee expectations and the evolution of franchiser–franchisee relationship. Franchisee expectations might also be explained by the classification of franchisees, i.e. whether they are single-unit, sequential multi-unit, or area developers. These classifications are important in franchiser-franchisee relations since the character of each franchisee differs as they assume these classifications. Area developers, for instance, are classified as “investors” under this study, while sequential multi-unit operators are classified as “entrepreneurs”.

Using the Analysis of Variance, Grunhagen & Mittelstaedt (2005) proved true the hypothesis that compared to area development franchisees, sequential multi-unit franchisees are more likely to report greater entrepreneurship motivation at the time they became multi-unit operators.

In summarizing the literature reviewed under research question 2, it could be noted that the behaviour of franchisees might be influenced by factors like entrepreneurial personality factors, past experience, the way franchisers treat them, etc. Indeed some entrepreneurial skills like Internal Locus Control, ambiguity tolerance, as well as past experience, may not be necessary for franchisees (Hing, 1995). Franchisers should also treat their franchisees as partners for both to succeed instead of taking them as targets to exploit (Brown & Dev, 1997; Li, Huang & Ashley, 2002).

Research has not yet resolved the exact role played by franchisees since they are still seen as playing a variety of roles from that of employee to the franchiser to that of entrepreneur in own right (Fenwick & Strombom, 1998). Grunhagen& Mittelstaedt (2005), however, concluded that the relationship between franchisee and franchiser depends on whether the franchisee is single-unit, sequential multi-unit or area developer.

Area developers are considered “investors”, while sequential multi-unit are considered as “entrepreneurs”. It follows then that single-unit franchisees would be seen as “employee-managers”. Franchisers seem to prefer to work with franchisees that are less entrepreneurial (Phan, Butler & Lee, 1996). This seems to relate to the leader-follower scenario as contrasted to the cooperative scenario where both franchiser and franchisee have a chance to earn higher profits. The ultimate relationship between the franchisee and the franchiser is also dependent on how the franchiser would have induced the franchisees (Burke & Malcom Abel II, 2003). Some franchisers use devious ways to induce their franchisees who end up with non-viable enterprises. This is contrasted to Chutarat Inma’s (2005) conclusion that franchisee motivation is the most important strategy, and franchisee satisfaction should be the objective.

Hence, the clear gap in literature is a clear and proven finding of the behavioural relationship the franchisee has to the franchiser. The first step is establishing such a finding for Botswana.

#### **2.4 Level of Performance of Franchisees**

Fenwick and Strombom (1998) offered four broad determinants of franchisee performance:

a) Entrepreneurial Competence

A number of researchers have looked at background characteristics, like age, education, industry experience, venture start-up experience etc, of entrepreneurs and business founders and their effect on firm development and performance. The results of these studies were inconclusive leading to the conclusion that entrepreneurship is as a “multidimensional phenomena” with entrepreneurs “as different from each other as they

are from the rest of the population” (Lumpkin & Dess, 1996; Palich & Bagby, 1995). Morris & Sexton (1996) reported significant positive relationships between the entrepreneurial intensity of marketing executives and firm performance. These conclusions imply that the franchisee’s personal and behavioural traits will influence the way in which he manages the business. Hence, Fenwick & Strombom (1998) hypothesized that franchisees’ self-assessed entrepreneurial tendencies are positively related to venture performance. Their findings, however, did not confirm the hypothesis (Fenwick & Strombom, 1998:37).

b) Managerial Competence

Prior research cited by Fenwick & Strombom (1998) revealed positive correlations between managerial competence and performance of start-up non-franchised ventures. This led them to hypothesize that franchisees’ self-assessed managerial competencies are positively related to venture performance. Their findings, however, rejected such a hypothesis, since franchisees’ self-assessed managerial competencies seemed unrelated to outlet performance. It looks like the franchise system has its own competencies that determine the performance, not only of one franchise outlet, but the performance of the entire system. Hence, an individual franchisee’s managerial competences cannot be related to performance.

Leaptrott & McDonald (2008) found decisiveness to be positively related to performance. This was contrary to findings of prior research which reported a negative relationship. These contradicting conclusions, however, could be due to differences in decision-making processes. A clear difference has to be made between intuitive decision-

making process and a more normative logic-based decision making process. An intuitive decision making process might fail to have any relationship with performance.

c) Venture-related Determinants of Performance

Firm specific factors include venture age and venture strategy (Stearns, Carter, Reynolds & Williams, 1995). Shane & Kolvereid (1995) showed that venture performance changes substantially with age for start-up firms. While venture strategy may have substantial effect on performance in any independent business, this effect is likely to be eliminated when comparing outlets within a franchise system.

Since corporate and business levels of strategy are dictated by the franchise agreement, they are essentially identical for all franchisees within the same franchise. Functional strategies also tend to be devised and managed by the franchiser for all franchisees. Consequently, need to control, for strategy, is minimal when comparing franchisees within a single franchise. Any differences that do occur will be at the functional level and will be reflected in the franchisees' entrepreneurial and managerial competencies.

d) Environmental Determinants of Performance

Shane & Kolvereid (1995) identified industry structure or context as having a greater impact on new venture performance than either strategy or the venture's entrepreneurial characteristics. Retail outlet location has also been acknowledged as a determinant of outlet performance (Stearns *et al.*, 1995).

The researchers tested two hypotheses related to location. The first hypothesized that franchised outlet performance will be negatively related to the population density characteristics of the franchise location. This was disapproved as franchised outlet performance was found to be positively related to population density of the immediate



location. The second hypothesis stated that franchised outlets located in malls will have higher performances than those located elsewhere. This hypothesis was confirmed.

From the conclusions above, the study by Fenwick & Strombom (1998) offers important implications for franchisers. When citing franchise outlets, the franchiser needs to consider location carefully, although it is not the only important determinant of franchisee performance. Once chosen it is not readily changed, particularly after implementation. Secondly, outlets in larger population centres, like malls, perform better than those in alternative locations. Thirdly, franchisee selection is critical. The study reveals that the franchisees exhibiting entrepreneurial tendencies should not be recruited since they possess a propensity to meddle with the system's "*modus operandi*". This will tend to generate conflict and jeopardize the entire system's integrity which decreases franchisee performance. Similarly, previous experience as business founder or as a manager appears irrelevant to performance of franchisees within an established system. On the other hand, experience in an equivalent role seems to impair the franchisee's ability to perform as well as those who lack the experience. Perhaps, this is due to the fact that practices and habits carried over from previous positions are inappropriate to the franchise system. The researchers conclude that the three keys to franchisee success appear to be location, location and the franchisee. This means that where the franchise system is developed, we should hope to explain franchise performance by location and the extent to which the franchisee follows the franchiser's instructions. Location is crucial to the franchise outlet's success.

Bronson & Morgan (1998) investigate two questions:

- i) Is there a systematic performance differential between franchise outlets and similar independent businesses?
- ii) If franchise outlets outperform independent business, is that differential in performance the result of franchises' economies of scale?

The researchers refer to some prior literature, which is rather scarce on these issues. There is evidence that franchising, which constitutes approximately 40% of all retail trade is supplanting independent businesses in the economy of the United States of America (Tikoo, 1996). When some researchers employ Darwinian logic, they deduce that the relative decline in independent (non-franchised) businesses is the result of some performance advantage held by franchise outlets.

In trying to explain whether franchise outlets outperform independent businesses, Bronson & Morgan (1998) raise the concept of economies of scale. They explain that the four popular explanations for the growth of the franchise form of organization are intertwined and complementary aspects of the same phenomena. These explanations, raising capital, monitoring managers, achieving optimal market coverage, and attaining economies of scale, are a result of the competitive drive to achieve economies of scale.

The construct used to measure performance is efficiency which is expressed as the ratio of inputs to outputs. Common measures are return on equity or sales volume adjusted for the number of employees.

Existing theory would suggest at least three reasons a franchise location should be more efficient than a comparable independent business:

- i) Reduction in transaction costs, e.g. an independent business will depend on the market and have a computer package made specifically for its needs while a franchisee is provided a specifically designed package for its operations. The independent business has higher transaction costs.
- ii) Franchisees should be more efficient than non-franchised businesses due to the presence of countervailing forces. Costs involved in franchising should be accompanied by measurable benefits.
- iii) Economies of scale cause the unit cost to decrease as the quantity produced increases. In franchising, economies of scale arise as a proportional reduction in fixed costs occurs when they are amortized across multiple franchise locations. Secondly, economies of scale arise as the increase in bargaining power arises from large purchases (Bronson & Morgan, 1998).

Bronson and Morgan (1998) hypothesized that “franchise locations are more efficient than similar independent businesses”, as a result of the three reasons given above. They further hypothesized that “economies of scale account for the increased efficiency of franchise locations over independent businesses.”

Affirmation of the above two hypotheses give the paper credence and Bronson & Morgan state in their concluding remarks that scale economies can be found in a number of areas in a franchise, e.g. advertising, management information systems, purchasing etc.

Another paper that aims to understand the variability of performance among franchisees in a given system is one by Merrilees & Frazer (2006). The paper used a qualitative, case study approach, surveying nine franchisees across three systems, in which the marketing

and management practices of high and average performing franchisees were compared. The services provided by the franchiser were ranked by the franchisee in terms of their value to the franchisee. Secondly, each franchisee was questioned about eight key areas of marketing and management, in order to ascertain the salient differences in their marketing and management approaches.

The main finding was that marketing and branding services were valued more strongly by the high performing franchisees, suggesting that the high performing franchisees were more marketing-oriented. They, therefore, greatly appreciated the marketing and brand support provided by the franchiser as that helped the franchisee to market their business.

High performing franchisees could be doing so since their marketing and management approaches are much stronger. These franchisees were particularly good at growing their business, cross-selling, getting higher profit margin sales, developing and managing loyalty among customers, and forging closer links with the franchiser. They were also much stronger in controlling expenses and asset management. The major finding of the paper is that the superior marketing machine of high performing franchisees seemed to be largely hidden to both franchisers and franchisees.

In summary, the level of performance seems to be determined by:

- Entrepreneurial competence

- Managerial competence

- Venture-related determinants, and

- Environmental determinants (Fenwick & Strombom, 1998).

Background characteristics of business operators and their effect on firm development and performance was inconclusive (Lumpkin & Des, 1996; Palich & Bagby, 1995). The

hypothesis that franchisees' self-assessed entrepreneurial tendencies are positively related to venture performance was not confirmed (Fenwick & Strombom, 1998). However, in a separate study, there was a significant positive relationship between entrepreneurial intensity and firm performance (Morris & Sexton, 1996).

Prior research revealed positive correlations between managerial competence and performance of non-franchised ventures (Fenwick & Strombom, 1998). However, the researchers' findings revealed that managerial competencies seemed unrelated to outlet performance.

Venture-related determinants of performance include variables like venture age and venture strategy. Shane & Kolvereid (1995) showed that venture performance changes substantially with the age of the venture. Venture strategy's effects, however, are eliminated when comparing outlets within a franchising system since the strategy is common.

The major environmental determinants of performance are industry structure or context. Shane & Kolvereid (1995) identified these as having greater impact than strategy or entrepreneurial characteristics. Location was also found to be a major determinant of performance (Stearns *et al*, 1995). Hence, of the four determinants identified above, only environmental determinants seem to be effective.

With respect to performance, perhaps what is important is that franchisees perform better than non-franchised entrepreneurs and that the major sources of this superior performance is the location, the franchise system itself and other managerial capabilities. The only contribution that this study can offer is Botswana evidence on the level of

performance by franchisees. This is sufficient as evidence that franchisees of that calibre can perform at that level.

## **2.5 Franchising as a strategy in developing ventures**

Dant (1995) answers the question why successful businesses choose to grow and expand through franchising rather than through other alternatives. (S)he summarises seven primary reasons given in literature that will nudge growth-oriented businesses in the direction of franchising:

- access to capital
- access to managerial talent
- access to local market knowledge
- economies of production
- economies of promotion
- economies of coordination, and
- in-built disincentives to agent-shirking (Dant, 1995:12).

Dant (1995) sought empirical verification and some sense of relative importance of the seven reasons above. The instrument (s)he used asked franchisers to confirm or deny, in a structured Likert-type format, statements related to the presumed benefits of choosing franchising. Six motivations received strong positive support from the respondents. Seven items, which were concerned with whether franchisees work harder than managers, were also positively supported, but this support lacked the strength noticed in the other items.

A second study conducted was a clone of the first study, except that questions on alternatives evaluated prior to electing franchising were now included and discussed in structured questionnaire format.

Three additional alternatives to franchising were cited in the second study:

- selling shares to employees;
- management contracts; and
- licensing.

The top four most frequently cited motivations were: market entry and growth, capital access and profits, access to managerial talent, and operational control and efficiency.

A third study was conducted, specifically targeted at founders who had made the original decision to expand using the franchising vehicle. They were asked to give a single answer on what their chief initial hurdle was. They isolated pride, personnel and secrecy as the most significant concerns occupying them. When multiple responses were allowed, the sequence of concerns was control issues, secrecy concerns and financial hurdles. The founders had evaluated the following alternatives: opening company-owned outlets, subcontracting, joint ventures and licensing. They considered operational control and efficiency as the most important reasons for electing franchising.

In “assessing the franchise option” Tikoo (1996) discusses, in detail, benefits of franchising. This is in view of the fact that it was expected that by 2005 the franchise systems would account for half the US retail sales. The benefits discussed include the classical reasons of establishing franchises. Hence, explaining why companies franchise, Tikoo (1996) discusses the following:

i) Resource Constraints

Firms franchise because they cannot readily mobilize capital and managerial resources required to set up a network of company-owned stores. Franchisees supply these resources.

ii) Specialization/Functional Benefits

Franchising provides an effective way to trade-off certain functions between franchisers and franchisees and thereby minimizes production costs. For example, franchisers handle product development and national promotion, whose per unit costs fall due to large scale, while franchisees deal with small scale production, like that of fast food.

iii) Monitoring Costs

In supervising its managers, a company incurs monitoring costs. Franchisees are more motivated hence do not require this supervision.

iv) Promotion efficiencies

For a trader to benefit from efficient scale mass media advertising, it should have a regional or national network of stores.

v) Risk Management

A large network of stores enables franchisers to manage risk better since experience provides them with risk data on all locations.

vi) Price Competition

Where pricing requires a lot of discretion and flexibility, it is better that pricing decision be done by the unit in the locality. This is best achieved through franchising.

vii) Physical dispersion of retail stores

Geographically dispersed company stores require more resources to monitor. The costs of monitoring can be reduced by franchising.

viii) Consumer Preferences

Certain businesses need intimate knowledge of consumer preferences, which can only be acquired by localized units ably provided by the franchising system.



ix) Labour Intensity

More labour-intensive activities require closer monitoring. This can be done by franchisees at lower monitoring costs.

x) Demand Variability

Where demand is variable, persistent monitoring is called for which normally raises monitoring costs. These costs can be lowered by franchising.

xi) Repeat Customers

Franchising is difficult in markets with few repeat customers since franchisers will then be required to monitor their franchisees as they do their managers to avoid the “free-rider” problem.

xii) Changing Technology

Franchising is also difficult for products and markets that required frequent capital injections for technology upgrading at the retail level. Such investments might pay the franchiser with a diversified portfolio and not the franchisee (Tikoo, 1996: 2–4).

The major weakness of this literature is that it looks at the franchising option from the franchiser’s point of view, while we are interested at the franchisee’s view. While the list of factors favouring franchising given above is impressive, it might help to get views on failure rates of franchisees compared to those of conventional small businesses.

Stanworth, Purdy, Price & Zafiris (1998) offer experiences of US and UK. The researchers point out that the principal tenet is that franchise failure rates are low due to the principle of “cloning” success. They also quote an article in Today’s Smart Business Owner (Gerber, 1996:8) that claimed that 80% of conventional businesses fail within the first five years and 80% of the remainder then fail in the following 5 years resulting in an

overall failure rate of 96% in 10 years. They add that this compares to 90% of franchisees confidently claimed to survive the first 10 years. The British Franchise Association claims: “you are five times more likely to succeed as a franchisee than if you start a comparable business independently” (BFA, 1996:2). Apart from dated studies of franchise systems, the researchers do not offer fresh evidence either way on failure rates.

Franchising as a strategy seems also to be effective even in the Public Sector. Leite & Carvalho (1998) demonstrated this by looking at the Brazilian Postal Agency as a case study. The Agency expanded rapidly once it adopted the franchise mode. Before franchising, it opened 203 outlets in 10 years compared to 1,700 franchisee-owned agencies launched in 2 years after franchising.

Leite & Carvalho (1998) offer the following reasons for adopting franchising at the Brazilian Postal Agency:

a) Capital Market Imperfections

Franchising assists in expansion even when the enterprise lacks adequate capital.

b) Market Power

By franchising, the Brazilian postal agency prevents possible competitors from offering similar products.

c) Incentives

Franchisees are likely to be motivated by specific economic forces such as agency incentives as well as informational incentives (Leite & Carvalho, 1998:44).

The reasons above seem to converge with reasons that are given in literature – both market-related and incentive-related. The other aspect of interest is whether the fact that the franchiser is public matters. The power asymmetry in the relationship between the

public franchiser and the private franchisee appears to be weaker than the case of purely private franchise contracts. The public franchiser is much “looser” than most private franchisers. Secondly, the public franchiser is more inclined to transfer to final constituencies any positive results generated by the business than a private one, e.g. productivity gains are transferred through reduced prices. The case study of this franchising by a public utility demonstrates that this innovation in the organizational format is successful as a business strategy.

In discussing franchising as a strategy in the development of new ventures, it is so natural to ask what role entrepreneurship plays in all this. Kaufmann & Dant (1999) examined franchising and the domain of entrepreneurship research. They remark that there are divergent views on the relationship between franchising and entrepreneurship. They cite the situation of universities as they deal with research in the two areas. Some universities, it is said, believe that the association between franchising and entrepreneurship is so natural that franchising centres are placed within entrepreneurship institutes. To other universities, however, franchising is the antithesis of innovation, as it represents the lamented homogenization of the commercial culture.

This debate parallels the argument we are pursuing in this thesis. Franchisees are seen as the antithesis of innovation, hence cannot be seen as entrepreneurial. In some way, Kaufmann & Dant (1999) seek an explanation of these contradictory arguments in the different definitions of entrepreneurship. Entrepreneurship is multifaceted as it is studied in many disciplines like management, economics, sociology, marketing, finance, history, psychology, social anthropology etc.

There are currently three categories of definitions of entrepreneurship:

- a) definitions stressing the characteristic traits possessed by entrepreneurs;
- b) definitions stressing the process of entrepreneurship and its result;
- c) definitions focusing on the activities entrepreneurs perform (Kaufmann & Dant, 1999:7).

The personal traits perspective defines the entrepreneur as an individual who possesses qualities of risk-taking, leadership, motivation and ability to resolve crises. Important formulators of these definitions are Leibenstein, Schumpeter, and Knight. They attached other traits to successful entrepreneurs like creativity, adaptability, technical know-how, vision, managerial and organizational skills, personal integrity etc. Most of these definitions of entrepreneurship are applicable to franchisees.

The other two perspectives – the process and activities perspectives – are less popular. In the process perspective, research into entrepreneurship would be confined to retrospective, anecdotal analysis of the results of that process. In the activities perspective, entrepreneurship is viewed as focusing on the creation of new enterprises, not to the process of proactively managing the extant organization.

The traditional view of an entrepreneur is an individual who heads a manufacturing unit as a pioneer, while a franchisee is predominantly a retailing phenomenon. This view further removes the franchisee from the domain of entrepreneurship. Doherty & Quinn (1999), while recognizing that international franchising is a relatively new area of research, acknowledge that franchising has proved to be an increasingly popular method of expansion. Since international retail franchising has no conceptual developments,

they utilize agency theory to explain international retail franchising activity. The internationalization of retailing involves three phenomena – sourcing of products, the development of operations, and the transfer of expertise. International retail franchising consists of two key components: the international retail franchise process and the operationalisation of the franchise system.

Two central aspects of the international franchising process are the direction of activity and the type of franchise agreement the company chooses to use when entering the foreign market (Doherty & Quinn, 1999). With regard to direction of activity, many retailers traditionally used franchising as a means of entering internationally diverse economies where a major factor in choosing an entry mode has been to select the one with least cost/least risk. Using an agency theory perspective, adopting franchising as an entry mode can be explained clearly using information asymmetry and monitoring costs. By adopting an entry mode such as franchising, the information asymmetry problem is overcome by having a franchisee that understands the operating conditions of the foreign country, and the franchiser is placing much of the financial risk of the venture on the franchisee through fees and royalty payments. More importantly these fees and royalty payments serve to reduce the potential for moral hazard (which is the potential for franchisees to operate in their own self-interests against the objectives of franchisers).

As to the type of franchise-agreement, when a firm enters a foreign market by the franchising route, it can choose one of the following major forms of franchising:

- i) master/area franchising;
- ii) joint investment;

- iii) direct investment; or
- iv) direct franchising (Doherty & Quinn, 1999:230).

The dominant forms utilized in international retailing are master/area franchising and joint venture franchising. Both can be explained using agency theory (Doherty & Quinn, 1999:230).

With respect to operationalisation of franchise systems, the major issues the firm is concerned with are uniformity of offering and quality control. In both cases, monitoring is a fundamental consideration. Firms may standardize across the elements of the marketing mix to achieve uniformity of offering, although this is not always the case. In addition, human resource and finance strategies may vary depending on the countries entered, altering the franchising agreement and uniformity of offering accordingly.

In effecting quality control, a major point of concern is the issue of control over franchisees. Some degree of control will be relinquished when internationalizing with master/area franchising or joint venture franchising, a high degree of responsibility for local market operations is transferred to the master franchise or business partner. The increase in the number of franchisees attached to any one sub-franchiser leads to further loss of control. Theoretically, agency theory would posit that the potential loss of control is provided for in the franchise contract through fees and royalty payments, the aim of which is to decrease potentially high monitoring costs.

A related paper is by Yong Suhk Pak (2002) who tries to test the dynamic link between the entry mode and strategic motivation. The paper shows that strategic motivations play a major role in deciding the ownership structure of international franchisers.

Yong starts by informing us that franchisers expand overseas in relation to market conditions. The desire to become an international franchiser could be due to saturated domestic markets. This desire is defined as a strategic motive. Several ownership structures are given, like making contracts with master franchisers and/or area developers, licensing, direct franchising, joint ventures, mergers and acquisitions. A series of hypotheses were tested and in conclusion the franchisers were found to be both market seekers and strategy asset-seekers.

Hypothesis 1: The more a franchiser recognizes the significant role of foreign applicants the more likely that it will enter foreign markets via contractual modes.

Hypothesis 2: The more a franchiser tries to exploit foreign market potential, the more likely that it will enter foreign markets via contractual modes.

Hypothesis 3: The more a franchiser tries to quickly penetrate foreign markets, the more likely that it will enter foreign markets via contractual modes.

Hypothesis 4: The more a franchiser is motivated to control over the overseas operations, the more likely that it will enter via the equity modes.

Hypothesis 5: The more a franchiser is motivated to learn in the overseas, the more likely that it will enter via equity modes.

Hypothesis 6: The more a franchiser seeks to gain overall competitiveness by engaging in international operations, the more likely that it will enter via equity modes.

Hypothesis 7: The more a franchiser is alert to rival firms' activities, the more likely that it will enter via equity modes (Yong Suhk Pak, 2002).

This exposition by Yong reveals that franchising is not as simplistic as one might suppose it to be on the first encounter. There are varied entry modes, which make it a worthy strategy to be considered on its own merits.

Kirby & Watson (2003) show that a significant percentage of small businesses either fail or do not grow due to a variety of reasons, the major one being finance. It is said that small firms pay higher rates of interest and are required to offer a greater level of security due to the higher risk they are associated with. Franchising has been proposed as a method by which small firms can overcome such constraints. For example, selling franchises offers the small firm a useful method of raising capital to finance expansion. Franchisees provide both financial and human capital, and it may be this "bundling" effect which results in franchising being favoured over other growth strategies (Kirby & Watson, 2003). The authors also highlight:

the fact that entrepreneurial skills and capital are jointly supplied means that the joint supply price of those inputs is less than the sum of the competitive prices times the quantities of those inputs separately.

This should be attractive to small firms who are keen to minimize costs.



A related study was published by Hoffman & Preble (2003), which reports that firms are turning to conversion franchising as a way of enhancing growth and of gaining competitive advantage in multiple markets. The researchers define conversion franchising as a situation when a franchiser adds new franchisees to the system by recruiting existing independent businesses or competitors' franchisees. Hoffman & Preble (2003) see franchising as representing a collaborative alliance depending on the cooperation of the franchiser and the franchisee for longevity and success. The franchiser has access to capital at lower risk; cost sharing with the franchisee; rapid market penetration at a relatively lower cost than establishing one's own distribution system; economies of scale; a motivated workforce of indigenous entrepreneurs; and reduced monitoring and control costs. The franchisee gets an opportunity to enter a business at less cost with a proven product or service and brand name. The franchisee frequently receives management assistance in the areas of business location, facilities design, operating procedures, purchasing, and marketing. These advantages have been proven by a superior survival rate of franchisees over independent ventures.

Franchisers can acquire location resources in tight real estate markets by converting independents or chains that possess strategic locations. In addition, a customer base also comes into the possession of franchiser upon conversion. Converts have the capability of resuming business rapidly with their existing customers; hence royalty payments can begin flowing quickly to the franchiser. Converts are usually former firms operating in the same type or in closely related businesses; hence they bring relevant technical knowledge and expertise. They bring in particular, two types of technical knowledge –

industry and franchising knowledge. Industry knowledge pertains to competitors, substitutes, methods of distribution, and general industry practices.

This particular research established the most frequently cited reasons for conversions.

The following was the priority list:-

- Acquire a brand name (26.6%)
- Franchiser characteristics (15%)
- Operating results (15%)
- Support services (12.5%)
- Training (12.5%)
- Cost savings (8.3%)
- Marketing benefits (6.6%) (Hoffman & Preble, 2003:196).

Some franchisers made changes to attract converts and these changes included:

- Reduced fees (23%)
- Added training (16.7%)
- Reduced royalties (11.1%)
- Covered remodelling costs (8.3%)
- Additional capital (5.6%)

- Longer contracts (5.6%) (Hoffman & Preble, 2003:196).

Hoffman and Preble (2003) conclude that conversion franchising seems to be on the increase, particularly at the international level. This is further evidence that franchising as a strategy is gaining in importance.

Another research study (Doherty, 2005) looked at factors that motivated companies to pursue international retail activity through the franchisee route. This relates closely to the area of interest of this study. There is need to come up with motivating factors for the establishment of franchisees in Botswana, in order to establish the basis for the strategy. Doherty classified the motivating factors as organizational and environmental. Organisational factors included the following:

- international retailing experience
- availability of financial resources
- presence of a franchisable retail brand
- company restructuring
- influence of key manager (Doherty, 2005:192).

External environmental factors included the following:

- opportunistic approaches
- local market complexities
- domestic competitive pressures, and

- availability of potential franchise partners (Doherty, 2005:196).

Current research might be enhanced if motivating factors to franchising, in general, from the franchisee's viewpoint, are found. A gap exists in literature since no researcher bases motivation for franchising on capabilities, or lack thereof, of franchisees. This study attempts to justify franchising on the fact that what appear to be low-skilled franchisees still perform well compared to non-franchised entrepreneurs in Botswana. The study does not, however, undervalue the need for entrepreneurial skills in the development of enterprises.

In this section, literature demonstrated the superiority of franchising over the traditional, non-franchising mode of enterprising. Dant (1995) demonstrated that franchisers worked harder than managers as they are better motivated. Stanworth et al (1998) highlighted the fact that 90% of franchisees survive the first ten years, while 96% of conventional small businesses fail in the first ten years. Leite & Carvalho (1998) provided a case of a public postal agency which expanded more rapidly after franchising. Franchising is shown to be a strategy gaining in importance as conversion franchising is on the increase (Hoffman & Preble, 2003). The gap that needs to be filled in this area is that, even viewing franchising from the franchisee's viewpoint, the strategy is superior in developing ventures, particularly in Botswana.

### **Summary of the Literature Review Section**

In summary, on the issue of entrepreneurial skills, literature records that Botswana lack entrepreneurial skills, in particular innovativeness and creativity, foresight and

competitiveness (Ronan *et al*, 1997). At the international level, literature records that franchisees lack key entrepreneurship skills like internal locus control. How do franchisees in Botswana fare? Can this research fill this gap?

A number of factors and traits are highlighted in literature. As an example, culture was found to be an important determinant to entrepreneurship. Morrison (2000), for instance, points out that cultural specificity for North America and Europe differ from that of other continents like Asia and Africa, particularly in individualism and masculinity. Kojo Saffu (2003) highlighted the implications to entrepreneurship of the communal mode of existence of South Pacific communities. People in such societies possess new sets of characteristics like flexibility and adaptability. Louw *et al* (2003) found that 75% of South African students surveyed had low scores for risk-taking. They also realised that self-confidence, like risk-taking, was an example of traits statistically related to institution, race, gender and age. Since lack of a key trait like risk-taking implies low entrepreneurial skill levels, what are implications of these conclusions to Botswana business operators?

Traits are categorised depending on their importance or on whether they are easy to acquire or not. Timmons (1999) categorized desirable traits into two: either acquirable or not-so-acquirable. This has implications on the possibilities of training people in entrepreneurship. If non-franchised business operators, as an example, lack the not-so-acquirable traits, it might be instructive to find other strategies other than training to change the status-quo.

The need for franchising is, more often than not, presented from the franchiser's viewpoint. In addition, the behaviours of franchisees and their relationship to franchisers are also presented from the franchiser's viewpoint. Hing (1995), analysing franchising from the viewpoint of the franchisee, concluded that franchising seems to be a response to the high failure rates of small businesses. (S)he also concluded that some traits like internal locus control, ambiguity tolerance, and accurate role perceptions might not be necessary for franchising. This is indicative of the fact that franchisees need not have the level of entrepreneurial skills that franchisers have or should have. Franchisers might have more authority than franchisees. In other words, franchisees might be operating as employee-managers of franchisers (Fenwick & Strombom, 1998). As a matter of fact, it is in the interest of franchisers that franchisees are not entrepreneurs as they might present problems (Phan et al, 1996). It appears that franchisees that lack some knowledge are more malleable as to yield the right cooperation, since cooperation between franchiser and franchisee is necessary for maximum profits (Brown & Dev, 1997). It also appears that there are franchisers who thrive on brief relationships with their franchisees to the extent that their incomes are derived from royalties resulting from the resale of locations (Burke & Malcom Abel II, 2003). How do Botswana franchisees relate to their franchisers? Can these relationships be generalised to the region or the continent?

Literature seems strongly supportive of the proposition that franchisees perform better than other types of business operators. This superior performance seems to stem from economies of scale franchisees manage to garner (Bronson & Morgan, 1998). Secondly, franchisees seem to invest significantly into location to the extent that location becomes a strategic factor. Last but not least, franchisees derive their efficiency from the franchise

system, which include managerial capabilities (largely derived from the franchise system). Evidence does not support that entrepreneurial and managerial competence has some effect on performance. How do Botswana franchisees compare to non-franchisees in terms of performance? Can the conclusions be generalised?

An additional justification for the study can be seen in the bias literature has towards franchisers. There are indeed very few studies that discuss franchising from the franchisee's viewpoint (Dant, 1995). Dant (1995) provided some evidence that franchisees work harder than managers due to their high level of motivation. Stanworth et al (1998), in demonstrating that franchising is a viable strategy, noted that 90% of franchisees survive the first ten years, while 96% of conventional small businesses fail in the first ten years. Hoffman & Preble (2003) also provide evidence that the strategy of franchising is gaining in importance by demonstrating that conversion franchising is on the increase. On the whole, the secondary research findings support the research focus. Franchising as a strategy is a viable alternative to promoting enterprises.

The next chapter, Chapter 3, discusses the Research methodology. It explains how data was collected and analysed in order to answer the research questions.

## CHAPTER 3

# RESEARCH METHODOLOGY

### 3.1 Introduction

This Chapter discusses the way data was collected and analysed. It starts with the discussion of the Research design, then goes on to discuss sampling and sample, data collection instruments, methods and procedures. The chapter ends by discussing how data is analysed.

The research questions have been presented as specific research objectives. These objectives are as follows:

- i) To establish the level of entrepreneurial skills of Botswana business operators, particularly franchisees;
- ii) To establish the relational behaviour between franchisees and their franchisers;
- iii) To establish the level of performance of franchisees in relation to independent entrepreneurs; and
- iv) Establish whether franchising as a strategy is more effective in promoting ventures in Botswana.

These objectives mirror the hypothesis and statements which the thesis aims to prove correct or otherwise.

### 3.2 Research Design

The study was designed as a survey of franchisees, independent or non-franchised entrepreneurs and experts in the field of franchising and entrepreneurship. This was a



cross-sectional survey. Since most variables that were needed to reach conclusions are qualitative, mainly people's impressions, subjectivity could be minimized by completing questionnaires in a face-to-face situation between interviewer and subjects. This assisted to enhance comparability of conclusions derived from such impressions.

The survey was in pursuance of the positivistic research paradigm used in previous researches (Ronan *et al.*, 1997; Louw *et al.*, 1997, Louw *et al.*, 2003). Since the central proposition is about entrepreneurial skills of individuals, the ways the study got data was to ask the subjects to assess themselves, and ask others to assess them. Either way, the study dealt with ordinal data. Other than sales and employment data used to assess performance, all data is based on opinions of individuals. This data was generated from statements or constructs linked to a Likert-type scale.

With respect to entrepreneurial skills, experts were asked to rate franchisees' and non-franchised entrepreneurs' skill levels. Franchisees and non-franchised entrepreneurs were asked to rate their own skills (self-rate). The ultimate conclusion that was to be reached concerned the levels of entrepreneurial skills of franchisees in relation to those of non-franchised entrepreneurs.

### **3.2.1. Sampling and sample.**

#### **i) Experts**

Experts in this study are defined as persons knowledgeable in entrepreneurship and/or franchising. It was not possible to come up with figure for the total population of experts either in Gaborone or in the whole of Botswana. Snowball sampling was used to identify 45 experts, who were interviewed. This involved approaching a few well known individuals in the sector, who, in turn, identified other experts to be interviewed. In total,

the experts were distributed as follows: 28 Business Consultants, 11 Bankers, and 6 Marketers. All interviewees were from Gaborone, the capital city of the country. Since there are only two major cities in the country, Gaborone and Francistown, with most (if not all) companies headquartered in Gaborone, it was comfortably concluded that a sample picked from Gaborone can easily have its conclusions generalised for the whole of Botswana.

### **ii) Franchisees**

The researcher discovered that the following sub-sectors are represented in the franchise sector of Botswana, in Gaborone:

#### **(ISIC - International Standard Industrial Classification)**

**ISIC 5050** – Retail sale of automotive fuel;

**ISIC 5220** – Retail of Food, beverages and tobacco;

**ISIC 5520** – Restaurants, bars and canteens.

An endeavour was made to cover all franchisees in Gaborone estimated by the experts interviewed to be 50, particularly in these sub-sectors. Thirty-two (32) franchisees were interviewed distributed as follows:

- ISIC 5050 – Retail of automotive fuel – 2
- ISIC 5220 – Retail of food, beverages and tobacco – 4
- ISIC 5520 – Restaurants, bars and canteens – 26

### **iii) Non-franchised or Independent Entrepreneurs**

Purposive or Judgemental sampling was used to select independent or non-franchised entrepreneurs. This kind of sampling was found suitable to select cases that were to answer questions to meet specific objectives of the research, and it is used when working

with small samples or when selecting cases that are particularly informative (Neuman, 1991).

The researcher interviewed 64 non-franchised entrepreneurs all from Gaborone for the reasons explained above, distributed as follows:

- 1 entrepreneur in ISIC 5050 – Retail sale of automotive fuel
- 55 entrepreneurs in ISIC 5220 - Retail of food, beverages and tobacco
- 5 entrepreneurs in ISIC 5520 – Restaurants, bars and canteens, and
- 3 entrepreneurs in ISIC 1900 - Manufacture of leather goods.

### **3.2.2 Data Collection Instruments**

Questionnaires guided the interviews of both franchisees and non-franchised entrepreneurs. Many of the questions to franchisees and non-franchised entrepreneurs were similar, for ease of triangulation. Experts, consisting of business consultants, bankers, and marketers, were used to ‘raise the issues’, as it were, and their views formed the basis for the questionnaires administered to franchisees and non-franchised entrepreneurs.

### **3.2.3 Data Collection Methods and Procedures**

#### **1) To establish the level of entrepreneurial skills.**

In order to establish the level of entrepreneurial skills of business operators in Botswana, interviews of franchisees, non-franchised entrepreneurs, and experts were conducted. Both franchisees and non-franchised entrepreneurs were asked to rate their own entrepreneurial skill levels on a Likert scale (with 0 as the lowest and 5 as the highest).

Experts were asked to compare skill levels of franchisees and non-franchised entrepreneurs. Analysis of data was done by the SPSS Package.

**2) To establish the form of behaviour that the franchisee adopts in relation to its franchiser.**

The questionnaires to franchisees, and to experts, proffered questions that sought to establish the relational behaviour of franchisees to their franchisers. Franchisees can behave like non-franchised entrepreneurs, which might complicate the administration of the agreement between franchisee and franchiser. On the other hand, they might behave like employee-managers, which would make them instruction-takers, thereby simplifying the administration of the agreement between the two parties. In the franchisee's questionnaire, this question was reduced to the Likert scale on which each franchisee was required to rate himself/herself.

**3) To establish the level of performance for franchisees and non-franchised entrepreneurs.**

The questionnaire for franchisees and non-franchised entrepreneurs required each respondent to indicate the level of sales and the number of employees for their enterprise. Sales per employee are one of the best measures of performance in an enterprise. Sales are also the most easily understood values that can be collected in an enterprise. Hence, using sales data improves the quality of information used to reach conclusions. The experts were also asked to indicate on the Likert scale, which business person, between franchisee and non-franchised entrepreneur, performs better.

**4) To establish whether or not franchising, as a strategy, is more effective in promoting ventures, hence, in developing the business and economic base in Botswana.**

Both franchisees and independent entrepreneurs responded to a series of questions on Likert-type scales. There were also open-ended questions, responses to which assisted the researcher to analyse views of business persons on which strategy they view as more effective in promoting ventures.

In addition, data and the conclusions from the first three aims were used to support or otherwise, the conclusions of the fourth aim.

### **3.3 Analysis of Data**

This sub-section outlines how data were analysed. Each objective needed different kinds of data to be accomplished; hence the discussion proceeds by objective.

**1) To establish the level of entrepreneurial skills.**

Data collected from experts, franchisees and non-franchised entrepreneurs were analysed to establish the levels of entrepreneurial skills of franchisees compared to those of non-franchised entrepreneurs. The data from franchisees and non-franchised entrepreneurs related to self-perceptions while the data from experts related to perceptions of other persons. All data on entrepreneurial skills were analysed using the profile method due to the ordinal nature of the data.

Section 2 of the questionnaire for franchisees and non-franchised entrepreneurs required the business persons to rank, on a Likert-scale, how they considered their skills (between 0 and 5). Each business person then generated a vector of variables. If these variables were:

- from independent random samples
- normally distributed
- equal variances, and
- the sample sizes large enough and do not differ widely between groups;

parametric tests would have been performed to reach specific conclusions.

Due to the ordinal scale of measurement used in the instrument, the study utilized the Multivariate statistical analysis called Profile method (Tabachnick & Fidell, 2007). This method pertains to situations in which a battery of  $p$  treatments (tests, questions etc) is administered to two or more groups of subjects. It is assumed that the responses for the different groups are independent of one another. In the Profile analysis, the question of similarities in responses for different groups or equality of means vectors is divided into several possibilities.

A Profile can be constructed for each population or group; in this research there are three groups, namely; Experts=1, Franchises=2 and Independent Entrepreneurs=3.

Let  $\mu'_1 = [\mu_{11}, \mu_{12}, \dots, \mu_{1p}]$ ,  $\mu'_2 = [\mu_{21}, \mu_{22}, \dots, \mu_{2p}]$  and  $\mu'_3 = [\mu_{31}, \mu_{32}, \dots, \mu_{3p}]$

be the responses to  $p$  treatments for populations 1, 2, and 3 respectively. The hypothesis  $H_0 : \mu_1 = \mu_2 = \mu_3$  implies that the treatments have the same (average) effect on the three populations. The analysis in this study is done using the profile analysis approach due to the nature of the data, which is ordinal. In terms of the population profiles, we can formulate the researcher's question of similarity or equality in a stepwise fashion (Johnson & Wichern, 2007). The following was conducted for this study:

- (i) The level test that examines differences between the means of the three categories of business participants combined over the ( $p$ ) variables: that is, are the group means significantly different from each other? The level test is a subject's average score over the variables conducted using the Wilks' Lambda test statistic.

- (ii) The paired group test to examine the views of experts on level of skills of independent entrepreneurs on the one hand and franchisees on the other hand. This is achieved using the Bonferroni method of multiple comparisons (Tabachnick *et al*, *op.*, 2007).

The Profile analysis and the MANOVA multiple comparison of the groups' means for the datasets are performed through the SPSS GLM syntax with the attached output. Having pronounced on which category of business persons is endowed with more entrepreneurial skills, discussion can still continue on some individual skills in relation to the business persons' categories. By looking at individual means for the skills, those business operators that excel or otherwise can be identified.

**2) To establish the form of behaviour that the franchisee adopts in relation to his/her franchiser.**

Since the responses are mainly qualitative, the analysis here will be qualitative. Franchisees indicate where in the continuum (from employee-manager to equal partner) they believe their location is. They also explain the nature of links they have with other enterprises, and the motivations they had in establishing them. From this, it should be possible to deduce what relationship Botswana franchisees have with their franchisers. Experts answered certain statements on a Likert scale. Averages were then calculated. These responses assisted in deducing what, in their view, was the relational behaviour of franchisees to their franchisers.

**3) To establish the level of performance for franchisees and non-franchised entrepreneurs.**

A common measure of productivity is output per unit of input. It is relatively easy to calculate this measure from sales and employment figures that were requested from franchisees and non-franchised entrepreneurs. A calculation of mean sales per employee for each type of enterprise was done. This provided reliable comparisons.

Qualitative analysis was also done based on responses from experts. A comparison between experts' responses and the quantitative returns from franchisees and non-franchised enterprises provided a further check on the reliability of experts' opinions.

**4) Analysing responses from franchisees, non-franchised entrepreneurs and experts on how effective franchising is as a strategy of promoting ventures.**

Analysis was based on data from responses by the three categories of respondents to a series of Likert-type questions. Conclusions were, also, derived from the results of the first three statements. There were, in addition, questions in the questionnaires that addressed themselves specifically to issues of franchising as an effective strategy. Analysis took these responses into account.

**3.4 Reliability and Validity of Measuring Instruments**

The findings' validity depends on the nature of measuring instruments used and how the data was sourced. Entrepreneurial skills were measured using ordinal data. This data was a reflection of self-rating by franchisees and non-franchised entrepreneurs. As discussed elsewhere in the thesis, self-rating might not normally produce measures that can be relied on with confidence. However, in our case, experts were brought-in as an additional source of data. The views of experts assisted greatly in triangulation and the degree of confidence derived from the findings is that much improved.

Secondly, Profile Analysis, we are informed by statisticians, is a new approach to test ordinal data and the findings arrived at prove the validity of our constructs. Our conclusions are just as valid despite the fact that we utilised ordinal data, and not the more objective cardinal data.



Lastly, we used sales and employment figures. It is possible that some enterprises might have inflated or deflated their sales and/or employment figures to hide their actual performance from competitors. If this happened, we would hope that, on average a similar number would have deflated as those who inflated. However this is a weakness we can do little about. We, however, believe that sales figures and employment figures would be the most objective of the constructs used in our analyses.

After discussing how data was collected and analysed, the next chapter discusses the research results.

## CHAPTER 4

# RESEARCH RESULTS

### 4.1 Introduction

In this chapter, data were sifted into information using tables and diagrams for clarity of analysis. The four objectives that were to be met are as follows:

- To establish the level of entrepreneurial skills of franchisees in relation to those of non-franchised entrepreneurs;
- To establish the relational behaviour of franchisees towards their own franchisers;
- To establish the levels of performance for franchisees in relation to non-franchised entrepreneurs; and
- To establish the levels of effectiveness of franchising as a strategy of promoting ventures.

The results were carried over to Chapter five for a detailed discussion.

Franchisees and non-franchised entrepreneurs were analysed as a group and not in their ISIC categories since skill levels and views of individuals are unlikely to be affected by what sub-sector a franchisee or a non-franchised entrepreneur belongs to. It was, however important to seek representatives from these sub-sectors to ensure a balanced treatment of existing sectors. Botswana is a small economy and efforts to find more subsectors and their representation were futile. However, the numbers collected are adequate to enable reaching desired conclusions.

**Table 1: BIOGRAPHIC DATA FOR EXPERTS**

	<b><u>MALE</u></b>	<b><u>FEMALE</u></b>	<b><u>TOTAL</u></b>
<b><u>EDUCATIONAL LEVEL</u></b>			
Diploma	4 [9%]	5 [11%]	9 [20%]
Degree	14 [31%]	7 [16%]	21 [47%]
Postgraduate	13 [29%]	2 [4%]	15 [33%]
	<b><u>31 [69%]</u></b>	<b><u>14 [31%]</u></b>	<b><u>45 [100%]</u></b>
<b><u>OCCUPATION</u></b>			
Consultant	18 [40%]	10 [22%]	28 [62%]
Banker	11 [24%]	0 [0%]	11 [24%]
Marketer	2 [4%]	4 [9%]	6 [13%]
	<b><u>31 [69%]</u></b>	<b><u>14 [31%]</u></b>	<b><u>45 [100%]*</u></b>

*\*percentages are in brackets and do not necessarily add to 100 due to rounding errors.*

In collecting data, it is absolutely necessary to request only those data that will be useful to meet the objectives of the research. Respondents have limited time and they are wary to give data whose purpose they do not understand. In the case of experts, only gender, education level and occupation were viewed as necessary. Education level and occupation are the elements that go into the definition of an “expert”. In economic activities, the gender dimension has become so important that any analysis will be enhanced with it, hence the inclusion of gender. In the case of franchisees and non-franchised entrepreneurs, only gender, experience and industrial classification were analysed as they have a direct bearing on the objectives.

As should be expected, most experts, being people knowledgeable in the area of franchising and entrepreneurship attained the degree and, in some cases, the postgraduate

level. In any case, all have at least a diploma level qualification. Their occupations are also closely associated with entrepreneurship: business consultants, bankers and marketers. Females constituted less than half the number of males. This is quite uncharacteristic of Botswana where females are strongly represented in economic activities. The characteristic picture is reflected in the distribution of non-franchised entrepreneurs.

**TABLE 2: BIOGRAPHIC DATA FOR FRANCHISEES**

	<b><u>MALE</u></b>	<b><u>FEMALE</u></b>	<b><u>TOTAL</u></b>
<b><u>EXPERIENCE</u></b>			
<5 yrs	9 [28%]	9 [28%]	18 [56%]
5 – 10 yrs	5 [16%]	1 [3%]	6 [19%]
>10 yrs	7 [22%]	1 [3%]	8 [25%]
	<b><u>21 [66%]</u></b>	<b><u>11 [34%]</u></b>	<b><u>32 [100%]</u></b>
<b><u>INDUSTRIAL CLASSIFICATION</u></b>			
ISIC 5520	17 [53%]	9 [28%]	26 [81%]
ISIC 5050	2 [6%]	0 [0%]	2 [6%]
ISIC 5220	2 [6%]	2 [6%]	4 [13%]
	<b><u>21 [66%]</u></b>	<b><u>11 [34%]</u></b>	<b><u>32 [100%]</u></b>

Most franchisees in Botswana have little experience: 56% have less than 5 years experience. This is expected, as franchising is relatively new to Botswana. The majority of franchisees are males (66%). Most of them are in the food industry, operating restaurants (81%). Food take-aways are in fact the familiar face of franchising. The representation of females is again uncharacteristic of Botswana. This could be due to the

high capital requirements at entry into franchising which disqualifies most women who either do not have capital to purchase a franchise outright or property to pledge as security to secure a bank loan. Most women might not even have a bank account in their name.

**TABLE 3: BIOGRAPHIC DATA FOR NON-FRANCHISED ENTREPRENEURS**

	<u>MALE</u>	<u>FEMALE</u>	<u>TOTAL</u>
<b><u>EXPERIENCE</u></b>			
<5 yrs	8 [13%]	7 [11%]	15 [24%]
5 – 10 yrs	3 [5%]	6 [9%]	9 [14%]
>10 yrs	24 [38%]	16 [25%]	40 [63%]
	<b>35 [55%]</b>	<b>29 [45%]</b>	<b>64 [100%]</b>
<b><u>INDUSTRIAL CLASSIFICATION</u></b>			
ISIC 5520	2 [3%]	3 [5%]	5 [8%]
ISIC 5050	0 [0%]	1 [2%]	1 [2%]
ISIC 5220	32 [50%]	23 [36%]	55 [86%]
ISIC 1900	1 [2%]	2 [3%]	3 [5%]
	<b>35 [55%]</b>	<b>29 [45%]</b>	<b>64 [100%]</b>

Most of non-franchised entrepreneurs (63%) have over 10 years experience, unlike the franchisees, the majority of which have less than 5 years experience. This will have a significant impact on the level of entrepreneurship: the more experienced one is the more entrepreneurial skills one should possess. An overwhelming majority of non-franchised entrepreneurs are in the retail sector. As highlighted above, the representation of women is significantly higher in the category of non-franchised entrepreneurs.

Most of the questions in the questionnaires (see Appendices 2 and 3) were Likert-type questions on a 0 – 5 scale. The purpose of this section is to do the following:

- i) Establish a view of the experts on the level of skills of franchisees;
- ii) Establish views of franchisees versus those of non-franchised entrepreneurs on their levels of entrepreneurial skills;
- iii) Establish whether or not franchisees are employee-managers;
- iv) Establish the level of performance of franchisees in Botswana; and
- v) In view of all the above and other evidence, establish whether franchising is a viable alternative strategy to developing enterprises in Botswana.

#### **4.2 Establishing the level of entrepreneurial skills**

- a) Entrepreneurial skills as viewed by franchisees and non-franchised entrepreneurs.

Individual franchisees and non-franchised entrepreneurs were asked to rank themselves in entrepreneurial skills on a Likert scale from 0 (lowest) to 5 (highest). While it is generally believed that individuals will have the tendency to over-rate themselves in any area of performance, it was concluded that, on average, a general indication of the level of skills could be derived from such reasonable samples of interviewees. Besides, these views were compared to the views of experts.

**TABLE 4: RESPONSES FROM 32 FRANCHISEES**

<u>VARIABLE</u>	<u>SUM</u>	<u>MEAN</u>	<u>MODE</u>	<u>STD DEV</u>
PERSEVERENCE	115	3.6	4	1.4

L/T COMMITMENT	110	3.4	5	1.6
PERSISTENCE	114	3.6	4	1.3
RISK-TAKING	108	3.4	4	1.5
SEEKING HELP	107	3.3	4	1.6
PROFIT ORIENTED	101	3.2	5	1.8
DECISIVENESS	114	3.6	4	1.3
COMPETITIVENESS	128	4.0	5	1.4
DETERMINATION	126	3.9	4	1.4
INITIATIVE	128	4.0	5	1.2
DRIVE &ENERGY	122	3.8	5	1.6
SELF-CONFIDENCE	127	4.0	5	1.5
TOLERANCE FOR UNCER.	115	3.6	5	1.5
OPTIMISM	118	3.7	5	1.5
CAP. OF DEAL. W/ FAIL.	107	3.3	4	1.6
NAch	130	4.1	5	1.4
INTEGRITY	113	3.5	5	1.7
GOAL-SETTING	124	3.9	4	1.2
INNOV. & CREAT.	127	4.0	4	1.1
OPPORT.OBSSESS.	117	3.7	4	1.5
OUTGOING	106	3.3	4	1.6
COMMONSENSE	122	3.8	5	1.5
HARDWORK	121	3.8	5	1.9
ENTHUSIASM FOR BUS.	118	3.7	4	1.5
<b>OVERALL MEAN/MODE</b>		<b>3.5</b>	<b>4</b>	
<b>Other Statements</b>				
RELATION	61	1.9	0	1.7
ECON. ENVIRON.	106	3.3	3	1.4
FRANCHISING SIMPLER	118	3.6	4	1.3
FRANCHISEE SIMPLER	114	3.6	3	1.2
NEW BUSINESS	119	3.7	5	1.3
FRANCHISE NAME	132	4.1	5	1.3
ON-JOB EXPERIENCE	106	3.3	4	1.4
ECON. FUNDAMENTALS	115	3.6	3	1.1
FRANCHISE ROYALTIES	99	3.1	4	1.4
EXPENSE	94	2.9	2	1.5
GOVT ASSISTANCE	85	2.7	3	1.7

**TABLE 5: RESPONSES FROM 64 INDEPENDENT ENTREPRENEURS**

<u>VARIABLE</u>	<u>SUM</u>	<u>MEAN</u>	<u>MODE</u>	<u>STD</u>
<u>DEV.</u>				
PERSEVERENCE	283	4.3	5	0.8

L/T COMMITMENT	307	4.7	5	0.6
PERSISTENCE	277	4.2	5	0.9
RISK-TAKING	244	3.7	5	1.2
SEEKING HELP	270	4.1	5	1.0
PROFIT ORIENTED	278	4.2	5	1.0
DECISIVENESS	255	3.9	4	1.1
COMPETITIVENESS	282	4.3	5	0.8
DETERMINATION	281	4.3	5	0.8
INITIATIVE	279	4.2	5	0.9
DRIVE & ENERGY	302	4.6	5	0.7
SELF-CONFIDENCE	297	4.5	5	0.8
TOLER. FOR UNCER.	260	3.9	5	1.1
OPTIMISM	275	4.2	5	0.9
CAP. OF DEAL. W/ FAIL.	275	4.2	5	1.0
NAch	294	4.5	5	0.7
INTEGRITY	288	4.4	5	0.7
GOAL-SETTING	267	4.0	5	0.9
INNOV. & CREAT.	279	4.2	5	0.9
OPPORT.OBSSESS.	265	4.0	5	0.9
OUTGOING	240	3.6	4	1.1
COMMONSENSE	270	4.1	5	1.0
HARDWORK	256	3.9	5	1.1
ENTHUSIASM FOR BUS.	251	3.9	4	0.9
<b>OVERALL MEAN/MODE</b>		<b>4.2</b>	<b>5</b>	

**Other Statements**

ECON. ENVIRON.	196	3.0	3	1.3
FRANCHISING SIMPLER	225	3.4	3	1.1
FRANCHISEE SIMPLER	229	3.5	4	1.1
NEW BUSINESS	229	3.5	5	1.3
FRANCHISE NAME	227	3.4	3	1.2
ON-JOB EXPERIENCE	213	3.2	3	1.2
ECON. FUNDAMENTALS	205	3.1	2	1.3
FRANCHISE ROYALTIES	229	3.5	4	1.4
EXPENSE	232	3.5	4	1.1
GOVT ASSISTANCE	223	3.4	3	1.4

Franchisees averaged 3.5 with a modal value of 4, and non-franchised entrepreneurs averaged 4.2 with a modal value of 5. From the mean values, it appears that non-franchised entrepreneurs view themselves as having higher entrepreneurial skills than



franchisees. For the individual skills, franchisees reported themselves as excelling in Need for Achievement (4.1). They did not consider themselves to be Profit-oriented (3.2). Creativity and Innovativeness is one of the key skills of strong entrepreneurs, hence it is surprising that it is one of the leading skills of franchisees (4.0).

Non-franchised entrepreneurs view themselves as excelling in Long-term Commitment (4.7), and they feel that they are less skilled in Risk-taking (3.7). Risk-taking distinguishes good entrepreneurs from the rest of societal members; hence we feel that this result is an indication of low entrepreneurial skills of Batswana. Non-franchised entrepreneurs also indicated that they are not 'outgoing'.

To summarize this section, there is evidence that franchisees view themselves as possessing lower skill levels than the level non-franchised entrepreneurs indicate they possess. While non-franchised entrepreneurs, on average claim to possess a higher level of skills, they do not do so with respect to key skills like Risk-taking. This means that, compared to an ideal entrepreneur, Batswana business operators, have low skill levels.

Turning to the Profile method, a profile analysis was performed on a series of variables namely:

- (i) Experts: e1-e71
- (ii) Franchisees: f9-f52; and
- (iii) Non-franchised Entrepreneurs: ie9-ie52.

**TABLE 6: A SELECTION FROM THE 21 VARIABLES IN THE QUESTIONNAIRES**

**SOURCE**

<b>NEW VARIABLE</b>	<b>Label</b>	<b>Expert</b>	<b>Franchisee</b>	<b>Independent Entrepreneur</b>
Perse	Perseverance	e12	f9	ie9
Lonterm	Long-term Commitment	e13	f10	ie10
Persist	Persistence	e14	f11	ie11
Risk	Risk-taking	e15	f12	ie12
Seek	Seeking help	e16	f13	ie13

The sample mean vectors were plotted as sample profiles for the series of variables administered on the three groups specified above. The plot depicted some similarities or close agreement by Experts, Franchisees and Non-franchised Entrepreneurs, for some variables.

**TABLE 7: Multivariate Tests(c)**

Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai's Trace	.972	192.350a	21.000	117.000	.000
	Wilks' Lambda	.028	192.350a	21.000	117.000	.000
	Hotelling's Trace	34.524	192.350a	21.000	117.000	.000
	Roy's Largest Root	34.524	192.350a	21.000	117.000	.000
Group	Pillai's Trace	.617	2.507	42.000	236.000	.000
	Wilks' Lambda	.469	2.563(a)	42.000	234.000	.000
	Hotelling's Trace	.948	2.618	42.000	232.000	.000
	Roy's Largest Root	.676	3.797(b)	21.000	118.000	.000

a Exact statistic

b The statistic is an upper bound on F that yields a lower bound on the significance level.

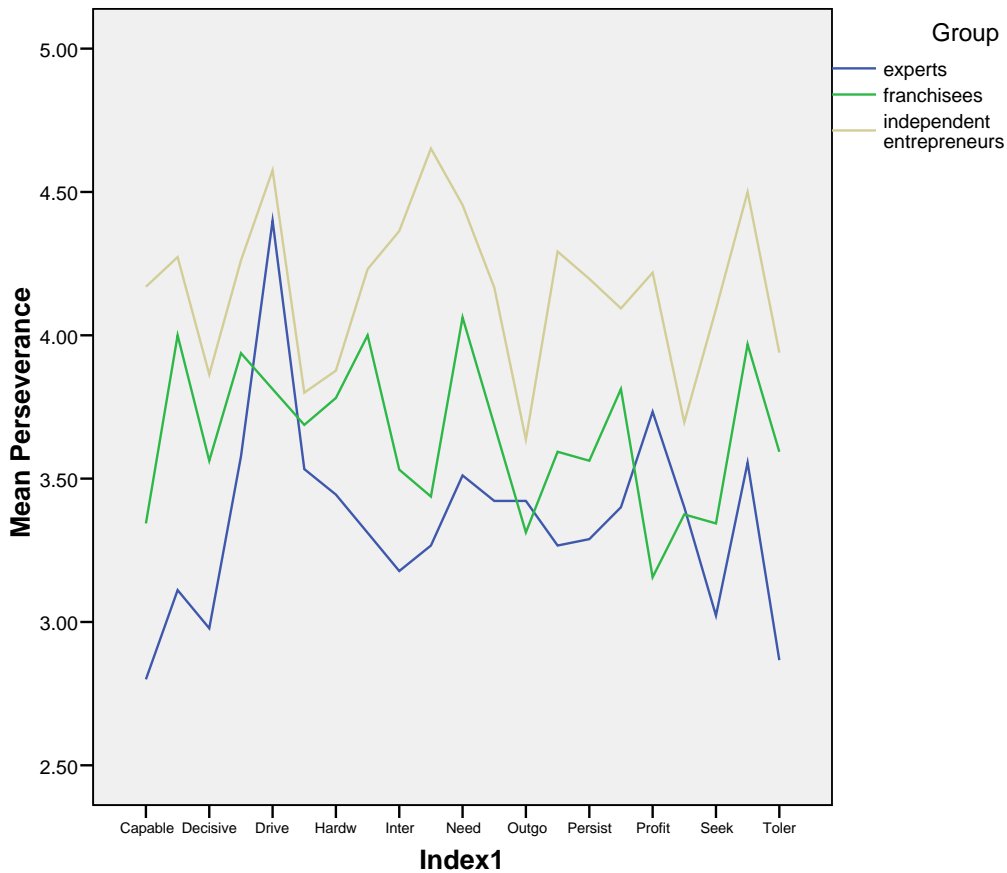
c Design: Intercept+Group

The SPSS GLM was used for the major analysis. Using Wilks' Lambda test statistic, the profiles (seen in Figure 2) deviated significantly from parallelism, that is, the profiles are not the same for the groups. For the level test, significant differences

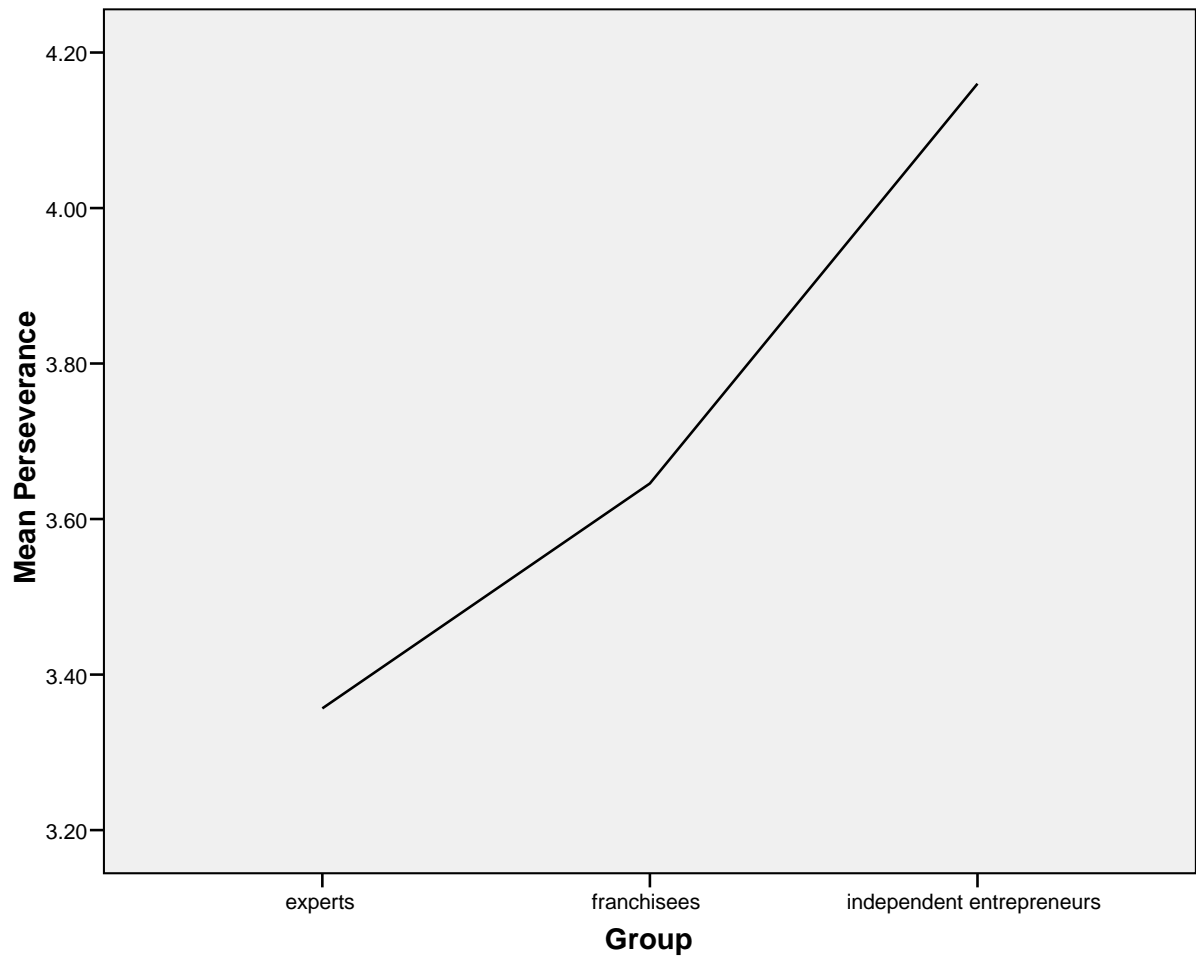
were found among groups as indicated on the Multivariate Tests(c) (Table 7) for Exact Wilks' Lambda test statistic. The column headed 'significance' is .000 (below 0.05) showing that the profiles are significantly different. The significance of this data is that franchisees are viewed, and they also view themselves, as significantly different from non-franchised entrepreneurs with respect to entrepreneur skills.

It is important to perform the above multivariate tests because our data, being ordinal data, do not qualify to have parametric tests performed on them to reach specific conclusions (see page 83).

**FIG. 1: Mean Skill Rankings of the Three Groups**



**FIG. 2: MEAN SCORES FOR ONE SKILL FOR THE THREE GROUPS**



**TABLE 8: TESTS OF BETWEEN-SUBJECTS EFFECTS**

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	Perseverance	32.017	2	16.008	13.663	.000
	Long-term Commitment	61.746	2	30.873	24.782	.000
	Persistence	23.785	2	11.892	10.482	.000
	Risk-taking	3.664	2	1.832	1.007	.368
	Seeking help	33.553	2	16.776	11.134	.000
	Profit-orientedness	25.438	2	12.719	3.002	.053
	Decisiveness	21.861	2	10.930	8.091	.000
	Competitiveness	36.364	2	18.182	16.296	.000
	Determination	12.620	2	6.310	6.120	.003
	Initiative	23.812	2	11.906	12.785	.000
	Drive and energy	12.439	2	6.220	.489	.614
	Self-confidence	23.460	2	11.730	11.331	.000
	Tolerance of uncertainty	32.919	2	16.459	11.874	.000

.....  
 .....etc

The test of between-subjects effects (see the Table 8 of Tests Between-Subjects effects) indicates that there exist significant differences in views of Experts, Franchisees and Non-franchised Entrepreneurs on the variables evaluated. The Bonferroni method of multiple comparisons confirms where the significant

differences lie in the pairing of the groups. Experts significantly differ from non-franchised entrepreneurs while franchisees significantly differ from non-franchised entrepreneurs. This later conclusion completes the proof that Statement 1 is indeed true since franchisees' scores are significantly lower (at 0.05 level) than those for non-franchised entrepreneurs.

For ordinal data, this test is adequate; hence we accept the conclusion that franchisees in Botswana have low entrepreneurial skill levels.

**TABLE 9: MULTIPLE COMPARISONS**

Dep. Var.	(I) Group	(J) Group	Mean	Std.	sig.	95% conf(u.b.)
			Diff.	Error		
ALL VARIABLES	<b>experts</b>	franchisees	-.2892	.16400	.240	-.6867
		independent entrepreneurs	-.8157(*)	.13842	.000	-1.1512
	<b>franchisees</b>	experts	.2892	.16400	.240	-.1083
		independent entrepreneurs	-.5265(*)	.15395	.002	-.8996
	<b>independent entrepreneurs</b>	experts	.8157(*)	.13842	.000	.4802
		franchisees	.5265(*)	.15395	.002	.1534

Based on observed means.

\* The mean difference is significant at the .05 level.

It could be wondered whether the list of the variables designated as entrepreneurial skills measure the same underlying construct. In other words, how good is their reliability? This reliability is measured by the Cronbach's Alpha. The Cronbach's Alpha for the entrepreneurial skill variables as given by the franchisees was found to

be 0.907, which is “high” or “very good”. Hence the variables can be termed “consistent” or “reliable”. A reliability coefficient of 0.70 or higher is considered “acceptable” in most Social Science research situations (Lord and Novick, 1968; Allen and Yen, 2002).

b) Franchisees’ entrepreneurial skills as seen by the experts

The scores of experts, franchisees and non-franchised entrepreneurs were summarised in table 10 below:

**TABLE 10: AVERAGE RANKINGS OF FRANCHISEES AND NON-FRANCHISED ENTREPRENEURS IN ALL SKILL CATEGORIES**

	<u>MEAN</u>	<u>STD. DEV.</u>	<u>N</u>
<b>EXPERTS*</b>	<b>3.6</b>	<b>0.64</b>	<b>45</b>
<b>FRANCHISEES**</b>	<b>3.65</b>	<b>1.11</b>	<b>32</b>
<b>N-F ENTREP.**</b>	<b>4.17</b>	<b>0.45</b>	<b>64</b>
	<b><u>3.79</u></b>		<b><u>141</u></b>

\*Experts were asked to indicate the level of their agreement to the statement that non-franchised entrepreneurs excel in these skills at the expense of franchisees.

\*\*Franchisees and non-franchised entrepreneurs were asked to rank themselves in skill levels (lowest = 0; highest = 5).

Questions 12 to 45 of Appendix 2 sought to establish whether or not non-franchised entrepreneurs excelled in the entrepreneurial skills stipulated at the expense of franchisees. The experts were to circle one of the ordinal values from 0 to 5 represented as follows:

0 -Totally disagree; and 5 - Totally agree.

A total of 45 experts in all were interviewed. The overall mean value established was 3.6 indicating that experts agreed that non-franchised entrepreneurs excel in entrepreneurial

skills at the expense of franchisees. Looking at individual skills, those on the lower side of the scale are: Business Acumen (1.29), and Enthusiastic for Business (also 1.29). In other words, experts believe that franchisees excel in Business Acumen and Enthusiasm for Business at the expense of non-franchised entrepreneurs. Overall, however, experts agree that non-franchised entrepreneurs have more entrepreneurial skills than franchisees.

Non-franchised entrepreneurs rank themselves 4.17 in entrepreneurial skills, while franchisees rank themselves 3.65. These rankings put together with the rank of experts, lead to the conclusion that non-franchised entrepreneurs excel in entrepreneurial skills at the expense of franchisees. This conclusion is consistent with Statement 1.

#### **4.3 Establishing the relational behaviour that the franchisees adapt to their franchisers.**

Several questions were directed to franchisees in order to establish their relational behaviour with their franchisers. All the franchisees indicated which of the partners, between the franchiser and franchisee was senior. In this case, all indicated that it was the franchiser that was the senior partner. Ninety (90) per cent of the respondents agreed that their expectations of the partnership were met. The duration of the partnership ranged from six (6) to twenty-one (21) years. The following were some of the motivating factors for joining the partnership:

- *Business support offered;*
- *Desire for, and possibilities of, expansion;*



- *An effective and popular brand offered by the franchise;*
- *A well organised and helpful franchiser; and*
- *Joining the 'bandwagon', which is the successful mode of operation called franchising.*

Eighty (80) percent of respondents thought that they played an 'employee-manager' role to the franchiser. Only ten (10) percent of the respondents thought that they were equal partners to their franchisers. Another ten (10) per cent, mainly fuel depots, thought that their relationship with the franchiser was halfway between 'employee-manager' and 'equal-partner'. Overall, as indicated in Table 4 above, on 'relation', franchisees rank themselves 'employee-managers' with an average of 1.9 in the scale 0 – 5 with 0 representing 'employee-manager' and 5 indicating 'equal partner'.

The role of employee-manager for franchisee is further endorsed by the experts. They were required to give their views on the statement that *franchisees are prepared to lose a lot of freedom*, implying that franchisees are prepared to be subjected to franchisers' rules and regulations. This means that they can operate successfully as employee-managers of franchisers. Experts strongly agreed with this statement scoring a mean of 3.79 with a modal value of 4 in the scale 0 – 5.

#### **4.4 Establishing the levels of performance for franchisees and non-franchised entrepreneurs.**

Number of employees and sales were requested from franchisees and independent entrepreneurs. The following data was compiled:

**TABLE 11:** **AVERAGE EMPLOYEES FOR FRANCHISEES AND NON-FRANCHISED ENTREPRENEURS (LAST FIVE YEARS)**

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>
<b>F'SEES</b>	25 (10)	29 (10)	32 (10)	28 (10)	41 (13)
<b>N-F</b>					
<b>ENTR.S</b>	8 (7)	7 (8)	7 (12)	7 (14)	8 (19)*

\*figures in brackets represent number of respondents

Franchisees, on average, employ more workers than non-franchised entrepreneurs. Table 11 above shows that franchisees employ workers numbering from 25 to 41, while non-franchised entrepreneurs employ within the range 7 to 8. These are significant differences, and in a country whose objectives include employment creation, promoting franchisees will be a preferable alternative.

**TABLE: 12** **AVERAGE SALES PER MONTH FOR FRANCHISEES AND NON-FRANCHISED ENTREPRENEURS**

	<u>(LAST FIVE YEARS)- PULA</u>				
	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>
<b>F'SEES</b>	152 944 (10)	194 725 (10)	247 329 (10)	314 259 (10)	465 931(13)
<b>N-F</b>					
<b>ENTR.S</b>	65 657 (7)	69 873 (8)	99 965 (12)	96 486 (14)	100 206 (19)*

\*figures in brackets represent number of respondents

Similarly, average sales per month for franchisees are much higher than those for non-franchised entrepreneurs. The range for franchisees is between P152 944 and P465 931, while that of non-franchised entrepreneurs is between P65 657 and P100 206. Performance is higher for franchisees, therefore. Any individual seeking to run a business should prefer to take up franchising for this reason, *ceteris paribus*.

**TABLE: 13** **AVERAGE SALES PER EMPLOYEE PER MONTH (LAST FIVE YEARS) -PULA**

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>AVERAGE</u>
<b>F'SEES</b>	6 118	6 715	7 729	11 224	23 170	<b>10 991</b>
<b>N-F ENTR.S</b>	8 207	9 982	14 281	13 784	12 526	<b>11 756</b>

Table 13 gives a summary of average sales per employee per month. From Year 1 to Year 5, franchisees averages range from P6 118 to P23 170; while the averages for non-franchised entrepreneurs range from P8 207 to P14 281. Looking at these ranges, it is clear that franchisees perform better than non-franchised entrepreneurs. As a matter of fact, the averages calculated do franchisees a lot of injustice. We can state that performance as measured by sales per employee per month for franchisees is as good as that of non-franchised entrepreneurs, despite the fact that the franchisee's level of entrepreneurial skill could be lower than that of the non-franchised entrepreneur.

Further evidence comes from the survey of experts and summarized in Table 10. Experts strongly agreed with the statement that *Batswana franchisees in existence perform at desirable levels (although the small market is the problem)*. Another statement required experts to rate the performance of Batswana franchisees given that successful performance in Botswana is rated 5. On average, the experts rated franchisees 3.4 with a modal value of 4. This also demonstrates that in their view, franchisees' performance is at a desirable level. The experts rated performance of independent entrepreneurs at 3.0 with a modal value of 3. As can be seen, experts rank performance of franchisees higher than that of non-franchised entrepreneurs. This is reflected in the sales-per-employee average figure ranges above.

#### **4.5 Establishing the levels of effectiveness of franchising as a strategy to promote ventures.**

To establish the levels of effectiveness of franchising, the views of the three types of respondents interviewed (the non-franchised entrepreneurs, the franchisees and the experts) will be reported first. Secondly, effectiveness will be discussed, based on the conclusions of the first three research questions.

**Views of non-franchised entrepreneurs, franchisees and experts.**

A number of statements were directed to our respondents and they were required to indicate the level of agreement on a Likert scale (0 – 5) with 5 representing ‘totally agree’. Table below summarizes the results, with Appendices 6 to 8 giving more details:

**TABLE 14:**

**RATINGS BY RESPONDENTS ON SOME STATEMENTS  
RELATING TO EFFECTIVENESS OF FRANCHISING**

<b><u>STATEMENT</u></b>	<b>MEAN 1</b>	<b>MEAN 2</b>	<b>MEAN 3</b>	<b>AVER.</b>
<b>ECONENVIRON</b>	3.0	3.3	2.7	3.0
<b>FRANSIMPL</b>	3.4	3.7	3.2	3.4
<b>CHARTED</b>	3.5	3.6	3.5	3.5
<b>SUCCBRIGHT</b>	3.5	3.7	3.9	3.7
<b>FRANAMES</b>	3.5	4.1	3.7	3.8
<b>FRALESSEDU</b>	3.2	3.3	3.2	3.2
<b>RURALECON</b>	3.7	3.6	3.4	3.6
<b>FRANBEHAV</b>	3.4	3.1	3.6	3.4
<b>FRANEXP</b>	3.6	2.9	3.7	3.4
<b>FRANFREEGOV</b>	3.4	2.7	3.4	3.2

HEADINGS:           1= NON-FRANCHISED ENTREPRENEUR  
                           2=FRANCHISEE  
                           3= EXPERTS

The first statement stated: “*Botswana’s economic environment is more suitable for franchisees than independent enterprises*” (econenviron). On average, all the

respondents indicate some level of agreement. Franchisees seem to be more in agreement ahead of experts and non-franchised entrepreneurs.

The second statement: *“Franchising is a simpler way of doing business”* (fransimpl). The respondents to agree with the statement. Franchisees lead in their agreement (3.7) followed by non-franchised entrepreneurs (3.4). Another statement trying to highlight the desirability of franchising looks at the issue from the franchisee’s perspective: *“Compared to a non-franchised entrepreneur or a franchiser, a franchisee finds business simpler since she travels a chartered terrain”* (chartered). On average, the respondents agree with the statement at 3.5 with franchisees again leading.

The next statement states: *“For new business persons, it is easier to start as a franchisee as chances of success are brighter”* (succbright). On average the respondents agree with this statement. Another statement is: *“franchisees are more successful than non-franchised businesses because their name markets the enterprise, particularly to those who would have encountered it elsewhere”* (franames). The respondents agree with Franchisees leading.

The next statement states: *“franchising is further made attractive due to prevalence and success of not-so-highly educated owner/managers with mainly on-the-job experience”* (franlessedu). Franchisees agree with this statement with an average rating of 3.3. Non-franchised entrepreneurs follow with an average rating of 3.2.

The economic standing of the country is important and a related statement is found in the following: *“while Botswana is not as urbanised as South Africa, its economic fundamentals, particularly income and the growth rate, qualify it to be suitable for*

*franchising*” (ruralecon). The overall rating by all the respondents is 3.6 with non-franchised entrepreneurs leading.

*“The behaviour of franchisers has worked against the development of franchising in Botswana. In particular, their demand for high royalties and other payments cannot be supported by the market”* (franbehav). This is really an example of factors that work against the adoption of franchising as a strategy. The agreement indicated by the respondents demonstrates the need for regulation if franchising as a strategy will not be sabotaged by the greed of certain elements in the industry.

One statement directed to experts states that *“franchising could be the quickest way for Botswana to realize its “Vision 16” objective of creating a large number of entrepreneurs”* (franvis2016). Experts agree with this statement. Another statement receiving strong agreement from experts is one that states that *“franchising brings many benefits, e.g. economies of scale in marketing, purchasing and creditor-processing functions performed by the franchiser”* (franben). This defines the effectiveness of franchising. .

Another statement runs: *“To enhance regulation of franchisers and franchisees, there must be a controlling body in the area of franchising in Botswana (akin to the Southern African Franchising Association in South Africa)”* (franassoc). In countries where franchising is well developed, the franchise sector is self-regulating, usually through associations. In Botswana, this is not yet the case. As a result, there are complaints that some franchisers take advantage of the situation by overcharging in the area of royalties.

This has led to several franchisees failing to break even. Experts strongly agreed with this statement.

A number of people not quite familiar with franchising, and associating it to a handful of activities like food takeaways, kept raising doubts as to a sufficient range of activities to make franchising that worthwhile. For this reason, experts proposed that for a systematic development of the franchise industry, an exercise needs to be conducted to identify franchising opportunities, e.g. the brewing industry, distribution.

The next statement is rather obvious although necessary to be recorded: *“The franchising system is underdeveloped in Botswana. Support of franchisees is better developed in South Africa where pertinent laws have been developed. To develop a critical mass of franchised businesses, Botswana has to develop such laws”* (fransys). Legal infrastructure in business is just as important as any other business infrastructure, hence for franchises to thrive, their kind of legal framework has to exist. The experts, here, show a high level of agreement.

Some experts rightly raised issues that demonstrate that franchising is not really that easy. The following statement, while not complementary to the spirit of the thesis, is valuable as it brings in some balance. *“Franchising attracts people with money and people mostly in business already. Non-franchised enterprising brings out people with less money; hence, promoting non-franchised enterprises is likely to tap into a larger market”* (franrich). We should state that, with so many Government schemes to promote SMMEs, money in Botswana is hardly the problem where there is a viable project.

*“The business environment is tough and non-franchised business persons are tougher than franchisees, hence Government should promote non-franchised businesses”* (fraenvir). This statement supports the view that non-franchised entrepreneurs possess higher levels of entrepreneurial skills than franchisees, hence they are tougher. However, the aspect of performance is not considered although there is an implicit assumption that non-franchised entrepreneurs perform better. As demonstrated in the research results, this is not necessarily so. This makes the conclusion of the above statement rather sweeping.

There is a view that says that a school of ‘hard knocks’ is necessary to grow tough business operators. The following statement views the absence of such a school as unfortunate: *“The Botswana government has ‘spoiled’ business persons by giving them too much assistance, so there are not many tough business people in Botswana”* (botspoil). This is one of the statements that are not well supported by the experts. A low mean was established which means that they disagreed with the statement.

A statement along the same thought as the one above is the following: *”Business people who get things the easy way have no financial discipline, and they will leave their businesses in the hands of managers, which leads to poor customer service, and failure of the businesses”* (findiscip). The level of business failures in Botswana is quite high. This has led some experts to figure ‘too much government assistance’ as one of the causes of this failure. Most business persons in Botswana are not ‘hands-on’, particularly Batswana. They usually employ a manager, unlike business people of Indian origin who spend their time in the business premises, mostly receiving cash. The experts agree with the statement.



*“Governments should concentrate on independent enterprising since franchisers, who are entrepreneurs, can look after their shops and their franchisees”* (franfreegov). This statement advocates a *laissez faire* approach towards the development of franchising. This is the opposite of what this thesis is advocating. The reasons experts took this position, however, are powerful. They correctly believe that franchisers are entrepreneurs, and as powerful entrepreneurs, they should take care of their businesses without any government assistance. In addition, they should also take care of their own franchisees. This is a reasonable view. On the other hand, governments need not be selective: *“Government must promote both franchising and independent enterprising to maximize benefits. The Government of Botswana should, however, concentrate on distribution (trading) as there is little scope for manufacturing due to high cost of utilities, labour and transport to the ports”* (govproall). These are really two statements. It is conceivable that both statements are fully supported by the experts as they are reasonable. This is supportive of the thesis. What the thesis states is that the Government of Botswana is currently not promoting franchising. It should do so to derive those maximum benefits.

The sum total of the assessment of all the statements clearly indicates that franchising is more preferable to non-franchised enterprising taking into view the factors embraced by these statements. Generally, franchisees are more supportive of the statements than the other two (experts and non-franchised entrepreneurs). Chapter 5 discusses the results.

## **CHAPTER 5**

### **DISCUSSION**

#### **5.1 Introduction**

The purpose of this discussion chapter is to link results to the literature review and the recommendations and conclusions that follow in Chapter 6. The section should give detailed explanations of the findings of the research and their link to the research objectives.

The objectives of the study were the following:

1. **To establish the level of entrepreneurial skills of Botswana business operators, particularly franchisees;**
2. **To establish the relational behaviour of franchisees to their franchisers;**
3. **To establish performance levels of franchisees in Botswana; and**
4. **To establish the effectiveness of franchising as a strategy of promoting business ventures.**

The corresponding hypothesis and statements are as follows:

Hypothesis: Botswana franchisees have low levels of entrepreneurial skills compared to non-franchised entrepreneurs;

Statement 1: Botswana franchisees behave as employee-managers of their franchisers;

Statement 2: Franchisees, whose entrepreneurial skills are presumed to be rated lower than the classical non-franchised entrepreneurs, will still perform at desirable levels; and

Statement 3: Franchising, as a strategy, is seen as more effective than non-franchised enterprising in promoting ventures, hence in developing the business and economic base of Botswana.

The discussion will follow the above objectives.

## **5.2 The level of entrepreneurial skills**

Research findings were based on views of experts, franchisees and non-franchised entrepreneurs surveyed in Gaborone. Experts were a group consisting of business

consultants, bankers, and marketers. The majority of franchisees were in the food industry, and non-franchised entrepreneurs were selected using purposive or judgemental sampling.

Experts agreed that non-franchised entrepreneurs excel in entrepreneurial skills at the expense of franchisees. Non-franchised entrepreneurs rated themselves higher in entrepreneurial skills than franchisees rated themselves. These results, combined, led the study to conclude that franchisees are lowly rated in entrepreneurial skills. Using measurements like Wilks' Lambda criterion, the profiles deviated significantly from parallelism, i.e. the profiles for experts, franchisees, and non-franchised entrepreneurs are not the same. Significant differences were found among the three groups as indicated on the Multivariate Tests (c) table for Exact Wilks' Lambda test statistic. The test of between-subjects effects indicated that there exist significant differences in views of experts, franchisees, and non-franchised entrepreneurs on the skill variables evaluated. The Bonferroni method of multiple comparisons confirmed that at the 95% level of confidence, the forecasts made by experts versus those made by non-franchised entrepreneurs are significantly different.; so are the forecasts made by franchisees versus those made by non-franchised entrepreneurs This confirms that the conclusions reached, that franchisees' levels of entrepreneurial skills are lower than those of non-franchised entrepreneurs, are correct.

Looking at franchisees in particular, experts view them as possessing low entrepreneurial skills, which rating is significantly different from their rating of non-franchised entrepreneurs. Non-franchised entrepreneurs rate themselves as different from

franchisees in entrepreneurial skills, and franchisees rate themselves lower than non-franchised entrepreneurs in these skills.

From the Review of Literature, both non-franchised entrepreneurs and franchisees from Botswana would lack innovativeness and creativity (Ronan, et al, 1997). They are also intolerant of uncertainty favouring structured situations, which, according to Morrison (2000) is typical of business persons with low skill levels. Morrison would, in the case of franchisees, conclude that Hofstede's dimensions of power distance, individualism, masculinity, uncertainty avoidance, and long-term orientation are less clear cut just like in less developed and transitional societies. According to Hannu Littunen (2000), both non-franchised entrepreneurs and franchisees in Botswana would be classified as lacking entrepreneurship skills since their characteristics do not include Innovativeness and the will to act. The self-assessment on Risk-taking by Botswana non-franchised entrepreneurs agrees with the finding in South Africa by Louw et al (2003), where 75% of respondents obtained low scores for Risk-taking,

Botswana's economy started developing only in the 1970s with heavy dominance of the public sector; hence there is lack of entrepreneurship due to a lack of role models in the private sector. This is common in all economies dominated by the public sector like former communist countries and other centrally-planned economies (Morrison, 2000). The South African economy had strong central direction during apartheid; hence it faces similar weaknesses as the Botswana economy in the area of entrepreneurship. This is due to power distance created between the elite in Government and the ordinary people, who continue to lack leadership, creativity, self-reliance and self-confidence.

Several writers, including Basu (2004) and Gibb (1996), distinguish entrepreneurs from owner-managers through personal characteristics or entrepreneurial skills. Owner-managers are people who get trained to do a job in the same way as employee-managers are trained to do a job. Hence, from this perspective, if a franchisee operates as an employee-manager, it follows then that he/she won't possess a high level of entrepreneurial skills. He/she might have acquired managerial skills through training. Hing (1995) tested four entrepreneurial personality traits: need for achievement (nAch), internal locus control (ILC), ambiguity tolerance, and role perceptions. Only nAch was found to be statistically associated with franchisee satisfaction (proxy for growth and development of the enterprise). The conclusion was that while ILC, ambiguity tolerance, and accurate role perception might be necessary to operate an independent (non-franchised) business, they might not be necessary for franchising. Franchisees with high ILC, for example, might be dissatisfied with their lack of autonomy in franchising. Also, since the franchising concept has gone through pre-testing, ambiguity tolerance might not have to be high. Similarly, Hing found that prior experience in business is negated in franchising since there are significant inputs by the franchiser. Less experienced business people will do well as franchisees, not experienced business people. This is consistent with the study's findings. Franchisees, which have lower entrepreneurial skill levels, are prepared to take instructions, while non-franchised, independent business people would not take instructions. This is why most franchisees happen to be business operators with lower entrepreneurial skill levels.

When the study examined individual skills, it revealed that non-franchised entrepreneurs considered themselves as excelling in Long-term Commitment, while they felt that they

were not good at risk-taking. These seem consistent with expectations from literature. However, franchisees reported themselves as excelling in Creativity and Innovativeness and Opportunity Obsession, while they felt that they were not outgoing personalities. Franchisees that are weak in entrepreneurship cannot be innovative and creative. Innovativeness and Creativity is viewed as one of the skills demonstrating strong entrepreneurship. So, this score of franchisees is 'somewhat' misleading. However, the overall conclusion that franchisees have low entrepreneurial skills can be viewed as a correct reflection of the Botswana situation. This seems to confirm the above statement. The objective has also been accomplished where Botswana business operators have been shown to possess low entrepreneurial skills, in general, with non-franchised entrepreneurs possessing slightly higher levels of skills than franchisees.

### **5.3 The form of behaviour that the franchisees adopt in relation to their franchisers.**

Literature does not categorically establish whether franchisees overwhelmingly operate as employee-managers or as equal partners to franchisers. However, the desirable position recommended is one where both franchisee and franchiser operate like partners. Benefits to both parties are maximized this way (Li, Huang and Ashley, 2002). Benefits in terms of profitability, though maximized, would not necessarily attract franchisers to choose this model. They might still choose to earn lower profits but operate in a more convenient manner with employee-manager type of franchisees. Literature (Hing, 1995) has shown that franchisees have low levels of Internal Locus Control, ambiguity tolerance, and accurate role perceptions. These indicate behaviours of employee-managers, rather than well-endowed entrepreneurs. A business operator without Internal

Locus Control will need someone to lean on. Relational behaviour to such a person will be a dependency relationship. Without ambiguity tolerance, a business operator cannot innovate; someone else has to do the innovation for him/her. He/she is comfortable when dealing with the established procedures. Business operators who lack accurate role perceptions need direction from others. They play the roles of employee-managers.

In Botswana, it seems evident that franchisers are clearly senior partners. This does not seem to be bad news since many of such relationships lasted many years, 21 years in one instance. Franchisers can still motivate potential franchisees, and these motivating factors seem real as ninety percent of responding franchisees report satisfaction in that their expectations were met. An overwhelming majority of franchisees operate as employee-managers. This should mean that they receive a system that determines who received what, and they play a role to satisfy their franchiser. They meet their objectives in the process.

It is difficult to know the details of what an equal partnership would involve. What would be the share of profits going to the franchiser and what would be the breakdown of this between royalty and other payments? How do they come up with the franchise agreement? A view was solicited from the experts on how they viewed the preparedness of franchisees to lose a lot of freedom. Experts strongly felt that franchisees were prepared to lose a lot freedom. This translates to saying that the majority of franchisees are prepared to operate as employee-managers, accepting what is stipulated by the franchiser-determined franchise agreements. The results of this study confirm this position. This is slightly different from the conclusion of Fenwick and Strombom (1998) which states that franchisees are intermediate between employee-managers and



independent non-franchised owners. Brown and Dev (1997) also concluded that if a franchiser wants to improve performance, it should treat its franchisees more like partners. Similar conclusions are reached by Li, Huang and Ashley (2002), i.e. franchisees and franchiser gain higher profits under cooperation.

A franchisee, with very low entrepreneurial skills, would enter into an agreement with a franchiser in an inferior role and operate as an employee-manager. This does not seem to affect performance as the franchisees remain equally productive as the non-franchised entrepreneurs, if not better. The difference, however, is on the impact this should have on the development of enterprises in Botswana, or indeed any other country with business operators possessing low entrepreneurial skills. The strategy of promoting franchisees, resulting from the ease of sourcing such persons, will have a major impact on the development of enterprises in the country.

The study seems to have established that the relational behaviour of franchisees to their franchisers in Botswana. This behaviour seems consistent with the level of entrepreneurial skills established under the first objective. Employee-managers would have low levels of entrepreneurial skills to work smoothly with their franchisers.

#### **5.4 The levels of performance for franchisees and non-franchised entrepreneurs.**

This study indicated that franchisees perform just as well as (if not better than) non-franchised entrepreneurs, whose entrepreneurial skills are superior. This was proven by the calculation of sales per employee per month. Franchisees employ more people and have higher sales than an average non-franchised entrepreneur. Views of experts on

performance of franchisees are along the same lines, *i.e.* franchisees perform at more desirable levels.

From the review of literature, high-performing franchisees do not possess high levels of entrepreneurial skills. One source stated that franchisees with entrepreneurial tendencies “meddle with the system’s ‘modus operandi’ which in turn decreases franchisee performance” (Fenwick and Strombom, 1998). This should not be read as implying that entrepreneurial skills reduce performance, but rather that franchisees with high entrepreneurial skills are likely to introduce misalignment in relationships which will not be conducive to proper performance. Hence, the findings, that franchisees have low entrepreneurial skills and that they perform well, are consistent with literature.

Literature discussed above cites some important factors for performance such as entrepreneurial competence, managerial competence, venture-related determinants, and environmental determinants (Stearns, et al, 1995; Fenwick and Strombom, 1998). This study, while recognizing the importance of entrepreneurial competence, concludes that for franchisees, perhaps the other three factors are so dominant that entrepreneurial competence’s importance is significantly diminished. Managerial competence, in particular, is emphasized in franchise systems at the expense of entrepreneurial competence. Hence franchisees are trained to replicate an already established system. This is quite important in their level of performance.

The other determinants of performance are venture-related like venture age and venture strategy. These might not be very important as they might be assumed to have equal influence on the enterprises. Factors like venture strategy might also be subsumed under

managerial competence, more so that strategy training would be delivered together with all other managerial training.

Environmental determinants of performance are important. In particular, one environmental factor distinguishes franchising from other forms of enterprising. This is location. This factor is very important to franchisees' performance. This means that performance is mostly explained by the location of the franchisee. All franchisees surveyed in this study are located in 'Malls' and franchisers buy territories to ensure economic 'spacing' of similar outlets. This, indeed, is the major source of performance.

It is evident from Literature that franchisees are multiplying faster than independent entrepreneurs, and that this could be due to their higher productivity which stems from economies of scale (Tikoo, 1996). Results of this study have also demonstrated that franchisees operate at a larger scale. This finding is important to choosing franchising as the favourite strategy for developing enterprises.

'Franchisee' as a factor would mean that the more devoted person will perform well. Devotion is likely to go together with 'innocence' i.e. lack of entrepreneurial skills and lack of prior experience. In fact, one literature source stated that experience seemed to impair performance. This study has shown that these performing franchisees have low entrepreneurial skills. The franchisees in Botswana were also in their industry for a shorter duration compared to their non-franchised counterparts, which meant less experience.

## **5.5 Levels of effectiveness of franchising as a strategy to promote ventures.**

This last statement (on franchisee performance) is crucial to the conclusions and recommendations of the thesis. Hence, to come up with objective findings, the three types of subjects were consulted, *i.e.* the non-franchised entrepreneurs, the franchisees and the experts. Besides the views of the respondents, this statement benefits from the conclusions of the first three statements. This is at the heart of the contribution to knowledge of the entire study. The thesis looks at franchising from the franchisee's viewpoint. The levels of entrepreneurial skills of franchisees in Botswana are low. This is likely to be a societal problem. In other words, it is not only franchisees that possess low skills levels, but as demonstrated by Ronan et al, all Batswana have low skill levels. With these low levels of entrepreneurial skills, the development of enterprises in the country is slow. The thesis, however, suggests that it need not be that way, if Botswana promotes franchising. Batswana, who lack skills, if brought into franchising, will be equally productive. Being thus productive, they will contribute to a successful strategy of generating enterprises.

Under Section 1.4, the thesis demonstrated that Botswana, unlike many other African countries, is suitable for franchising. One statement points out that the country's economic fundamentals make it suitable for franchising. A number of statements are also shown, in section 4.5, to support the fact that Botswana is indeed suitable for franchising. The respondents agree, for instance, that the country's economic environment is more suitable for franchisees than for non-franchised enterprises. Non-franchised entrepreneurs, who know the country's economic environment, agree with an even higher rating. While this could be 'the-grass-is-greener-on-the-other-side-of-the-fence' syndrome, both the experts and franchisees support that position. This position is

supported due to what franchisees receive in the form of training and other support from their franchisers. All this seems necessary under the conditions pertaining in Botswana. Other statements echo the same sentiments: *'franchising is simpler'*, *'franchisee finds it simpler since he travels a charted terrain'*.

There seems to be this overwhelming feeling that franchisees are more successful than non-franchised entrepreneurs, e.g. *'for new businesspersons, it is easier to start as franchisees as chances of success are brighter'*, *'franchisees are more successful than non-franchised entrepreneurs because their name markets the enterprise'*. The survey demonstrated that franchisees command more resources as reflected by the number of employees and sales. However, sales per employee per month just matched those of non-franchised entrepreneurs.

As might be expected, survey responses on the benefits of franchising do not match the benefits given in literature. For example, the classical reasons given in literature for establishing franchises are never repeated even by the experts. Tikoo listed the following reasons:

- Resource constraints; Specialization/functional benefits; Monitoring costs; Promotion efficiencies; Risk management; Price competition; Physical dispersion of retail stores; Consumer preferences; Labour intensity; Demand variability; Repeat customers; Changing technology.

The respondents in Botswana seem to be aware, though, of the issue of low failure rates in franchising due to the principle of “cloning” success.

Normally in business, it is expected that to succeed, the business person should possess entrepreneurial skills. Those with less entrepreneurial skills perform badly. A good entrepreneur is an innovator, a pioneering head of a manufacturing unit. A franchisee is not associated with innovation; in fact a franchisee is an antithesis of innovation. A franchisee is predominantly a retailing phenomenon. This thesis concludes that the perfect or ideal franchisee is a business person with low entrepreneurial skills, who operates as an employee-manager, and performs well.

Economies differ from one another. Some economies possess fundamentals that would attract further developments through franchising. In other words, they would have high and growing levels of income and other conditions suitable for a thriving franchising sector. Botswana seems to be one of those economies. Unfortunately, Botswana does not have a large reserve of people with high levels of entrepreneurial skills. This study has shown that it is still possible to introduce a number of enterprises through people with low skill levels via franchising.

## **5.6 Managerial Implications of the Findings**

Skarzynski and Gibson (2008), writing on innovation, referred to ‘incrementalism’ as opposed to ‘radical, game-changing innovation’. They defined radical innovation as an idea that passes one or more of the following three tests:

1. Whether it has the power to dramatically reset customer expectations and behaviours;

2. Whether it has the power to change the basis for competitive advantage;  
and
3. Whether it has the power to change industry economics.

The strategy of promoting the setting up of enterprises through non-franchised entrepreneurs in Botswana can be likened to the strategy of incrementalism, while promoting franchising on a larger scale could be likened to radical innovation. Significant promotion of franchises is likely to meet the above tests. It can be expected that customer expectations and behaviours will be dramatically reset by this. Generally, franchises offer more efficient and qualitatively superior service. Once customers get used to this, it would be difficult to force them to accept the old type of standards offered by non-franchised entrepreneurs.

Secondly, the promotion of franchising has the power to change the basis of competitive advantage, particularly for the business persons themselves the basis for which would no longer be a set of entrepreneurial skills. The basis for competitive advantage could now be speedy service, cleanliness, and good quality product

Lastly, franchising operates on different industry economics, e.g. there is the possibility of exploiting economies of scale. Such a system is obviously superior to the one currently being followed by the government of Botswana.

It is important, though, to admit realisation that Botswana, though within the ranks middle income countries, has not industrialised in the classical sense. If the country has

to industrialise, perhaps it might not do so through the strategy of franchising as recommended here. What are the implications of our findings?

Botswana's business operators have low skill levels. The setting-up of manufacturing industries would demand that business operators possess higher skill levels than currently available. In the longer run, therefore, the country should develop these skill levels to be able to industrialise in a proper manner.

The findings relating to relational behaviours of franchisees and their performance have implications on the viability of the recommended strategy. While Botswana is the era of promoting franchising, it could invest into skill development, which would assist it to take off in industrialisation.

Conclusions, Limitations, and Recommendations are drawn and discussed in the last chapter of the study.



## CHAPTER 6

# CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

### 6.1 Conclusions

An important departure of this study, which makes it novel, is that it was conducted from the viewpoint of franchisees. A few researchers, like Fenwick & Strombom (1998:32), have attempted this in other countries, like New Zealand. But this has not been done in Botswana. The major problem facing Botswana is the need to diversify from the mono-economy. Non-franchised entrepreneurs experience high failure rates due to low entrepreneurial skills. In addition, few people venture into business, due to lack of entrepreneurial skills. The study establishes that business operators in Botswana, particularly franchisees, possess low levels of entrepreneurial skills. A group of experts were asked to compare the level of entrepreneurial skills of franchisees and those of non-franchised entrepreneurs. Looking at the mean values established, it was concluded that the experts agree that non-franchised entrepreneurs excel in entrepreneurial skills at the expense of franchisees. Combined views of both franchisees and non-franchised entrepreneurs were analysed using non-parametric statistics. In particular, the Profile Method was used and proved that the levels of entrepreneurial skills of non-franchised

entrepreneurs are significantly different from those of franchisees, and that franchisees' entrepreneurial skills are significantly lower than those of non-franchised entrepreneurs.

The study's findings led to the conclusion that the level of skills of franchisees in Botswana is lower than that of non-franchised entrepreneurs. This conclusion is derived from experts' views and the ratings of both franchisees and non-franchised entrepreneurs.

Responses from franchisees, confirm that they behave like employee-managers towards their franchisers. Most franchisee respondents indicated that they played employee-managerial roles to their franchisers. Experts strongly agreed to the statement that franchisees are prepared to lose a lot of freedom, which is evident when they enter agreements with franchisers. These agreements favour franchisers.

The statement that franchisees, presumed to have lower skill levels than non-franchised entrepreneurs, perform at desirable levels was proved correct. Sales per employee per month showed that franchisees performed far better than non-franchised entrepreneurs.

The survey of experts had also established that franchisees perform at desirable levels. The experts also rated performance of franchisees at 3.2, assuming that successful performance in Botswana is rated at 5. The experts, incidentally, thought that franchisees would perform better than non-franchised entrepreneurs whom they rated at a mean of only 3. The significance of the difference is, however, doubtful.

Lastly, the three categories of respondents endorse franchising as an alternative strategy based on several statements, hence, agree with the conclusion that Botswana is suitable

for franchising and that franchising is a suitable strategy for Botswana to embark upon to create new enterprises faster. Economic activity can also be boosted by the introduction of franchising since franchisees employ more people and are more productive than non-franchised entrepreneurs. The study's contribution to knowledge is in the areas of entrepreneurship and franchising, and the knowledge that franchisees, while requiring less entrepreneurial skills are actually more productive and employ more people, can be applied in many other countries with similar socio-economic situations to Botswana.

## **6.2 Limitations**

The population of franchisees in Botswana is low, and even then, lack of data leads people to guess-estimate the number of franchisees in the country. This means that there is a problem with the sampling frame. It follows then that it is not possible to come up with a proper random sample. This might have implications on the reproducibility of conclusions. In Botswana, however, most (if not all) franchisees are in Gaborone and the strategy taken by the study of interviewing most franchisees in Gaborone would have ensured that a representative sample was used.

It should be borne in mind that the data at issue is qualitative. For ease of analysis, however, ordinal data is introduced through Likert scales. Ordinal variables, though statistically manipulable and superior to nominal data, are on an inferior level to, say, ratio or interval data. It is, however, easier to convert qualitative data to ordinal data by asking respondents to choose one of the ordinal numbers. This improves analysis.

The dependence of the study on respondents as primary sources of data is also a source of some limitations. Franchisees and non-franchised entrepreneurs were asked to rate their own levels of skills. There should be significant inflation of this rating, since human

nature would push individuals to aspire to be seen in a more positive light. This merely makes the conclusions, particularly on Statement 1, to be overly more favourable to the subjects. In this survey, however, this inflation has been counterbalanced by views of experts. Franchisees are also compared with non-franchised entrepreneurs, both of which are given the benefit of the doubt.

The population of non-franchised entrepreneurs in Botswana as a whole is large (at least 60 000). This necessitates the choice of a larger sample than the one used. Related to this is the way the sample was chosen, which is non- random. The sample and sampling technique chosen, took into account the additional benefits likely to be derived from a larger, more random sample against the cost incurred. Non-franchised entrepreneurs, however, seem to be a homogeneous lot. Going by the Central Limit Theory, any set of entrepreneurs above thirty from any part of the country would be equally representative.

The above limitations need to be counterbalanced by the fact that a study of this nature is difficult in a developing country. Studies that involve human behaviour in more advanced economies are simplified by ready-made instruments, and in some cases, secondary research results. The nature of data collected needed careful handling, in particular, avoidance of wholesale use of parametric methods.

In spite of the few limitations identified in the study, practitioners and policy implementers that ignore the study may do so at some risk of losing valuable knowledge that could benefit industries and economies of nations.

### **6.3 Recommendations**

Before giving the recommendations, it might be worthwhile to stress the contribution to knowledge of the study, as stated on pages 16 and 17.

The lack of entrepreneurial skills is a serious constraint to enterprise-led development (SMME Task Force, 1998). This thesis demonstrated that there is lack of entrepreneurial skills in Botswana, particularly for franchisees.

Franchisees in Botswana, though lacking entrepreneurial skills, are more productive than their non-franchised counterparts. This is the first time this has been so clearly demonstrated. Franchisees are likely to be more productive in countries that have a similar socio-economic situation as Botswana, hence this finding could be of use elsewhere other than Botswana.

The negative correlations between the level of entrepreneurial skills and venture performance seem to confirm Fenwick & Strombom's (1998:37) conclusion which failed to confirm the hypotheses that franchisees' self-assessed entrepreneurial tendencies are positively related to venture performance, and that franchisees' self-assessed managerial competencies are positively related to venture performance.

Utilizing ordinal data normally raises the problem of manipulation since means of ordinal data are not similar those of cardinal data. The Profile Method of Multivariate Statistical Analysis (Tabachnick & Fidell, 2007) is suitable for manipulating ordinal data as it is capable of comparing groups of ordinal data to determine similarity of otherwise.

The main recommendations of the study are as follows:

Botswana, and other countries facing challenges in the creation and development of new enterprises, should note that running franchisees does not require extremely high entrepreneurial skill levels. Botswana franchisees have low skill levels. These countries

can save some resources they normally would use to develop entrepreneurial skills by deploying their citizens as franchisees, even though they lack the high level of entrepreneurial skills.

The attitude of franchisees, of following instructions without question, is instructive. Business operators could be more successful if they operate like employee-managers, particularly in countries that lack true entrepreneurs. Institutions that develop business operators should emphasize this attitude.

In assessing business operators, there should always be a bottom line: they should perform at desirable levels. Development programmes for business operators should teach operators to perform. Measures like sales per employee are useful since business operators can easily divulge such information as they do not consider them too confidential. At the same time, this information is easily understood even by the lowly educated.

Botswana, and countries that have a similar socio-economic situation as Botswana, should look at alternative strategies in the promotion of, and development of, enterprises. In particular, the promotion of franchisees could be a useful alternative strategy. Specifically, the Government of Botswana should identify areas and projects that would be beneficial for the country to invest in through franchising. This identification can be done in consultation, and the assistance of the private sector. This should be done in parallel with current efforts to promote skill development and the establishment of manufacturing industries.

Studies, on skill levels and performance, need to be conducted in both Botswana, and countries that are in a similar socio-economic situation as that of Botswana, to confirm, or otherwise, these conclusions. These studies, while being promoted by Government and its quasi-agencies, should involve educational institutions, the private sector, and international agencies.

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# APPENDICES

## **APPENDIX 1: RESPONSES FROM EXPERTS DURING FIRST ROUND OF INTERVIEWS**

### **1. ENTREPRENEURIAL SKILLS**

1. Traits are similar for both franchisees and independent entrepreneurs although franchisees develop faster than independent entrepreneurs due to support and training offered by the franchisers.
2. Franchisees excel in: perseverance, long-term commitment, persistence in problem-solving, risk-taking, seeking help and advice, profit-orientedness, decisiveness (making a contract), competitive.
3. Both franchisees and independent entrepreneurs must possess several skills including selling, administering, accounting, and marketing. They must have an outgoing personality, common sense and be hard working.
4. Both have the ability to take risk and have perseverance. The franchisee has the ability to organize finances, has management skills and has enthusiasm for business. The independent entrepreneur has the desire to become rich, has no fear of failure and is hard-working.
5. Franchising is easier; hence the starter should go for it.
6. The franchisee has no strong traits. He is a “soft” entrepreneur who hopes to be carried by the franchiser.
7. “Owner management” as a skill is lacking generally in Botswana. This means that franchisees do not have as much ability to manage themselves as independent entrepreneurs.
8. Franchising is hard work as it involves long hours for the owner. Hence, the failure rate of franchisees’ businesses is higher than those of independent entrepreneurs. Most franchisees do not have what it takes, hence the high failure rate. 80% of business success is the person.
9. Independent entrepreneurs possess determination. They believe in their business, which leads to extreme hard work, financial discipline and good client service.



10. Both franchisees and independent entrepreneurs should have entrepreneurial traits, although independent entrepreneurs will be stronger in more traits than franchisees.
11. Independent entrepreneurs should have strong marketing skills and be able to conduct market research.
12. Both franchisees and independent entrepreneurs should have business acumen.
13. The independent entrepreneurs should have more initiative than the franchisees.
14. Both should have: drive and energy, self-confidence, tolerance for uncertainty, optimism, perseverance, long-term commitment, risk-taking, and capability of dealing with failure, Need for Achievement, profit-orientedness, integrity, decisiveness, and competitiveness.
15. A franchisee can be successful without much of initiative, does not need innovativeness and creativity, not much of persistence in problem-solving, less flexible, less foresightful.
16. Franchisees find it easier to seek help and advice.
17. Management skills are passed from franchiser to franchisee.
18. Franchising could be a quick way to realizing Botswana's 'Vision 16' by creating entrepreneurs.
19. Most traits apply to both franchisees and independent business people except Innovativeness and Creativity, and Capability of Dealing with Failure which are characteristics for independent entrepreneurs.
20. A franchisee is able to operate within the legal constraints of an agreement.
21. A franchisee is prepared to lose a lot of freedom.
22. A franchisee faces lower risk as compared to an independent business person or franchiser.
23. A franchisee has lower tolerance for uncertainty.
24. The difference between a franchisee and an independent business person is that of degree, e.g. an independent person has more drive and energy than a franchisee.

25. In addition to all traits of entrepreneurs, franchisees need to be good at controls, particularly in the food and beverage area.

**B) PROMOTION OF VENTURES BY GOVERNMENT**

1. The economic environment in Botswana is difficult, yet for new people in business, franchising is simpler than independent enterprising.
2. The market is narrow in Botswana and consumers are not knowledgeable of franchisees in the way South Africans are knowledgeable, for example.
3. Franchising should be simpler since a franchisee travels a chartered terrain while an independent business person and a franchiser travel an un-chartered terrain.
4. For new businesspersons, it is easier to start business as a franchisee as chances of success are brighter.
5. Franchisees are more successful than individual businesses because their names represent success in the market. The name easily markets itself, particularly to those who would have encountered it elsewhere.
6. The franchise managers need not be highly educated. On-the-job experience is more important.
7. The approach to business in Botswana seems to emphasize education while South Africans emphasize experience. School dropouts make successful careers in franchising. Unfortunately, Citizen Enterprises Development Agency (CEDA) requirements are biased for the educated.
8. Franchising cannot take-off in a rural-based economy like that of Botswana. You need large urbanized population-based economies like that of South Africa.
9. Government should not prioritise since there are still problems in the area of franchising in Botswana: franchisers do not look after franchisees. Government should not be involved until problems in the sector sort themselves out. Franchisers have “raped” the market in the sense that their demands for high royalty and other payments cannot be supported by the market.
10. As a way of empowering the weak, the Government must provide incentives to locals, e.g. tenders for the construction sector should be weighted in favour of Botswana, including franchisees.

11. Government must ensure that local entrepreneurs, including franchisees, have access to capital. To minimize failure rates, the mentorship approach should be strengthened.
12. To enhance regulation for franchisers and franchisees, there must be a controlling body in the area of franchising in Botswana (akin the Southern African Franchising Association in South Africa).
13. An exercise must be conducted to identify franchising opportunities, e.g. the brewing industry, the distribution sector, etc.
14. The franchising system is underdeveloped in Botswana. Support of franchisees is better developed in South Africa where pertinent laws have been developed. In South Africa, it is now possible to develop a critical mass of franchised businesses.
15. Botswana franchisees perform at desirable levels, but the small market is a problem.
16. There are benefits to franchising, e.g. marketing done by the Head Office, and purchasing and creditor processing. There are many franchisees in Botswana that do not benefit from these.
17. Franchising attracts people with money and people mostly in business already. Independent enterprising brings out people without money, hence; promoting independent enterprising is likely to tap into a larger market.
18. The business environment is tough and independent business persons are tougher than franchisees, hence Government should promote independent businesses.
19. The Botswana Government has spoiled business persons by providing too much assistance, so we do not have many tough business people.
20. People who get things the easy way have no financial discipline, and they will leave the business to managers. This is why businesses fail. Businesses that are managed by others have poor customer service.
21. Priority should be for independent enterprising. Franchising is only, a business system, a franchisee must be an entrepreneur.
22. When it comes to the role of Government, it should concentrate on independent enterprising. Franchisers can look after their own shops and their franchisees.

23. Government must promote both franchising and independent enterprising. The Government of Botswana should, however, concentrate on trading as there is no scope for manufacturing due to high cost of utilities, labour and transport to the ports.

**C) OTHER POINTS RAISED**

1. Not all franchisers are supportive of franchisees. The potential franchisee needs to choose the franchiser carefully.
2. Success of a business also depends on personal attention from the owner.

**D) COMMENTS ON POINTS RAISED ABOVE**

The researcher has reported the points above as got from the expert in the sense that there are not re-arranged in some specific way. As a result there is repetition of certain positions, for instance. Some points even contradict earlier ones. The voice of the expert therefore has been heard.

Below, the researcher does some re-arranging of the points and changes certain statements as a way of enabling the experts to rank certain points to benefit Research Questions. Likert Scales are introduced to enable judgment of whether consensus has been reached.

## APPENDIX 2: QUESTIONNAIRE DEVELOPED FROM EXPERT RESPONSES

### PART A: ENTREPRENEURIAL SKILLS

	<b>Totally Disagree</b>					<b>Totally Agree</b>						
	0	1	2	3	4	5	0	1	2	3	4	5
1. Franchisees rank similarly to independent entrepreneurs with respect to traits	0	1	2	3	4	5						
2. Franchisees develop faster than independent entrepreneurs	0	1	2	3	4	5						
3. Franchising is easier than independent enterprising	0	1	2	3	4	5						
4. Franchising is harder work involving longer hours	0	1	2	3	4	5						
5. In Botswana, the failure rate of franchisees' businesses is higher than those of independent entrepreneurs'	0	1	2	3	4	5						
6. The franchisee has no strong traits. He is a 'soft' entrepreneur who hopes to be carried by the franchiser	0	1	2	3	4	5						
7. A franchisee can be successful without much of initiative, does not need innovativeness and creativity, not much of persistence in problem-solving, while less flexible and less foresightful	0	1	2	3	4	5						
8. Franchisees find it easier to seek help and												

Advice	0	1	2	3	4	5
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9. The franchiser passes management skills to the franchisee	0	1	2	3	4	5
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10. A franchisee is prepared to lose a lot of freedom	0	1	2	3	4	5
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11. A franchisee, unlike an independent business entrepreneur, is able to operate within the legal constraints of an agreement	0	1	2	3	4	5
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**Independent entrepreneurs excel in all of the following at the expense of franchisees:**

12. Perseverance	0	1	2	3	4	5
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13. Long-term Commitment	0	1	2	3	4	5
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14. Persistence in problem-solving	0	1	2	3	4	5
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15. Risk-taking	0	1	2	3	4	5
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16. Seeking help and advice	0	1	2	3	4	5
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17. Profit-orientedness	0	1	2	3	4	5
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18. Decisiveness (making a contract)	0	1	2	3	4	5
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19. Decisiveness (general)	0	1	2	3	4	5
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20. Competitiveness	0	1	2	3	4	5
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21. Selling	0	1	2	3	4	5
22. Administering	0	1	2	3	4	5
23. Accounting	0	1	2	3	4	5
24. Marketing	0	1	2	3	4	5
25. Outgoing personality	0	1	2	3	4	5
26. Possessing Common sense	0	1	2	3	4	5
27. Hard-working	0	1	2	3	4	5
28. Enthusiastic for business	0	1	2	3	4	5
29. Desire to become rich	0	1	2	3	4	5
30. Possessing no-fear-for-failure	0	1	2	3	4	5
31. Possessing owner-management skills	0	1	2	3	4	5
32. Determination	0	1	2	3	4	5
33. Belief in one's business	0	1	2	3	4	5
34. Good client service	0	1	2	3	4	5
35. Financial discipline	0	1	2	3	4	5

36. Business Acumen	0	1	2	3	4	5
37. Initiative	0	1	2	3	4	5
38. Drive and energy	0	1	2	3	4	5
39. Self-confidence	0	1	2	3	4	5
40. Tolerance for uncertainty	0	1	2	3	4	5
41. Optimism	0	1	2	3	4	5
42. Capability of Dealing with failure	0	1	2	3	4	5
43. Need for Achievement	0	1	2	3	4	5
44. Integrity	0	1	2	3	4	5
45. Controlling	0	1	2	3	4	5

**PART B: VENTURE PROMOTION**

46. The economic environment in Botswana is difficult, hence starting ventures should be franchises which are simpler than independent enterprises	0	1	2	3	4	5
47. Despite the market being narrow in Botswana and consumers not knowledgeable of franchises, franchising remains a simpler way of doing business	0	1	2	3	4	5



48. A franchisee finds business simpler since she travels a chartered terrain unlike an independent entrepreneur nor a franchiser who travels an un-chartered terrain

0	1	2	3	4	5
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49. For new business persons, it is easier to start business as a franchisee as chances of success are brighter

0	1	2	3	4	5
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50. Franchisees are more successful than independent businesses because their names represent success in the market. The name easily markets itself, particularly to those who would have encountered it elsewhere

0	1	2	3	4	5
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51. Franchising is further made attractive due to the prevalence and success of not-so highly educated owner/managers with only on-the-job experience

0	1	2	3	4	5
---	---	---	---	---	---

52. While the economy of Botswana can be classified as rural-dominated, hence not ideal for franchising, the economic fundamentals of the country, particularly the growth rate, qualify it suitable to franchising

0	1	2	3	4	5
---	---	---	---	---	---

53. The behaviour of franchisers has worked against the development of franchising. For example, their high demands in royalty and other payments cannot be supported by the market.

0	1	2	3	4	5
---	---	---	---	---	---

54. Franchising can benefit from Government incentives like tenders biased in favour of the citizen enterprises, including franchisees 0 1 2 3 4 5

55. Franchising can benefit if Government ensures that local entrepreneurs, including franchisees, have access to capital. Other forms of assistance to emerging entrepreneurs including mentorship, should be strengthened 0 1 2 3 4 5

56. Franchising could be the quickest way to Botswana realizing its “Vision 16” objective of creating a large number of entrepreneurs 0 1 2 3 4 5

57. To enhance regulation of franchisers and franchisees, there must be a controlling body in the area of franchising in Botswana (akin the Southern African Franchising Association in South Africa) 0 1 2 3 4 5

58. For a systematic development of the franchise industry, an exercise needs to be conducted to identify franchising opportunities, e.g. the brewing industry,.....  
 .....  
 .....

.....  
.....  
distribution, etc. 0 1 2 3 4 5

59. The franchising system is underdeveloped in Botswana. Support of franchisees is better developed in South Africa where pertinent laws have been developed. To develop a critical mass of franchised businesses, Botswana has to develop such laws 0 1 2 3 4 5

60. Botswana franchisees in existence perform at desirable levels, but the small market is a problem 0 1 2 3 4 5

61. Franchising brings many benefits, e.g. economies of scale in marketing brought by this done by the Head Office. Similarly, Head Office performs the purchasing and creditor processing functions 0 1 2 3 4 5

62. Franchising attracts people with money and people mostly in business already. independent enterprising brings out people with less money, hence, promoting independent enterprises is like to tap into a larger market 0 1 2 3 4 5

63. The business environment is tough and independent business persons are tougher

than franchisees, hence Government  
should promote independent businesses      0      1      2      3      4      5

64. The Botswana Government has ‘spoiled’  
business persons by giving them too much  
assistance, so there are not many tough  
business people in Botswana.                      0      1      2      3      4      5

65. Business people who get things the  
easy way have no financial discipline,  
and they will leave their businesses in the  
hands of managers which leads to poor  
customer service, and failure of the  
businesses    0      1      2      3      4      5

66. Governments should concentrate on  
independent enterprising since franchisers,  
who are entrepreneurs, can look after their  
shops and their franchisees                      0      1      2      3      4      5

67. Government must promote both  
franchising and independent enterprising  
to maximize benefits. The Government of  
Botswana should, however, concentrate on  
distribution (trading) as there is little scope  
for manufacturing due to high cost of utilities,  
labour and transport to the ports.              0      1      2      3      4      5

**If an ideal entrepreneur is rated on entrepreneurial skills:**

68. How would you rate a Motswana franchisee?                                0      1      2      3      4      5

69. How would you rate a Motswana independent entrepreneur on the same scale?                                0      1      2      3      4      5

**If a successful performance in Botswana is rated 5:**

70. How would you rate the performance of Batswana franchisees?                                0      1      2      3      4      5

71. How would you rate the performance of Batswana independent entrepreneurs?                                0      1      2      3      4      5\*

---

\*The scale should be interpreted this way: 0 – Totally Disagree; 1 – Disagree; 2 – Somewhat Disagree; 3 – Somewhat Agree; 4 – Agree; 5 – Totally Agree

**APPENDIX 3: QUESTIONNAIRE FOR FRANCHISEES AND NON-FRANCHISED ENTREPRENEURS**

**SECTION 1: BIOGRAPHIC**

- 1. NAME OF PERSON COMPLETING THIS FORM.....  
.....  
.....**
- 2. POSITION IN ENTERPRISE.....**
- 3. DURATION IN THIS POSITION.....**
- 4. CONTACT PHONE.....**
- 5. NAME OF ENTERPRISE.....**
- 6. LOCATION OF ENTERPRISE.....**
- 7. TYPE OF ENTERPRISE (i.e. WHETHER FRANCHISE OR INDEPENDENT).....**

**8. ANY OTHER ENTERPRISE TO WHICH THIS ENTERPRISE IS AFFILIATED (i.e. EITHER AS A FRANCHISEE OF SUBSIDIARY).....**

**SECTION 2: ENTREPRENEURIAL SKILLS**

**I CONFIDENTLY RANK MY ENTREPRENEURIAL SKILLS AS FOLLOWS (CIRCLE A NUMBER):**

		<b>LOWEST</b>				<b>HIGHEST</b>	
<b>9. PERSEVERENCE</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>10. LONG-TERM COMMITMENT</b>		<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
<b>11. PERSISTENCE IN PROBLEM-SOLVING</b>		<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
<b>12. RISK-TAKING</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>13. SEEKING HELP AND ADVICE</b>		<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
<b>14. PROFIT-ORIENTEDNESS</b>		<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
<b>15. DECISIVENESS</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>16. COMPETITIVENESS</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>17. DETERMINATION</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	

<b>18. INITIATIVE</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>19. DRIVE AND ENERGY</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>20. SELF-CONFIDENCE</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>21. TOLERANCE OF UNCERTAINTY</b>						
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>22. OPTIMISM</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>23. CAPABILITY OF DEALING WITH FAILURE</b>						
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>24. NEED FOR ACHIEVEMENT</b>						
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>25. INTEGRITY</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>26. GOAL-SETTING</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>27. CREATIVITY AND INNOVATIVENESS</b>						
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>28. OPPORTUNITY OBSESSION</b>						
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>29. OUTGOING PERSONALITY</b>						
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>30. POSSESSION OF COMMON SENSE</b>						
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>31. HARDWORKING</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>



**32. ENTHUSIASTIC FOR BUSINESS**

**0 1 2 3 4 5**

**SECTION 3: RELATIONAL BEHAVIOUR**

**33. NAME OF ENTERPRISE WITH LINKS TO YOUR ENTERPRISE (e.g. YOUR FRANCHISER, OR ENTERPRISE OF WHICH YOUR ENTERPRISE IS A SUBSIDIARY).....**

.....

**34. LOCATION OF THAT ENTERPRISE.....**

.....

**35. EXPLAIN THE ABOVE LINKS.....**

.....

.....

**36. IN THESE LINKS, WHICH PART IS SENIOR?.....**

.....

**37. ARE YOUR EXPECTATIONS OF THIS PARTNERSHIP FULLY MET?.....**

**38. STATE DURATION OF THIS PARTNERSHIP.....**

**39. STATE YOUR MOTIVATING FACTORS FOR JOINING THIS PARTNERSHIP.....**

.....

.....

.....

.....

**40. RELATIONSHIP BETWEEN MYSELF AND THE PARTNER ENTERPRISE OWNER**

	<u>Employee- Manager</u>				<u>Equal Partner</u>
	0	1	2	3	4 5

**SECTION 4: PERFORMANCE**

**PROVIDE THE FOLLOWING INFORMATION FOR THE LAST 5 YEARS OF OPERATION:**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>41. SALES</b>	-	-	-	-	-
<b>42. NUMBER OF EMPLOYEES</b>	-	-	-	-	-

**SECTION 5: VENTURE PROMOTION STRATEGY**

**43. BOTSWANA'S ECONOMIC ENVIRONMENT IS MORE SUITABLE FOR FRANCHISES THAN INDEPENDENT ENTERPRISES:**

	<u>Totally</u>	<u>Totally</u>
--	----------------	----------------

Disagree

Agree

0 1 2 3 4 5

**44. FRANCHISING IS A SIMPLER WAY OF DOING BUSINESS**

0 1 2 3 4 5

**45. COMPARED TO AN INDEPENDENT ENTREPRENEUR OR A  
FRANCHISER, A FRANCHISEE FINDS BUSINESS SIMPLER  
SINCE SHE TRAVELS A CHARTERED TERRAIN**

0 1 2 3 4 5

**46. FOR NEW BUSINESS PERSONS, IT IS EASIER TO START AS A  
FRANCHISEE AS CHANCES OF SUCCESS ARE BRIGHTER**

0 1 2 3 4 5

**47. FRANCHISEES ARE MORE SUCCESSFUL THAN**

**INDEPENDENT BUSINESSES BECAUSE THEIR NAME  
MARKETS THE ENTERPRISE, PARTICULARLY TO  
THOSE WHO WOULD HAVE ENCOUNTERED IT  
ELSEWHERE**

0 1 2 3 4 5

**48. FRANCHISING IS FURTHER MADE ATTRACTIVE DUE TO**

**PREVALENCE AND SUCCESS OF NOT-SO-HIGHLY  
EDUCATED OWNER/MANAGERS WITH MAINLY ON-  
THE-  
JOB EXPERIENCE**

0 1 2 3  
4 5

**49. WHILE BOTSWANA IS NOT AS URBANISED AS SOUTH AFRICA, ITS ECONOMIC FUNDAMENTALS, PARTICULARLY INCOME AND THE GROWTH RATE, QUALIFY IT TO BE SUITABLE FOR FRANCHISING**

**0 1 2 3 4 5**

**50. THE BEHAVIOUR OF FRANCHISERS HAS WORKED AGAINST THE DEVELOPMENT OF FRANCHISING IN BOTSWANA. IN PARTICULAR, THEIR DEMAND FOR HIGH ROYALTIES AND OTHER PAYMENTS, CANNOT BE SUPPORTED BY THE**

**MARKET 0 1 2 3 4 5**

**51. FRANCHISING IS A MORE EXPENSIVE WAY OF ENTERING BUSINESS, HENCE MORE PEOPLE ARE IN BUSINESS AS INDEPENDENT ENTREPRENEURS**

**0 1 2 3 4 5**

**52. GOVERNMENT ASSISTANCE SHOULD BE CONCENTRATED TO INDEPENDENT ENTERPRISES SINCE THOSE IN FRANCHISING ARE CAPABLE OF LOOKING AFTER THEMSELVES**

**0 1 2 3 4 5**

**53. STATE THE REASONS WHY YOU CHOSE TO OPERATE AN ENTERPRISE OF THIS FORM.....**  
.....  
.....

.....  
.....  
.....

**54. IS THERE ANY OTHER FORM OF ENTERPRISE YOU WOULD RATHER OPERATE INSTEAD OF THIS (e.g. A FRANCHISE INSTEAD OF AN INDEPENDENT ENTERPRISE OR VICE VERSA)?.....**

**55. GIVE REASONS FOR YOUR ANSWER IN 54 ABOVE.....**

**APPENDIX 4: EXPERTS' SCORES****Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
fran=entr	45	.00	5.00	2.4889	1.10005
frandevfas	45	.00	5.00	3.6667	1.29685
franeas	45	.00	5.00	3.2222	1.32954
franhard	45	.00	5.00	2.8000	1.40777
failbots	45	.00	5.00	2.3333	1.26131
fransoft	45	.00	5.00	3.0444	1.29607
franhelpt	45	.00	5.00	2.5556	1.58910
franseek	45	1.00	5.00	3.8667	1.01354
franskil	45	.00	5.00	3.5556	1.25328
franfree	45	1.00	5.00	3.3333	1.22474
franagree	45	1.00	5.00	3.4000	1.25045
persev	45	.00	5.00	3.2667	1.17551
ltcommit	45	.00	5.00	3.2667	1.25045
persist	45	.00	5.00	3.2889	1.17980
risk	45	.00	5.00	3.4000	1.35512
seekhelp	45	.00	5.00	3.0222	1.17722
profit	45	.00	22.00	3.7333	3.10718
decisiv	45	.00	22.00	3.2889	3.13066
decisiv2	45	.00	5.00	2.9778	1.17722
compet	45	.00	5.00	3.1111	1.09175
sell	45	.00	5.00	2.8889	1.22886
adminis	45	.00	5.00	2.9556	.99899
account	45	1.00	5.00	3.0889	1.22144
market	45	.00	5.00	2.5556	1.27128
outgo	45	.00	22.00	3.4222	3.09317
posscomm	45	1.00	5.00	3.4000	1.13618
hardwork	45	1.00	5.00	3.4444	1.07778
enthus	45	1.00	5.00	3.5333	1.07872
desirich	45	.00	5.00	3.9778	1.13796
possnofear	45	.00	5.00	2.7111	1.14062
possownman	45	.00	5.00	3.1556	1.18620
determin	45	1.00	5.00	3.5778	.98832
belief	45	.00	5.00	3.5333	1.14018
clientserv	45	.00	5.00	2.9333	1.07450
findisc	45	.00	44.00	3.1778	6.35427
busacum	45	.00	44.00	3.7778	6.22272
initiat	45	1.00	5.00	3.3111	.90006

drivenerv	45	1.00	44.00	4.4000	6.11778
selfconf	45	1.00	5.00	3.5556	.91839
toler	45	.00	5.00	2.8667	1.12006
optim	45	.00	5.00	3.4222	1.05505
capdeal	45	.00	5.00	2.8000	1.01354
nach	45	1.00	5.00	3.5111	.92004
integr	45	1.00	5.00	3.1778	.91176
contr	45	1.00	5.00	3.2889	1.03621
ecoenvir	45	.00	5.00	2.7111	1.42418
fransimpl	45	.00	5.00	3.1778	1.36995
chartered	45	1.00	5.00	3.4889	.96818
sucbright	45	.00	44.00	3.9333	6.27187
franames	45	.00	5.00	3.7333	1.00905
franlessedu	45	.00	5.00	3.2000	1.37510
ruralecon	45	.00	5.00	3.4222	1.03328
franbehav	45	.00	5.00	3.5778	1.28786
govincent	45	1.00	5.00	3.3556	1.20897
franassist	45	1.00	5.00	3.6667	.90453
franvis2016	45	.00	5.00	2.9111	1.60712
franassoc	45	2.00	5.00	4.2889	.92004
franrearc	45	1.00	5.00	4.0444	.92823
fransys	45	2.00	5.00	4.3778	.71633
franperform	45	.00	5.00	3.7778	1.22268
franben	45	1.00	5.00	3.6889	.97286
franrich	45	1.00	5.00	3.8444	1.04350
fraenvir	45	.00	5.00	3.3333	1.24316
botspoil	45	.00	5.00	2.4889	1.54658
findiscip	45	1.00	5.00	3.5556	1.30655
franfreegov	45	.00	5.00	3.0889	1.22144
govproall	45	1.00	5.00	3.8667	1.09959
motswfran	45	1.00	5.00	3.2000	.89443
motswindent	45	1.00	5.00	3.1111	.98216
perfbatswfran	45	1.00	5.00	3.4000	.83666
perfbatswie	45	1.00	5.00	3.0222	1.05505
Valid N (listwise)	45				

**APPENDIX 5: FRANCHISEES' SCORES****Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
ersev	32	.00	5.00	3.5938	1.36451
ltcommit	32	.00	5.00	3.4375	1.56447
persist	32	1.00	5.00	3.5625	1.18967
risk	32	.00	5.00	3.3750	1.51870
seekhelp	32	.00	5.00	3.3438	1.57827
profit	32	.00	5.00	3.1563	1.76177
decisiv	32	.00	5.00	3.5625	1.31830
compet	32	.00	5.00	4.0000	1.43684
determin	32	.00	5.00	3.9375	1.41279
initiat	32	.00	5.00	4.0000	1.21814
drivenrg	32	.00	5.00	3.8125	1.44663
selfconf	32	.00	5.00	3.9688	1.44768
toler	32	.00	5.00	3.5938	1.45601
optim	32	.00	5.00	3.6875	1.51205
capdeal	32	.00	5.00	3.3438	1.59858
nach	32	.00	5.00	4.0625	1.38977
integr	32	.00	5.00	3.5313	1.70359
goal	32	.00	5.00	3.8750	1.23784
creatinno	32	.00	5.00	3.9688	1.09203
oppobs	32	.00	5.00	3.6563	1.47253
outgo	32	.00	5.00	3.3125	1.59510
posscomm	32	.00	5.00	3.8125	1.46876
hardwork	32	.00	5.00	3.7813	1.92997
enthus	32	.00	5.00	3.6875	1.53323
relat	32	.00	5.00	1.9063	1.74798
econenv	32	.00	5.00	3.3125	1.37811
fransimpl	32	.00	5.00	3.6875	1.25563
chartered	32	.00	5.00	3.5625	1.21649
succbright	32	1.00	5.00	3.7188	1.25040
franames	32	1.00	5.00	4.1250	1.00803
franlessedu	32	.00	5.00	3.3125	1.42416
ruralecon	32	.00	5.00	3.5938	1.10306
franbehav	32	.00	5.00	3.0938	1.35264
franexp	32	.00	5.00	2.9375	1.54372
franfreegov	32	.00	5.00	2.6563	1.71538
Valid N (listwise)	32				

**APPENDIX 6: NON-FRANCHISED ENTREPRENEURS' SCORES**



### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
persev	65	2.00	5.00	4.2923	.84267
ltcommit	66	2.00	5.00	4.6515	.64432
persist	66	1.00	5.00	4.1970	.89820
risk	66	.00	5.00	3.6970	1.22750
seekhelp	66	.00	5.00	4.0909	1.03370
profit	64	.00	5.00	4.2188	.98349
decisiv	66	1.00	5.00	3.8636	1.05081
compet	66	2.00	5.00	4.2727	.75540
determin	65	2.00	5.00	4.2615	.77615
initiat	65	2.00	5.00	4.2308	.86185
drivenerg	66	2.00	5.00	4.5758	.68074
selfconf	66	1.00	5.00	4.5000	.78935
toler	66	1.00	5.00	3.9394	1.05070
optim	66	1.00	5.00	4.1667	.88723
capdeal	65	1.00	5.00	4.1692	.99325
nach	66	2.00	5.00	4.4545	.72710
integr	66	2.00	5.00	4.3636	.73665
goal	66	2.00	5.00	4.0455	.90182
creatinno	65	2.00	5.00	4.2308	.91462
oppobs	66	2.00	5.00	4.0152	.86811
outgo	66	1.00	5.00	3.6364	1.07612
posscomm	64	2.00	5.00	4.0938	1.03462
hardwork	65	1.00	5.00	3.8769	1.11113
enthus	65	1.00	5.00	3.8000	.93875
relat	14	.00	5.00	2.1429	1.65748
econenv	66	.00	5.00	2.9697	1.26454
fransimpl	65	.00	5.00	3.4154	1.13044
chartered	66	.00	5.00	3.4697	1.13977
succbright	65	.00	5.00	3.4769	1.33589
franames	65	.00	5.00	3.4462	1.23783
franlessedu	63	.00	5.00	3.2222	1.22401
ruralecon	65	.00	44.00	3.7231	5.22765
franbehav	63	.00	5.00	3.4286	1.37623
franexp	63	1.00	5.00	3.5556	1.11843
franfreegov	66	.00	5.00	3.3788	1.36737
Valid N (listwise)	12				

### APPENDIX 7: MULTIPLE COMPARISONS

## Bonferroni

Dependent Variable	(I) Group	(J) Group	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
			Lower Bound	Upper Bound	Lower Bound	Upper Bound	
Perseverance	experts	franchisees	-.3271	.25030	.580		-.9338
		independent entrepreneurs	-1.0667(*)	.21127	.000		-1.5787
	franchisees	experts	.3271	.25030	.580		-.2796
		independent entrepreneurs	-.7396(*)	.23497	.006		-1.3091
	independent entrepreneurs	experts	1.0667(*)	.21127	.000		.5546
		franchisees	.7396(*)	.23497	.006		.1701
Long-term Commitment	experts	franchisees	-.1708	.25810	1.000		-.7964
		independent entrepreneurs	-1.4000(*)	.21785	.000		-1.9280
	franchisees	experts	.1708	.25810	1.000		-.4547
		independent entrepreneurs	-1.2292(*)	.24229	.000		-1.8164
	independent entrepreneurs	experts	1.4000(*)	.21785	.000		.8720
		franchisees	1.2292(*)	.24229	.000		.6419
Persistence	experts	franchisees	-.2736	.24631	.806		-.8706
		independent entrepreneurs	-.9175(*)	.20790	.000		-1.4214
	franchisees	experts	.2736	.24631	.806		-.3234
		independent entrepreneurs	-.6438(*)	.23122	.018		-1.2043
	independent entrepreneurs	experts	.9175(*)	.20790	.000		.4136
		franchisees	.6438(*)	.23122	.018		.0834
Risk-taking	experts	franchisees	.0250	.31185	1.000		-.7308
		independent entrepreneurs	-.3143	.26322	.704		-.9523
	franchisees	experts	-.0250	.31185	1.000		-.7808
		independent entrepreneurs	-.3393	.29275	.745		-1.0488
	independent entrepreneurs	experts	.3143	.26322	.704		-.3237
		franchisees	.3393	.29275	.745		-.3703
Seeking help	experts	franchisees	-.3215	.28384	.778		-1.0095
		independent entrepreneurs	-1.0889(*)	.23958	.000		-1.6696
	franchisees	experts	.3215	.28384	.778		-.3664
		independent entrepreneurs	-.7674(*)	.26646	.014		-1.4132
	independent entrepreneurs	experts	1.0889(*)	.23958	.000		.5082

		franchisees	.7674(*)	.26646	.014	.1215
Profit-orientedness	experts	franchisees	.5771	.47598	.682	-.5766
		independent entrepreneurs	-.5048	.40175	.633	-1.4785
	franchisees	experts	-.5771	.47598	.682	-1.7307
		independent entrepreneurs	-1.0818	.44683	.050	-2.1648
	independent entrepreneurs	experts	.5048	.40175	.633	-.4690
Decisiveness	experts	franchisees	1.0818	.44683	.050	-.0011
		franchisees	-.5847	.26877	.094	-1.2361
	franchisees	independent entrepreneurs	-.9111(*)	.22686	.000	-1.4609
		experts	.5847	.26877	.094	-.0667
	independent entrepreneurs	experts	-.3264	.25231	.594	-.9379
Competitiveness	independent entrepreneurs	experts	.9111(*)	.22686	.000	.3613
		franchisees	.3264	.25231	.594	-.2851
	experts	franchisees	-.8889(*)	.24426	.001	-1.4809
		independent entrepreneurs	-1.1587(*)	.20617	.000	-1.6584
	franchisees	experts	.8889(*)	.24426	.001	.2969
independent entrepreneurs		-.2698	.22930	.724	-.8256	
Determination	independent entrepreneurs	experts	1.1587(*)	.20617	.000	.6590
		franchisees	.2698	.22930	.724	-.2859
	experts	franchisees	-.3597	.23481	.384	-.9288
		independent entrepreneurs	-.6921(*)	.19820	.002	-1.1724
	franchisees	experts	.3597	.23481	.384	-.2094
Initiative	independent entrepreneurs	experts	-.3323	.22043	.402	-.8666
		franchisees	.6921(*)	.19820	.002	.2117
	experts	franchisees	.3323	.22043	.402	-.2019
		franchisees	-.6889(*)	.22315	.007	-1.2297
	franchisees	independent entrepreneurs	-.9429(*)	.18835	.000	-1.3994
Drive and energy	experts	experts	.6889(*)	.22315	.007	.1480
		independent entrepreneurs	-.2540	.20948	.682	-.7617
	independent entrepreneurs	experts	.9429(*)	.18835	.000	.4863
		franchisees	.2540	.20948	.682	-.2538
	experts	franchisees	.5875	.82436	1.000	-1.4105
		independent entrepreneurs	-.1714	.69580	1.000	-1.8579

Self-confidence	franchisees	experts	-.5875	.82436	1.000	-2.5855	
		independent entrepreneurs	-.7589	.77387	.985	-2.6346	
	independent entrepreneurs	experts	.1714	.69580	1.000	-1.5150	
		franchisees	.7589	.77387	.985	-1.1167	
	experts	franchisees	-.4132	.23528	.244	-.9834	
		independent entrepreneurs	-.9365(*)	.19859	.000	-1.4178	
	franchisees	experts	.4132	.23528	.244	-.1571	
		independent entrepreneurs	-.5233	.22087	.058	-1.0586	
	independent entrepreneurs	experts	.9365(*)	.19859	.000	.4552	
		franchisees	.5233	.22087	.058	-.0120	
Tolerance of uncertainty	experts	franchisees	-.7271(*)	.27225	.025	-1.3869	
		independent entrepreneurs	-1.1175(*)	.22980	.000	-1.6744	
	franchisees	experts	.7271(*)	.27225	.025	.0672	
		independent entrepreneurs	-.3904	.25558	.387	-1.0098	
	independent entrepreneurs	experts	1.1175(*)	.22980	.000	.5605	
		franchisees	.3904	.25558	.387	-.2291	
	Optimism	experts	franchisees	-.2653	.25678	.910	-.8876
			independent entrepreneurs	-.7524(*)	.21674	.002	-1.2777
		franchisees	experts	.2653	.25678	.910	-.3571
			independent entrepreneurs	-.4871	.24105	.136	-1.0714
independent entrepreneurs		experts	.7524(*)	.21674	.002	.2271	
		franchisees	.4871	.24105	.136	-.0971	
Capability to deal with failure		experts	franchisees	-.5438	.26954	.137	-1.1970
			independent entrepreneurs	-1.3905(*)	.22750	.000	-1.9419
		franchisees	experts	.5438	.26954	.137	-.1095
			independent entrepreneurs	-.8467(*)	.25303	.003	-1.4600
	independent entrepreneurs	experts	1.3905(*)	.22750	.000	.8391	
		franchisees	.8467(*)	.25303	.003	.2335	
	Need for achievement	experts	franchisees	-.5514(*)	.22427	.046	-1.0950
			independent entrepreneurs	-.9810(*)	.18930	.000	-1.4398
		franchisees	experts	.5514(*)	.22427	.046	.0078
			independent entrepreneurs	-.4296	.21054	.130	-.9398
independent entrepreneurs		experts	.9810(*)	.18930	.000	.5221	

		franchisees	.4296	.21054	.130	-.0807
Integrity	experts	franchisees	-.3535	.25099	.484	-.9618
		independent entrepreneurs	-1.2032(*)	.21185	.000	-1.7166
	franchisees	experts	.3535	.25099	.484	-.2549
		independent entrepreneurs	-.8497(*)	.23562	.001	-1.4208
Outgoing personality	independent entrepreneurs	experts	1.2032(*)	.21185	.000	.6897
		franchisees	.8497(*)	.23562	.001	.2786
	experts	franchisees	.1097	.47279	1.000	-1.0362
		independent entrepreneurs	-.1968	.39906	1.000	-1.1640
Possession of common sense	franchisees	experts	-.1097	.47279	1.000	-1.2556
		independent entrepreneurs	-.3065	.44384	1.000	-1.3823
	independent entrepreneurs	experts	.1968	.39906	1.000	-.7704
		franchisees	.3065	.44384	1.000	-.7692
Hardworking	experts	franchisees	-.4125	.27311	.400	-1.0744
		independent entrepreneurs	-.6952(*)	.23052	.009	-1.2540
	franchisees	experts	.4125	.27311	.400	-.2494
		independent entrepreneurs	-.2827	.25638	.816	-.9041
Enthusiastic for business	independent entrepreneurs	experts	.6952(*)	.23052	.009	.1365
		franchisees	.2827	.25638	.816	-.3387
	experts	franchisees	-.3368	.30959	.836	-1.0872
		independent entrepreneurs	-.4286	.26131	.310	-1.0619
meanvar	franchisees	experts	.3368	.30959	.836	-.4136
		independent entrepreneurs	-.0918	.29063	1.000	-.7962
	independent entrepreneurs	experts	.4286	.26131	.310	-.2048
		franchisees	.0918	.29063	1.000	-.6126
meanvar	experts	franchisees	-.1542	.26535	1.000	-.7973
		independent entrepreneurs	-.2603	.22397	.741	-.8032
	franchisees	experts	.1542	.26535	1.000	-.4890
		independent entrepreneurs	-.1062	.24910	1.000	-.7099
meanvar	independent entrepreneurs	experts	.2603	.22397	.741	-.2825
		franchisees	.1062	.24910	1.000	-.4976
	experts	franchisees	-.2892	.16400	.240	-.6867
		independent entrepreneurs	-.8157(*)	.13842	.000	-1.1512

franchisees	experts	.2892	.16400	.240	-.1083
	independent entrepreneurs	-.5265(*)	.15395	.002	-.8996
independent entrepreneurs	experts	.8157(*)	.13842	.000	.4802
	franchisees	.5265(*)	.15395	.002	.1534

Based on observed means.

\* The mean difference is significant at the .05 level.