

Factors influencing the decision to adopt multiple unit franchising arrangements

Scott Weaven

B.Bus, MBA with Distinction (*Griffith*)

**Submitted in fulfilment of the requirement for the degree of
Doctor of Philosophy in Marketing**

Department of Marketing

Griffith Business School

Griffith University

January 2004

Abstract

Franchising performs an important role in the production and distribution of goods and services. Current research suggests that much of the future growth in franchising in many world economies will be attributable to the growth in multiple unit franchising arrangements. Multiple unit franchising refers to an organisational arrangement in which franchisees are permitted to own more than one unit in the same franchise system. Although the Australian franchising sector has reached an early stage of maturity, the limited acceptance of multiple unit practices contrasts with overseas experiences. This remains a curious anomaly, as significantly higher levels of multiple unit ownership are observable in comparably mature markets in other countries.

Multiple unit franchising appears a conceptually unsound alternative to traditional dyadic revenue sharing franchising relationships as it does not benefit from the structural and operational synergies commensurate with ownership attention at the unit level. Therefore, from the franchisor's perspective, multiple unit franchising appears a suboptimal alternative to traditional franchising. From the franchisee's perspective, alternative investment opportunities may present superior choices to multiple unit arrangements. Franchisees have only limited control of their organisation, pay substantial percentages of their gross revenues in the form of fees and royalties, and forgo the ability to capitalise on the growth in the value of their intangible assets. While these apparent disadvantages may be overcome by an individual's desire to 'buy a job', the reasons explaining a franchisee's desire to own multiple units is less clear. Recent research has attempted to explain the ubiquity and increasing popularity of this organisational form, given these operational disadvantages, albeit mostly from the perspective of the franchisor.

Previous empirical research in the United States views multiple unit franchising as a driver of system growth, promoting system-wide adaptation to competition. However, this conventional wisdom fails to consider additional franchisor motivational incentives. Moreover, anecdotal evidence in the Australian franchising sector contrasts markedly with the relationships exposed in multiple unit analyses overseas. Thus, existing franchising research does not adequately capture the range of incentives motivating an entrepreneur's decision to elect the franchising channel of distribution. In addition, at this time no theoretical framework exists espousing the reasons that lead to a franchisee's adoption of these hybridised organisational forms. This has led some researchers to conclude that multiple unit franchising is in an embryonic stage. Further complicating our understanding of the choice of this organisational form is the absence of multiple unit incentives analysis in Australia.

In addition to gaining valuable insights into current managerial practice, the first purpose of this research is to support informed decision-making in the future through an investigation of the fundamental and under-researched question of why franchisors choose to grow and expand through multiple unit arrangements. This research focuses upon theory development by integrating known concepts with newly identified motivational incentives that caveat the adoption of this organisational arrangement. These incentives are incorporated in a model of multiple unit franchising from the perspective of the franchisor. The model describes multiple unit franchising as a function of the context of franchise system context (age, system corporatisation, plurality of distribution, geographic dispersion of available units and level of existing intra-firm conflict), and strategic (ownership redirection, perceived future agency cost minimisation, and system rewards) factors. In an attempt to extend the cross cultural

boundaries of previous franchising research, a given level of multiple unit expansion is described through the predicted outcome of franchise system growth.

Secondly, this research investigates the reasons why franchisees become multiple unit holders. This process involved the integration of existing theories drawn from different disciplines and presents an integrated theoretical model explaining why individuals are driven to create their own subsystems within a franchisor-owned network. The multi-perspective approach is critical to advancing our understanding of the genesis of this organisational arrangement, and specifically the issues of *who* should engage in multiple unit franchising arrangements, and *when* franchisors and franchisees should sanction and adopt mini-chains within a single franchising system.

Thus, this proposal addresses gaps in the literature by investigating the research question:

What are the motivational incentives that influence franchisors and franchisees to adopt multiple unit franchising?

That is, this thesis aims to identify the reasons that justify the existence of multiple unit franchising forms from the franchisor and franchisee perspectives.

A three-stage methodological approach is used in this research. Franchisor motivations are examined within stages one and two. Franchisee motivations are detailed in section three. An examination of the parent disciplines of resource scarcity theory, agency theory, and the immediate discipline of multiple unit franchising resulted in the development of a preliminary conceptual model and general set of propositions explaining why franchisors choose to engage in multiple unit franchising arrangements. In stage one an exploratory survey of seven franchisors from a range of industries of different type, size and age was conducted using a convergent interviewing technique, to gather insights and reasons into multiple unit practices. The stage one findings were

used to clarify and confirm the appropriateness of the conceptual model of multiple unit franchising.

Permission was granted by the Franchise Council of Australia to include a limited number of questions in the Franchising Australia 2002 survey. In the (second) stage of this research, a sample of the population of franchisors in Australia was surveyed by an electronic questionnaire administered on the World Wide Web in June and July 2002. The resultant data was analysed to test a revised theoretical model of franchisor motivations to adopt multiple unit franchising arrangements. Inferential statistical tests were used to test the relationships hypothesised in the model of multiple unit franchising from the franchisor's perspective. The results built upon the inductive stage of the research, providing a descriptive snapshot of multiple unit franchising in Australia.

The third stage of this research explored the factors influencing a franchisee's decision to become a multiple unit owner. Following a review of the predominantly single unit literature, a model and series of general propositions explaining multiple unit franchising was developed explaining multiple unit ownership in terms of subsystem size (expected decision making power and anticipated subsystem economies of scale), franchisee context (franchisee liquidity, entrepreneurial orientation), and strategic (pre-empt future intra-system competition) factors. The appropriateness of the conceptual model and propositions were tested through convergent interviews with ten multiple unit and nine single unit franchisees within a prominent fast-food system. This resulted in a revised conceptual model and general set of propositions that contribute to the development of existing theory and will form the basis of future empirical assessment.

This research makes an original contribution to the body of knowledge about multiple unit practice through inductive analysis that not only recognises the reach of

this franchising phenomenon, but also develops our theoretical understanding of why franchisors and franchisees engage in intra-firm mini-chain development. So, apart from gaining valuable insight into current managerial motivations and practice in Australia, a concomitant aim of this research is to enhance the generalisability of prior franchising theory developed in the United States through examination of the under-researched areas of why franchisors allow, and franchisees choose, to own more than one unit within the same franchising system.

This research has contributed to the body of knowledge on franchising. Based upon the extant literature and exploratory analyses, models of multiple unit franchising from the franchisor and franchisee perspective were developed. It is the first empirical analysis of multiple unit franchising in Australia and provides a starting point for future research.

This research has made a valuable contribution in being the first to:

- investigate multiple unit franchising in an Australian setting using primary data sources;
- utilise an inductive convergent interviewing technique to clarify and confirm the appropriateness of theories derived from the extant literatures;
- survey a large representative sample of Australian franchisors about multiple unit franchising;
- survey a sample of franchisees about multiple unit franchising;
- incorporate aspects of agency theory, resource constraints theory and multiple unit franchising to develop a model of multiple unit franchising;
- use a three-stage methodology involving qualitative and quantitative analyses;
- investigate motivations and factors influencing multiple unit franchising choice;
- introduce new constructs and reposition existing constructs into multiple unit franchising theory.

In conclusion, this original and comprehensive research has found that more experienced Australian franchisors appear to adopt multiple unit franchising, possibly as a method of sustaining growth in units and system-wide sales. Furthermore, entrepreneurial franchisees appear to source private sources of equity

in order to grow their holdings sequentially as they anticipate savings accruing from economies of scale while limiting competition within their franchise system.

TABLE OF CONTENTS

Abstract	i
Table of Contents	vii
List of Tables	xii
List of Figures	xiv
List of Variables	xv
List of abbreviations	xvi
Statement of original authorship	xvii
Acknowledgements	xviii
Related papers and presentations during the course of this research	xix
CHAPTER 1 INTRODUCTION	1
1.1 Background to the research	1
1.2 Research problem and research issues	3
1.3 Justification for the research	8
1.4 Methodologies	16
1.5 Definitions and terminology	19
1.6 Delimitations of scope of research	21
1.7 Outline of proposal	23
1.8 Conclusion	26
CHAPTER 2 BACKGROUND OF FRANCHISING IN AUSTRALIA	27
2.1 Introduction	27
2.2 Franchising defined and types of franchising forms	28
2.2.1 Franchising defined	28
2.2.2 Types of franchising	29
2.2.3 Multiple unit franchising	31
2.3 Overview of franchising research	40
2.4 Background of franchising in Australia	44
2.4.1 Franchising sector characteristics	46
2.4.2 Australian franchising literature	54
2.5 Conclusion	66

CHAPTER 3 LITERATURE REVIEW AND GENERAL PROPOSITION DEVELOPMENT	67
3.1 Introduction	67
3.2 Incentives for single unit franchising	68
3.2.1 Franchisor incentives analysis	70
3.3 Multiple unit franchising	80
3.4 General propositions development	95
3.4.1 Franchise system maturity	95
3.4.2 Franchise system corporatisation	97
3.4.3 Plurality of distribution	100
3.4.4 Ownership redirection	101
3.4.5 Agency costs	102
3.4.6 Franchising relationship conflict	106
3.4.7 Geographical contiguity of units	108
3.4.8 Reward strategy	108
3.4.9 Franchise system growth	111
3.5 Conclusion	112
CHAPTER 4 QUALITATIVE METHODOLOGY AND RESULTS	116
4.1 Introduction	116
4.2 Choice of realism paradigm	118
4.3 Preliminary study	119
4.4 Research design	120
4.5 Choice of convergent interviewing	126
4.6 Establishing the validity and reliability of the qualitative findings	130
4.7 Implementation of convergent interviewing procedure	139
4.7.1 Interview process	142
4.8 Analysis of convergent interview data	144
4.8.1 Multiple unit franchising overview – preliminary comments	150
4.8.2 The allure of multiple unit franchising from the franchisor’s perspective	153
4.9 Conclusion	172

CHAPTER 5 QUANTITATIVE METHODOLOGY AND RESULTS	175
5.1 Introduction	177
5.2 Method	180
5.2.1 Sample	180
5.2.2 The survey instrument	181
5.2.3 Survey procedure	187
5.2.4 Operational definitions	190
5.2.5 Validity and reliability considerations in the measurement phase	196
5.3 Results	198
5.3.1 Data screening and examination of missing responses	198
5.3.2 Descriptive statistics of franchise systems	202
5.3.3 Creating an index of franchisee density	210
5.3.4 Hypothesis testing	213
5.3.5 Multiple Linear Regression Analysis	223
5.4 Conclusion	224
CHAPTER 6 FRANCHISEE INCENTIVES	227
6.1 Introduction	227
6.2 Overview	229
6.3 Single unit analyses	230
6.4 General proposition development	234
6.4.1 Empowerment	234
6.4.2 Economies of scale	239
6.4.3 Franchisee liquidity and risk indifference	240
6.4.4 Entrepreneurial orientation	241
6.4.5 Pre-empt future competition through the purchase of contiguous units	245
6.5 Implementation of convergent interviewing procedure	247
6.5.1 Justification of the choice of telephone interviews	248
6.5.2 Actual sample	248
6.6 Analysis of convergent interviews	257
6.6.1 Multiple unit franchising overview – preliminary comments	257

6.6.2	The allure of multiple unit franchising from the franchisee's perspective	258
6.7	The allure of multiple unit franchising from the franchisee's perspective	265
6.7.1	Empowerment	266
6.7.2	Economies of scale	268
6.7.3	Franchisee liquidity and risk indifference	270
6.7.4	Entrepreneurial orientation	271
6.7.5	Pre-empt future intra-system competition through the purchase of contiguous units	273
6.7.6	Provision of employment for families and employees	274
6.7.7	Franchisee experience within the system	275
6.8	Conclusion	277
CHAPTER 7 CONCLUSIONS AND RECOMMENDATIONS		280
7.1	Introduction	280
7.2	Conclusions about multiple unit franchising from the franchisor's perspective	289
7.2.1	Conclusions about franchise system maturity	290
7.2.2	Conclusions about degree of system corporatisation	292
7.2.3	Conclusions about plurality of distribution	294
7.2.4	Conclusions about intra-firm conflict	296
7.2.5	Conclusions about geographical dispersion of units	299
7.2.6	Conclusions about reward strategy	300
7.2.7	Conclusions about system growth	301
7.3	Conclusions about multiple unit franchising from the franchisee's perspective	304
7.3.1	Conclusions about empowerment	305
7.3.2	Conclusions about economies of scale	307
7.3.3	Conclusions about capital availability and risk indifference	308
7.3.4	Conclusions about entrepreneurial orientation	308
7.3.5	Conclusions about pre-empting future intra-system competition	309
7.4	Multiple unit franchising and performance decay	310
7.5	Multiple unit franchising and unit growth	313
7.6	Limitations	314

7.7	Theoretical implications	315
7.8	Managerial implications	316
7.9	Public policy implications	318
7.10	Future research opportunities	320
7.11	Summary	322
List of References		324
Appendices		351
Appendix 4.1	Justification of research paradigm	351
Appendix 4.2	Preliminary study – Respondent profiles	357
Appendix 4.3	Preliminary study – Response summary table	360
Appendix 4.4	Qualitative and quantitative research methods compared	361
Appendix 4.5	Comparison of in-depth interviews, convergent interviews and case study research	362
Appendix 5.1	Comparison of alternative data collection methods	363
Appendix 5.2	Design guidelines for questionnaire design	367
Appendix 5.3	Franchising Australia 2002 survey instrument	371
Appendix 5.4	Web survey email covering and follow up letters	386
Appendix 5.5	Profile of respondents in pilot testing in stage two of the research	388
Appendix 6.1	Interpretation of findings: Summary report – Interview 2 (L)	393
Appendix 6.2	Interpretation of findings: Summary report – Interview 4 (D)	398

List of Tables

Table 1.1	Hypotheses developed for this research explaining multiple unit franchising from the franchisor's perspective	7
Table 1.2	Propositions developed for this research explaining multiple unit franchising from the franchisee's perspective	8
Table 2.1	Summary of franchising regulatory regimes	51
Table 2.2	Australian franchising studies – exploratory/descriptive studies	56
Table 2.3	Australian franchising studies – explanatory studies	62
Table 2.4	Australian franchising studies – conceptual studies	65
Table 3.1	Multiple unit franchising studies	83
Table 3.2	General propositions developed for the research – franchisor motivational incentives	114
Table 4.1	Proposed methods of ensuring validity and reliability of qualitative research design	138
Table 4.2	Demographic statistics on franchise systems in the convergent interview sample	141
Table 4.3	Demographics of franchise arrangements in the convergent interview sample	141
Table 4.4	Results of convergent interviewing: franchisor motivational incentives and factors	146
Table 4.5	Hypotheses developed for this research – franchisor motivational incentives and factors	174
Table 5.1	Web survey principles resulting error	185
Table 5.2	Administrative procedures used in the survey	189
Table 5.3	Operationalisation of constructs	193
Table 5.4	List of survey items for which there were more than 10 percent missing values for individual questionnaire items	199
Table 5.5	Survey responses by industry and comparative data from Griffith University 2003 franchisor database	202
Table 5.6	Year company commenced franchising	206
Table 5.7	Location of franchise units of multiple-unit franchisees	207
Table 5.8	Ratio of the number of franchise units per franchisee for each organisation	208
Table 5.9	Distribution of franchisee density index	210
Table 5.10	Total disputes	218
Table 5.11	Franchisor dispute by groupings	219
Table 5.12	Multiple unit franchise location	220

Table 5.13	Multiple unit franchising reward	221
Table 5.14	Hypotheses developed for this research – franchisor motivational incentives and factors	226
Table 6.1	Propositions explaining adoption of multiple unit arrangements from the franchisee’s perspective	247
Table 6.2	Results of convergent interviewing: franchisee motivational incentives and factors to enter franchising as a single unit owner and operator – insights from current single unit owner operators	250
Table 6.3	Results of convergent interviewing: franchisee motivational incentives and factors to enter franchising as a single unit owner and operator – insights from current multiple unit owner operators	252
Table 6.4	Rankings of extrinsic and intrinsic motivational incentives to enter franchising as a single unit owner and operator	254
Table 6.5	Rankings of extrinsic and intrinsic motivational incentives to enter franchising as a multiple unit owner and operator	254
Table 6.6	Results from convergent interviewing: franchisee motivational incentives and factors to adopt multiple unit franchising arrangements	255
Table 6.7	Rankings of extrinsic and intrinsic motivational incentives to enter franchising as a multiple unit owner and operator	257
Table 6.8	Propositions explaining adoption of multiple unit arrangements from the franchisee’s perspective	276
Table 6.9	Revised propositions explaining adoption of multiple unit arrangements from the franchisee’s perspective following the convergent interviews	277
Table 7.1	Hypotheses developed in chapter 4: Franchisor motivational incentives and factors	283
Table 7.2	Propositions developed in chapter 6: Franchisee motivational incentives and factors	286

List of Figures

Figure 1.1	Outline of the research	25
Figure 2.1	Chapter 2 outline	27
Figure 2.2	Franchising systems configurations and methods of franchisor and franchisee expansion	36
Figure 3.1	Outline of chapter 3	68
Figure 3.2	Preliminary conceptual model of multiple unit franchising	115
Figure 4.1	Outline of chapter 4	117
Figure 4.2	Research design	122
Figure 4.3	Convergent interviewing process	128
Figure 4.4	Revised conceptual model of multiple unit franchising from the franchisor's perspective following the convergent interviews	173
Figure 5.1	Outline of chapter 5	176
Figure 5.2	Final conceptual model of multiple unit franchising	178
Figure 5.3	Questionnaire design and development process	182
Figure 5.4	Measurement process used in this research	192
Figure 6.1	Outline of chapter 6	228
Figure 6.2	Preliminary conceptual model of multiple unit franchising from the franchisee's perspective	246
Figure 6.3	Revised conceptual model of multiple unit franchising following convergent interviews	276
Figure 7.1	Outline of chapter 7	288

List of Variables

C12_DICH	Dispute grouping
C12_TOT	Number of substantial disputes
CORP1	Board with more than 5 directors
CORP2	At least 2 directors that are external to the firm
CORP3	Have marketing department
CORP4	Franchisee representation on board
CORP_T	Composite corporatisation score
F_RAT2GR	Franchisee group
LN_RAT	Franchise system growth rate
M_RT2LNR	Franchisee density
MUF_GRP	Location of multiple unit holdings
PLURAL	Grouping based on whether system contains company owned units or not
REWARDS	Importance of multiple unit franchising incentives for franchisees
YRFRAN2	Number of years franchising

List of abbreviations

ABS	Australian Bureau of Statistics
ANOVA	Analysis of variance
ANZSIC	Australian and New Zealand Standard Industrial Classification
BIE	Bureau of Industry Economics
CODE	Franchising code of conduct (Australia)
DITAC	Department of Industry, Technology and Commerce
F	F statistic
FAANZ	Franchise Association of Australia and New Zealand
FAC	Franchise advisory councils
FCA	Franchise Council of Australia
HTML	Hypertext Transport Markup Language
MUF	Multiple unit franchising
p	Probability estimate
r	Pearson correlation coefficient
S.D.	Standard deviation
SEM	Structural equation modelling
SPSS	Statistical package for the social sciences
TPA	Trade Practices Act (Commonwealth, Australia)
χ^2	Chi-square
z	Discriminant z-score

Statement of original authorship

I certify that the ideas, research work, results, analyses, and conclusions reported in this dissertation are entirely my effort, except where otherwise acknowledged. I also certify that this work has not been previously submitted for a degree or diploma in any university. To the best of my knowledge, and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Signature of Candidate

Date

.....
Scott Weaven

.....

ENDORSEMENT

Signature of Principal Supervisor

Date

.....
Associate Professor Lorelle Frazer

.....

Acknowledgements

Perhaps we are all guilty of spending too little time reflecting on what has been. To this end, I would like to thank those people who were instrumental during this research journey.

Sincerest appreciation is expressed to my supervisor, Associate Professor Lorelle Frazer, for her encouragement, advice, direction, support, availability and patience during the doctoral process. She has been a true source of inspiration and motivation for me over the past few years and I truly value her friendship. I hope that I will be able to offer similar guidance and assistance to students during my academic career. Thanks too to my assistant supervisor, Dr. Hume Winzar for his guidance in methodological matters.

My thanks to the academic and administrative staff in the Griffith Business School for providing the resources necessary for the completion of this thesis.

A special thank you to my parents, Coral and Keith Weaven, whose commitment to my education and support of my life and career choices has made me the person I am today. I am truly grateful for their investment in my education and personal development.

Finally, my heartfelt thanks to my wife Georgia, who has been a great provider of love and encouragement to realise this personal goal. I dedicate this thesis to her with love and gratitude.

Related papers and presentations during the course of this research

Publications

Refereed journal article

Weaven, S & Frazer, L 2003 'Predicting Multiple Unit Franchising', *Journal of Marketing Channels*, vol.10, no. 3/4, pp. 53-82.

Refereed conference proceedings

Weaven, S & Frazer L 2004 'Multiple Unit Franchising: Australian Revelations', 18th Annual International Society of Franchising Conference, Las Vegas, Nevada, 5-7 March, 2004, pp. 1-31. (*in press*)

Weaven, S & Frazer L 2003 'Motivations for Aspiring Multiple Unit Franchisees in Australia', Australia and New Zealand Marketing Academy Conference, University of South Australia, Adelaide, December 2003, pp.1-10.

Weaven, S 2003 'Dimensions of Plural Franchising Arrangements: Insights from franchisors', 17th Annual International Society of Franchising Conference, *Building International Bridges to Success*, eds. D. Haines & F. Wadsworth, San Antonio, Texas, February 2002, pp. 1-38.

Weaven, S & Frazer, L 2002 'Predicting Multiple Unit Franchising: A franchisor and franchisee perspective', 16th Annual International Society of Franchising Conference, *Franchise Systems at the Turning Point of Maturity*, ed. J. Young , Orlando, Florida, February 2002, pp. 1-45, 2002 (*This conference paper is the basis for the refereed journal article above*).

Commissioned research report

Frazer, L & Weaven, S *Franchising Australia 2002*, Griffith University and the Franchise Council of Australia, Brisbane, 2002, pp. 1-57.

Invited paper

Weaven, S & Frazer, L 2003 'Franchising in Australia: Growth and Consolidation', *Franchising 2004 Australian Yearbook and Directory*, Niche Media, Melbourne, pp.12-15.

Awards

Finalist in the Franchise Council of Australia and Pricewaterhouse Coopers *Academic Paper of the Year* award 2003:

Weaven, S 2003, 'Extending the system growth hypothesis: The real reasons why Australian franchisors are motivated to encourage multiple unit franchising

arrangements', *Franchise Council of Australia and Pricewaterhouse Coopers Academic Paper of the year award*, Melbourne 2003, pp. 1-28.

Presentations

Franchising Research Forum

20th June, 2003, Griffith University

Discussion topic: 'Why franchising in the face of competing investment alternatives?'

And 'Publication options for franchising academics'

Panel: Professor Bill Merrilees, Service Industry Research Centre, Griffith University.
Associate Professor Lorelle Frazer, Service Industry Research Centre
Griffith University
Dr Hume Winzar, School of Marketing, Griffith University

Queensland Marketing Academy Doctoral Colloquium.

"Factors influencing the level of multiple unit franchising adoption"

1st March 2002. Queensland University of Technology.

Panel:

Professor Francis Buttle, Macquarie University, Sydney.
Professor Jim Everett, Queensland University of Technology.
Professor Walter Goode, University of Manitoba, Canada.
Professor Charles Patti, Queensland University of Technology.
Professor Chad Perry, University of Southern Queensland.
Professor Subhash Mehta, National University of Singapore
Associate Professor Lorelle Frazer, Griffith University.
Dr. Marilyn Healy, Queensland University of Technology.

Griffith University School of Marketing Seminar and Marketing Series (2001).

PhD seminar *"Incentives for multiple unit franchising"*

4th October, 2001.

Panel:

Professor Alan Hodgson, Dean- Faculty of Commerce and Management, Griffith University.
Professor Frank Alpert, Head – School of Marketing, Griffith University.
Associate Professor Lorelle Frazer, Deputy Head – School of Marketing, Griffith University.
Dr. Mark Brown, Griffith University.
Dr. Terry Gatfield, Griffith University.
Ms. Victoria Hodgson, Griffith University.
Mr. Arthur Shacklock, Director of Postgraduate Education, Griffith University.

Meetings

2 hour consultation with Professor Aron O’Cass, Gold Coast Campus, Griffith University, Parkwood (17th May 2002).

Prof. O’Cass suggested that further clarification of the franchisor and franchisee determinants and outcomes was necessary. As a result a conceptual map was designed and the model parameters were changed. In particular, two structural variables were combined and the hypothesised relationships were sectionalised into franchisor and franchisee determinants and predicted outcomes. Hypotheses were developed further to incorporate additional theoretical justification from both management and marketing disciplines. In addition, Prof O’Cass offered invaluable information as to the pretesting and surveying of a representative sample of the franchising population.

2 hour consultation with Professor Chad Perry (9 May 2002), Tweed Campus, Southern Cross University, Tweed Heads, NSW.

Prof. Perry reviewed the proposal and confirmed that structural equation modelling could be used in this research. In addition, he recognised that the proposed indicators were measuring true latent variables. He directed me to some research by Rossiter (2001) that justified the use of single indicators in structural equation models and to other research explaining the use of formative and reflective indicators in market research.

1½ hour consultation with resident statistician Margaret Rolfe, (9th May 2002) Tweed Campus, Southern Cross University, Tweed Heads, NSW.

Ms. Rolfe suggested that single indicators could be used in structural equation modelling and that nominal data sets could be treated as ratio indicators when combined. In addition she cautioned against the transformation of non normal data values as this research involved *real data* from the franchising industry. In particular she suggested that Spearman’s ‘rho’ could be compared to Pearson’s correlation coefficient to explain deviations from expected outcomes. She also reiterated the value of Tabachnick and Fidell’s (2001) procedures for dealing with non linearity, multicollinearity and singularities, and specification errors.

Reviews

Review made by Professor Frank Alpert, August 5, 2001.

Suggestions: Academic contribution. Clarify and expand theory supporting hypotheses. State if hypotheses are original or a replication of overseas studies.
Expand and describe how thesis provides significant insight into managerial practice.
Use more real world examples to clarify arguments.

Expand section comparing and contrasting different types of multiple unit franchising expansion.

Result: Reworked hypotheses section, clarified direction of relationships, reviewed exogenous/endogenous variable to include the ‘*proportion of multiple unit franchising*’.

Expanded and explained managerial implications with reference to insights into current practice that will result from this research.

Expanded section 2.2.

Consultation with industry practitioners

22nd March, 2002, Queensland Franchise Forum, Brisbane Convention and Exhibition Centre, Brisbane Australia. (*Model clarification and validation*).

Bolton, M.	Regional Manager, McDonalds, Australia
Wakefield, R.	CEO, Coffee Club, Australia
Nathan, G.	Principal, Nathan’s Corporate Psychology
Meij, D.	National Operations Director, Dominos Pizza
McCosker, C.	Franchising specialist and retired lecturer, University of Southern Queensland, Toowoomba, Australia.
