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The Franchisor/Franchisee Relationship: The Antecedents and Outcomes of Perceived Franchisor Support

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THE FRANCHISOR/ FRANCHISEE RELATIONSHIP: THE ANTECEDENTS AND OUTCOMES OF PERCEIVED FRANCHISOR SUPPORT

by

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DEDICATION

This is dedicated to my husband, confidant and best friend, Michael E. Fricke, without whom none of this would have been possible. To our children Alex and Carson, anything is possible and to my late father David T. Rickard. Through his actions he taught me a valuable lesson…

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ABSTRACT

THE FRANCHISOR/ FRANCHISEE RELATIONSHIP: THE ANTECEDENTS AND OUTCOMES OF PERCEIVED FRANCHISOR SUPPORT

By

Mary Kay (Mimi) Rickard

Franchising is an organizational system that provides the franchisor with needed capital for expansion and the franchisee with expertise and knowledge to operate a local outlet (Windenhausen & Joyce 1977). It is, therefore, one of the approaches firms are turning to in order to increase their business. Franchising is more complex than a traditional business relationship because it is legally binding (Bernstein 2004). Moreover, the complexity of this relationship warrants a closer look from the perspective of the franchisee since it is the franchisees' perception of the work environment which has an effect on their motivation and satisfaction with the franchisor.

The first essay applies the theory of perceived organizational support from the management and sales literature to examine the support and climate issues that affect the franchisees' perception of support from the franchisor (perceived franchisor-franchisee support). Specifically, the antecedents examined are the four dimensions of organizational climate: initiating structure, leadership consideration, autonomy, and

reward orientation, as developed by Schul, Little, and Pride (1985), and brand value/recognition as partially mediating the relationship between the attitude toward advertising and perceived franchisor support.

The second essay is an exploratory study which examines perceived franchisor support and power leading to conflict or reductions in conflict in the franchisor/ franchisee relationship. The study also uses organizational support theory to further examine predictors of conflict in this relationship. Specifically, it looks at how coercive and non-coercive power (reward, referent, expert, and legitimate) plays a role on conflict in the relationship. The essays were tested using a sample of 208 franchisees collected from a large firm (Worldwide Panel) that specializes in panel data.

The two studies provide the franchisor with an overview of this relationship and the differing variables that may affect it. The results enable the franchisor to have a better understanding of the type of support and climate the franchisee perceives as supportive. It will also provide them with the information regarding the most appropriate type of power to reduce conflict. This knowledge will help franchisors to strengthen the relationship with their franchisees and benefit both parties financially.

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CHAPTER 1

Introduction

Franchising, originally an American concept, has had a positive economic impact on the United States as well as the global economy (Chabowski, Hult & Mena 2011) by providing economic growth and jobs. The franchise system is the oldest interorganizational business relationship and is based on a contract between a parent firm (the franchisor) and a local outlet (the franchisee), enabling the franchisee to sell products or services under the franchisor's trademark (Michael 1996). It is a channel of distribution where a company (the franchisor) sells another company (the franchisee) the right to use the brand name and business practices (Combs, Ketchen & Hoover 2004; Stanworth & Curran 1999). Franchisees provide the franchisor with the needed capital to expand the organization (Windenhausen & Joyce 1977), but in order for a franchise to be successful, there needs to be a strong relationship between the franchisor and the franchisee (Blut, Backhaus, Heussler, Woisetschlager, Evanschitzky & Ahlert 2011). This type of business relationship is more complex than a traditional business relationship in that it is legally binding (Bernstein 2004). Despite the complexity of franchising, the literature focuses primarily on the franchisors' perspective and not the franchisees' (Combs et al., 2004; Grunhagen & Mittelstaedt 2005; Saraogi 2009).

With the academic literary focus primarily on the franchisor's perspective, the need to view the relationship from the franchisee's perspective presents an opportunity. The question then becomes: What are the antecedents and outcomes of perceived franchisor support (hereafter PFS)? This information could provide a better understanding of the relationship from the franchisees' perspective and enable the franchisor to provide support while potentially reducing conflict in the relationship.

To better understand this question and these concepts, two research studies are presented herein. Both studies examine the relationship based on the support literature. The theoretical underpinning of the two essays is based on the Eisenberger, Huntington, Hutchison and Sowa (1986) conceptualization of perceived organizational support (POS). The theory holds that employee contributions to an organization are influenced by the perceptions of the organizational support received. This theory has previously been applied to the management and sales literature (e.g., Babakus, Cravens, Johnston & Moncrief 1996; Eisenberger, Fasolo & Davis-LaMastro 1990; Piercy, Cravens, Lane & Vorhies 2006; Randall, Cropanzano, Borman & Birjulin 1999; Riggle, Edmondson, & Hansen 2009; Tyagi 1982; Whitener 2001). It is proposed that the similarities between the salespeople who are the go-between the company they work for and the customers they serve are not unlike franchisees. They are also the go-between for the franchisor and the customers they serve. It is proposed there is a similarity between POS and PFS. Thus, the POS theory will be adapted to the concept of franchising.

The first essay examines the services and organizational climate aspects, from the franchisor, that the franchisee perceives as leading to franchisor support. It expands the franchising literature by applying constructs that are used in the sales and management literature. The question then becomes: Do the services provided by the franchisor to the franchisee have an impact on their perception of franchise support? The focus of this study is on the attitude toward advertising, brand value/recognition, and four dimensions of organizational climate: initiating structure, leader consideration, autonomy, and reward orientation (Schul, Little, & Pride 1985) leading to PFS. It is the franchisee perception of the work environment that affects their motivation and satisfaction with the franchisor. Brand value/recognition is explored as a partially mediating variable between attitude toward advertising and PFS.

The second essay complements the first essay by exploring the predictors of conflict in the franchisor/franchisee relationship – specifically, the relationship between PFS, power (coercive and non-coercive), and conflict. In the franchisor/ franchisee relationship, both parties can have differing objectives (Boe, Ginalski, & Henward 1987). These objectives can vary from profitability goals to control (Baucus, Baucus, & Human 1993; Morrison 1997). It is these varying objectives that can lead to conflict in the relationship (Morrison 1997). The research question then becomes: To what extent do PFS and the use of power by the franchisor lead to (or reduce) conflict in the relationship?

The questionnaire was distributed via an online platform (Worldwide Panel) to a randomly drawn national subset of franchisees. Worldwide Panel has access to a national panel of franchisees that are willing to participate in the survey. There were 208 completed surveys collected for this study.

The contribution of this research is for both scholars and practitioners. It provides useful information to franchisors on relationships with their franchisees. Insight is gained on the perceptions of the support franchisors can provide from the franchisees' perspective, and it identifies the varying ways of using power to reduce conflict in this complex relationship. This research extends the literature by bringing management and sales theory of POS to franchising. Although there seems to be similarities between salespeople of an organization and franchisees, the franchising literature reveals no attention has been given to this possible connection.

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CHAPTER 2 ESSAY 1

FRANCHISOR/ FRANCHISEE RELATIONSHIPS: AN EXAMINATION OF ANTECEDENTS LEADING TO PERCEIVED FRANCHISOR SUPPORT

Introduction

Franchising plays a major role in the U.S. economy by providing growth and jobs. The International Franchise Association (IFA) reported in 2009 that the franchising sector accounted for 9.5 million jobs and provided nearly $845 billion of economic output to the U.S. economy. Furthermore, for every new franchise business an estimated 20.6 either direct or indirect jobs are created and an additional $2.2 million output is achieved (Chabowski et al., 2011). The IFA also reported there has been a 15 percent increase in franchising establishments in a recent 9 year period (2001 – 2009), from 767,483 to 883,292. Given these financial indicators, franchising has a major impact on the U.S. economy.

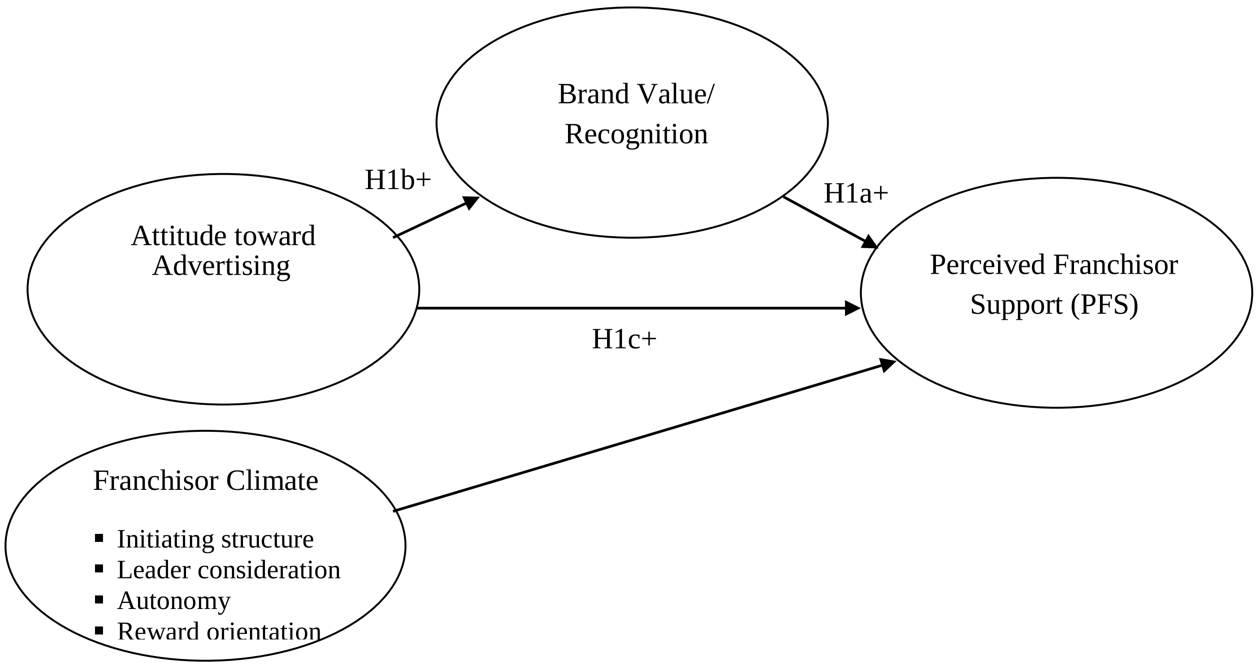
According to Blut, Backhaus, Heussler, Woisetschlager, Evanschitzky and Ahlert (2011), a strong relationship between the franchisor and the franchisee can directly impact system success. This relationship is more complex, however, than traditional business relationships because it is both a business relationship as well as a legally binding relationship (Bernstein 2004). Therefore, it warrants a closer examination (White 2010). Despite these relationships being more complex than traditional business relationships, the academic literature primarily focuses on the franchisor-franchisee relationship from a single viewpoint. Specifically, the literature primarily examines the system from the franchisor perspective but not the franchisee perspective (Combs et al., 2004; Grunhagen & Mittelstaedt 2005; Saraogi 2009). Several notable examples are present within the literature, for example: Croonen (2010); Davies, Walfried, Manolis, Prince, and Winsor (2009); Dickey (2003); Grunhagen and Dorsch (2003); Grunhagen and Mittelstaedt (2005); Weaven and Frazer (2003). While understanding the relationship from the franchisor perspective is important, the franchisee often views the relationship differently from the franchisor (e.g., McIntyre, Gilbert, & Hite 2002). Hence this study examines the relationship from the franchisees' perspective.

Furthermore, Grunhagen, DiPietro, Stassen, and Frazer (2008) conclude that "strengthening and protecting franchisees' interests in an effort to take care of unit owners is usually in the franchisors' best interest." Therefore, there is a need to explore which marketing activities are best suited for strengthening the franchisor/franchisee relationship and promote franchise profits (Doherty & Alexander 2006; Hunt & Nevin 1974). To advance our understanding of the franchisor-franchisee relationship, the purpose of this study was to examine which services provided by the franchisor to the franchisee are perceived by the franchisee as supportive. That is, for a franchisee the quality of support received from the franchisor should meet or exceed expectations, and at the same time, the economic and psychosocial expectations of the working relationship need to be met (Davies, Walfried, Manolis, Prince & Winsor 2009).

The support literature was examined to determine if and what support provided by the franchisor has a positive impact on the franchisee. Building on this extant literature, this study examined support provided by the franchisor (i.e., external support) as opposed to focusing on support provided *within* an organization as the traditional support literature does. This will allow for the research to address context specific (franchisor-franchisee) aspects of support. Specifically, the research question becomes: What aspects of the franchisor-franchisee relationship aid in increasing a franchisees' perception of franchise support? By understanding which aspects of the franchisor-franchisee relationship aid in increasing franchisee's perceptions of franchise support, a franchisor will be able to emphasize those factors and strengthen the relationship.

This study examined antecedents of franchisees' PFS. Specific antecedents examined included attitude toward advertising, brand value/recognition, and organizational climate of the franchise. The possibility of a partial mediating effect of attitude toward advertising through brand value/recognition was also examined. Figure 1 provides an overview of the proposed linkages.

FIGURE 1: Antecedents and the Partial Mediating Role of Brand/Value Recognition between Attitude toward Advertising and Perceived Franchisor Support



Literature Review

Defining Franchising

Franchising, originally an American concept, is a demonstration of a powerful entrepreneurial activity involving an exclusive set of benefits from the franchisor to the franchisee that together provides both parties with economic value (Dant 2008). Franchising provides the franchisor with the needed capital for expansion and the franchisee with the expertise and knowledge to run the organization (Windenhausen & Joyce 1977). Franchising's mission is to generate new business and create jobs (Hoffman & Preble 1993) which has an important impact on the United States economy (Chabowski et al., 2011).

Therefore, it is a type of system where a company (the franchisor) sells another company (the franchisee) the rights to use the franchisor's brand name and business practices (Combs et al., 2004; Stanworth & Curran 1999). In the last few decades franchising has become an important form of retailing (Beheler, Norton, & Sen 2008; Dant 2008; Elango & Fried 1997). Therefore, "franchising is one of the most innovative, dynamic, and effective systems for distribution of goods and services the world has ever known" (Luangsuvimol & Kleiner 2004 p.63).

Franchising has two very different forms – product franchising and business format franchising (Kaufmann & Dant 1998; Kaufmann & Stanworth 1995). Product franchising consists of a manufacturer developing a contractual channel of distribution for its product or products, while business format franchising is where the franchisor provides the franchisee with a license to operate the business package in a different location (Kaufmann & Stanworth 1995). Business format franchising is the type of organization which differentiates itself from other forms of distribution and is the true form of a franchising entrepreneurial relationship (Kaufmann & Dant 1998). There have been numerous studies using business format franchising instead of product franchising (Aliouche & Schlentrich 2009; Falbe, Dandridge, & Kumar 1998; LaFontaine & Kaufmann 1994; McIntyre, Gilbert, & Young 2006; Michael 1996; Stanworth & Curran 1999). Consistent with the majority of the franchising literature, this study focuses on business format franchising. This allows for an examination of the franchisor and franchisee entrepreneurial relationship.

Support

Franchising has contractual obligations by both parties and it is because of these contractual obligations that the franchisor is required to provide their franchisees with support, guidance, and assistance before the franchisor can realize the desired level of expected performance (Rafer & Raphaele 1998). Support in the most general sense means to hold up, assist, advocate, maintain, and provide for (Merriam-Webster's Collegiate Dictionary, 11th edition, 2003). One type of support documented in the literature is social support. It has been examined in numerous studies that indicate it can lower negative outcomes of employee conflict at work while reducing stress and increasing job satisfaction and performance (Ducharme & Martin 2000; Fisher 1985; Haines, Hulbert, & Zimmer 1991; Park, Wilson, & Lee 2004). A similar study conducted by Rousseau and Aube (2010) indicates that social support leads to affective commitment and is moderated by the resources available and the conditions of the work environment. Recently, social support has been examined in a small business context to understand the negative effects of employees' personal conflict and job satisfaction (Martinez-Corts, Boz, Medina, Benitez, & Munduate 2011).

Based on the above, social support is a resource that is helpful in elevating an employees' job function within the context of the organization (Ng & Sorensen 2008). Furthermore, organizational support theory (Eisenberger et al., 1986; Rhoades & Eisenberger 2002; Shore & Shore 1995) states that in order to meet socio-emotional needs and to assess the benefits of increased work effort, employees form a general perception concerning the extent to which the organization values their contributions and cares about their well-being. Moreover, support the franchisee receives from the franchisor not only has to meet the franchisees' expectations, it has to meet the psychosocial expectations of the relationship (Davies et al., 2009). The social support literature is the focus in determining what support the franchisor can provide the franchisee to have a positive impact on the relationship.

Perceived Organizational Support and Perceived Franchisor Support

According to Eisenberger, Huntington, Hutchinson and Sowa (1986), employee perceptions of perceived organizational support (hereafter POS) influence employee contributions to that company. Although research studies in the literature have found support between POS and desired employee outcomes (Babakus et al., 1996; Eisenberger et al. 1990; Piercy et al., 2006; Randall et al., 1999; Riggle et al., 2009; Whitener 2001), it has not been thoroughly studied in the context of the franchising relationship (i.e., PFS). There are studies that look at the franchising relationship from the franchisee's perspective and lack of support is indicated as a common problem (Knight 1986). However, the studies on franchising have not examined the relationship with respect to the dependent variable of POS (which is PFS in a franchise environment). Therefore, the support activities the franchisor provides the franchisees' can impact their perceptions of POS similar to the salesperson. Salespeople are like franchisees in that they are the go between the company they work for and the customer's they serve. Given this, it is proposed that there is a similarity between POS and PFS.

Salespeople have to perform many different kinds of functions to facilitate the buyer and seller relationship. They often have to conduct business remotely from their firms and can experience controversy between meeting their firms' requirements and customers' needs (Piercy et al., 2006). This is not unlike the franchisor/franchisee relationship. The franchisee often experiences similar controversy between meeting the franchisor's contractual requirements and the needs of the customers they serve. A study conducted by Babakus et al. (1996) indicated that POS takes into account how the salesperson "views their relationship with the organization in terms of recognizing individual accomplishments and other feedback, responding to personal needs, considering personal views, and offering assistance when needed" (p.44), not unlike the franchisee's relationship with the franchisor. Furthermore, they found the job/task characteristics of compensation and training in the sales environment had a positive effect on POS (Babakus et al., 1996). Although conceptual connections exist between a salesperson to an organization and a franchisee to a franchisor, an examination of the franchising literature reveals no attention to this possible connection. It appears logical to conclude, therefore, that the services provided by the franchisor will impact a franchisees' PFS.

Advertising / Brand Value and Recognition

According to Aaker's (1991) components of brand equity, advertising has four main assets. It can build brand awareness and therefore increase value, allows for creation of brand associations, can allocate price premiums, and raise customer loyalty (Aaker 1991). These assets can also pertain to the franchise environment by building brand awareness, increasing franchise value, and facilitating price premiums. Another important benefit of advertising in a franchising relationship is it leads to brand value and brand recognition (Stassen & Mittelstaedt 2002). Brand value/recognition is something a franchisor can provide a franchisee and makes the idea of franchising attractive. The value in a brand is the fact it can provide a competitive advantage and a way to differentiate one firm from another (Sigue & Chintagunta 2008). Moreover, it acts as a "symbol of the firm of trust, reliability and quality" (Leslie & McNeil 2010 p. 22). In short, franchisees often look to the brand image to determine the perceived value of the franchise.

Franchising brands and trademarks are invaluable to the franchisor and the franchisee to the extent there is a statement in the contract for franchisees to pay a royalty allocated to an advertising fund for continued advertising support of the brand by the franchisor (Sigue & Chintagunta 2008). The more the brand is preferred and valued by consumers and industry as a whole, the more the franchisee perceives it positively (Leslie & McNeil 2010). It also symbolizes a standard way of conducting business based on the procedures required by the franchisor and their advertising (Michael 1996). Additionally, when a franchisor supports the corporate brand, it sends a message to the franchisee that they will continue brand development (Mathewson & Winter 1985; Zachary et al., 2011).

A survey of franchisees' conducted by Abdullah et al. (2008) determined the level of importance of the franchise brand to franchisees. One question asked, "What is the most beneficial element in the franchise package?" In response to this question 35.4 percent of respondents indicated they believed brand recognition, status, and image were the most beneficial aspects of the franchise package. If the franchise brand is perceived as one of the important aspects of the firm, it would seem that the stronger the brand, the more beneficial to both the franchisor and franchisee. Furthermore, if advertising can continue to promote and strengthen the brand the franchisor/franchisee relationship will stay strong (Nisar 2011).

National image advertising conducted by the franchisor is used to boost brand image for the franchise as a whole (Sigue & Chintagunta 2008) and is a necessary variable for a franchise trademark to maintain strength and sustain continual growth (Stassen & Mittelstaedt 2002). When a franchisor allocates more funding toward advertising the franchisee perceives a stronger reputation in the market and is inclined to work toward higher profits and revenues (Park & Jang 2012). This indicates that the franchisee perceives more support from the franchisor. Based upon these ideas, it is proposed that brand/value recognition has a partially mediating effect on advertising and a direct effect on PFS. Thus, the following hypotheses are proposed:

> H1a: As brand value/ recognition increases, franchisee PFS will increase.
>
> H1b: As the franchisees attitude toward advertising positively increases, their brand value/ recognition increases.
>
> H1c: As the franchisees attitude toward advertising positively increases, their PFS will increase, but will be partially mediated through brand value/ recognition.

Organizational Climate

"Organizational climate refers to the individual's internalized representation of organizational conditions and interrelationships among these conditions, and reflects a cognitive structuring of perceived situational influences" (Jones et al., 1977, p. 4). People who associate themselves with a particular organization can be behaviorally influenced by that organization's psychological surroundings (Pritchard & Karasick 1973). Therefore, organizational climate is composed of organizational and social variables that become an organization's environment (Schul et al., 1985). It is how people assign meaning to the experiences they have in their work environment (Schneider, Ehrhart, & Macey 2011) and that meaning is based on how the organization handles its members and environment (Schul et al. 1985).

Organizational climate has been examined in many different organizational settings, including industrial companies, (e.g., Turner & Lawrence 1965; Vroom 1960), scientific and research firms (e.g., Gordon & Marquis 1966; Pelz & Andrews 1966), and academic institutions (e.g., Pace & Stern 1958; Pervin 1967; Woodman & King 1978). Organizational climate research has also been conducted on hospitals, management systems, business organizations, public utility companies, insurance agencies, (Woodman & King 1978) and franchising (Schul et al., 1985). These studies found that organizational climate is related to a person's behavior (Pritchard & Karasick 1973). The importance of studying this construct is based on the demonstrated relationships with other key organizational variables (Schnake 1983). Organizational climate has been found to have relationships with job satisfaction (e.g., Deal & Kennedy 1992; Kaczka & Kirk 1968; Pritchard & Karasick 1973; Schneider 1972; Schul et al., 1985); job performance (Hall & Lawler 1968; Kaczka & Kirk 1968; Pritchard & Karasick 1973); and leadership behaviors as well as quality of work group interactions (Franklin 1975; Litwin & Stringer 1968).

The primary focus of organizational climate research has been in the organizational behavior and psychology literature (Schneider et al., 2013). It has also been studied in the management (Schneider & Bartlett 1970) and sales literature examining a salesperson motivation and perceptions of support in their firm (Tyagi 1982). For example, Tyagi (1982) drew a connection between salesperson motivation and their perceptions of organizational climate.

An interesting and potentially useful question exists as to how organizational climate translates from intraorganizational applications to a franchising environment. In franchising, organizational climate and its effect on employees and customer satisfaction have been explored (Johnston, Spinks, & Manning 2010), but these researchers did not examine it in the context of the franchisee perspective. As noted earlier, franchising and sales environments exhibit similarities in that the franchisee and the salesperson are both the middlemen to the company they represent and the customers they serve. Given this, franchisee perception of the work environment is likely to have an effect on their motivation and satisfaction with the franchisor.

Even with these similarities, the many different aspects of organizational climate make this particular construct challenging to effectively operationalize in franchise settings (Strutton, Pelton & Lumpkin 1993). However, because (1) organizational climate represents a person's perception of the organization's culture (Jones et al., 1977); (2) the basis of the franchising relationship is people representing both the franchisor and the franchisee (Strutton et al., 1993); and (3) a franchisee is buying into a franchisor's existing organizational culture, it would appear that organizational climate is an appropriate construct to examine within a franchising context.

Climate has been conceptualized and measured in a number of ways across different domains (Jones et al., 1977; Pritchard & Karasick 1973; Schnake 1983; Schneider & Bartlett 1970; Tyagi 1982). In the franchising literature, four facets from those dimensions have been used to determine satisfaction. They are initiating structure, leader consideration, autonomy, and reward orientation (Schul et al. 1985). These dimensions were developed with a focus on a real estate brokerage franchise and are consistent with climate taxonomies developed in industrial settings (Litwin & Stringer 1966; Porter & Lawler 1968; Schneider & Bartlett 1970; Schul et al., 1985) and in other types of organizations (Churchill, Ford & Walker 1976; Hall & Lawler 1968; Schul et al,. 1985). However, to-date these dimensions have not been studied to determine PFS. Hence, there is an opportunity for contribution to the franchising domain.

Initiating Structure

Schul et al. (1985, p.15) indicate that initiating structure refers to the behavior of the channel leader, in that it is "the degree to which the leader organizes and defines the task environment, assigns the necessary functions to be performed, establishes communications networks, and evaluates work group performance." The instrumental activities that define a channel leader are very precise, and detailed work processes and procedures are required for the organization to function as a "social system" to adapt to the environment and allocate resources effectively (Parsons 1951). In the channel of distribution, it is the channel leader that is responsible for the "planning, organizing, coordinating, and controlling of channel-related activities" (Schul et al., 1985 p. 15). In the franchising context, the channel leader is the franchisor. In their mind, they sell a proven business model that contains work processes and procedures already in place (Windenhausen & Joyce 1977). When the franchisee perceives the franchisor as high on initiating structure, the franchisee better understands and appreciates the policies and operational procedures (Schul et al., 1985). Based on the above:

> H2a: The greater the perceived level of initiating structures from the franchisor, the greater the level of PFS.

Leadership consideration

A leader who looks for an employee's thoughts and opinions when making a decision can influence the person's feelings of reward (Evans 1970; House 1971; House

& Mitchell 1974; Tyagi 1982). Being involved in the decision making process not only gives a person the feeling of control over what happens with the job but also enhances their belief that a job well done will result in the desired final outcome (Tyagi 1982). Furthermore, when a manager takes interest in an employee's progress by providing them with reinforcement from the head office and continuing positive cooperation, the employee is more likely to believe there is a sense of concern and support from the manager (Campbell et al., 1970). The length a manager goes to meet the needs and address the problems of their employees has an impact on their belief of how the firm supports them. This is related to the consideration dimension which is frequently described as supportive, participative, socio-emotional, or expressive (House and Mitchell 1974; Parsons 1951; Schul et al., 1985).

Analogous to the above examples, the franchisee also needs to believe they have the backing of the franchisor's resources in order for them to have confidence that they are a part of the franchise leading them to achieve their goals. Furthermore, this is not only good for the franchisee, but also increases the monetary value of the franchisor (Morrison 1996). A franchisee's desire to be entrepreneurial will lead to the need to be included in the decisions which ultimately affect them and other franchisees (Strutton et al., 1993). The more the franchisee believes they are considered, the more they will feel they are valued by the franchisor which will lead to a feeling of support. Thus:

> H2b: The greater the perceived leadership consideration from the franchisor to the franchisee, the greater PFS.

Autonomy

Firms that have a culture of autonomy are more likely to treat their employees as members and independent participants "with their own interests, preferences, abilities, and allegiances" (Ashkanasy, Wilderom, & Peterson 2000, p. 419). High autonomy is when someone feels personally responsible for their job and its outcomes (Hackman & Lawler 1971). It refers to the freedom a person has to be their own boss and to make their own decisions (Schul et al., 1985).

Jobs that are challenging and out of the norm provide a person with an internal feeling of satisfaction and motivation (Jones & James 1977). It is the autonomy or the feeling of independence that attracts many people to a franchising opportunity. Furthermore, it is a way to be involved in an established business plan that offers a level of independence and freedom to be your own boss (Morrison 1997). Thus:

> H2c: The greater level of perceived autonomy by the franchisee, the higher the PFS.

Reward orientation

In order to obtain high performing and motivated entrepreneurs and individuals, different structural and reward options must be available (Brazeal 1996). Reward orientation has been extensively studied in organizational behavior in regard to performance and extrinsic and intrinsic rewards (Porter & Lawler 1968; Schneider & Olsons 1970; Schul et al., 1985). Studies have demonstrated that a relationship between performance-reward exists in different types of organizations (Futrell & Schul 1978; Schneider & Olsons 1970).

An examination of entrepreneurial organizations reveals that certain organizational factors need to support entrepreneurial activities for a member to be active and productive (Brazeal 1996). Control literature has examined the benefits of reward systems on attitudes and employee behaviors (Menon, Jaworski, & Kohli 1997). Reward orientation focuses on external variables such as customer relations and satisfaction, which are used for evaluating and rewarding individuals in an organization (Kohli & Jaworski 1990). If an organization can emphasize having a common goal and reward individuals for the achievement of that goal, a cooperative and sharing environment can develop (Menon et al., 1997). The relationship between the franchisor and franchisee also needs an environment of cooperation and common goals in order for both to be successful. It would seem franchisees who perceive a strong performance-reward relationship with the franchisor would be expected to focus on working to achieve the goals of the organization (Schul et al., 1985) and perceive more support from the franchisor. Thus:

> H2d: The greater the perceived performance-reward relationship provided by the franchisor, the higher the PFS.

Methodology

Sample

An online panel company with access to franchisees' in the United States was used to distribute the questionnaire. Scholars studying franchising have frequently used panel data (Castrogiovanni, Justis & Julian 1993; Combs, Michael & Castrogiovanni 2009) in their studies. The panel company recruited 238 franchisees' to complete the survey. After the elimination of invalid responses, there were 208 completed questionnaires. Respondents were removed for 1) duplicate responses, 2) agreement response bias, and 3) in one case, for reporting an invalid industry.

Of the 208 completed surveys, 40% of the respondents were female and 46% had a college degree. The data indicates that 42% had been an owner/ operator of a franchise between 3 and 4 years. The average age of the franchisees was 41. Forty-three (about 21%) owned more than one franchise location.

Measurement

The survey was comprised of existing scales where possible, and others were adapted to a franchise setting as needed. The four constructs were measured using 34 items on seven-point Likert type scales ranging from 1 (strongly disagree) to 7 (strongly agree). Brand value/recognition was measured using a four-item scale developed by Barthelemy (2008). That scale is a combination of two earlier-developed scales by Combs and Ketchen (1999) and by Erramilli, Agarwal and Chekitas (2002).

To measure advertising, a three item scale developed by Buil, Chernatony and Martinez (2013) was used to collect information on an individual's attitude toward advertisements. This scale draws on the brand equity literature. It assesses consumer's perceptions of how creative and unique advertising is compared to “competing brands”, thus indicating how successful the advertising is (Buil et al., 2013, p. 119).

The POS scale developed by Eisenberger, Huntington, Hutchinson and Sowa (1986) was adapted to the franchising context. The original scale contains 36 items. This scale has been extensively used within the sales management literature (e.g., Babakus et al., 1996; Blau et al., 2001; Cropanzano et al., 1997; DeConinck & Johnson 2009; Eisenberger et al., 1990; Piercy et al., 2006; Randall et al., 1999; Rutherford et al,. 2010;Whitener 2001). A 15-item modification of the original (Eisenberger et al., 1986) 16-item shortened version of the scale was used in this study. In this scale, part of the statements were worded positively and some were worded negatively to control for agreement response bias (Eisenberger et al., 1986).

Because the POS scale had not been used within a franchising context, the scale was modified in order to adapt to this environment. Specifically, the following change was made to the scale: the word organization was changed to franchisor. Furthermore, three experts unanimously agreed one of the statements should be removed from the survey. It reads “If the organization could hire someone to replace me at a lower salary it would do so.” In the franchise setting the franchisee is usually the owner and the operator of the franchise. This statement does not speak to the autonomous and legal nature of a franchise setting. Thus, the original 16 items became 15 items to measure the PFS construct.

Organizational climate was measured using a questionnaire developed by Schul et al. (1985) that examines the four different types of organizational climate dimensions: initiating structure (3 items), leader consideration (2 items), autonomy (3 items), and reward orientation (2 items). This is a modification of Schul et al.'s (1985) original five-point version of the same scale.

Analytic Approach

First, a confirmatory factor analysis (CFA) was performed using AMOS 18 to assess the theoretical measurement model. Goodness-of-fit was analyzed using guidelines provided by Hair, Black, Babin and Anderson (2010) for a sample of less than 250 respondents. Specifically, SRMR should be 0.08 or less, RMSEA should be less than 0.08, and CFI should be at or above .95. Following the CFA, alpha's, convergent validity, discriminant validity, and average variance extracted were examined. Given the size of this sample, multiple regression was used to test H1a, H1b, and H2a-d. Hypothesis H1c was tested for mediation using the guidelines set by Baron and Kenny (1986).

Results

After analyzing the outputs from the CFA, measurement modifications were needed. The items with low loadings were identified and construct reliabilities were checked to determine the impact removing the item would have on the model. The items were removed if the modification indices and reliabilities suggested removal. The measurement model was again assessed to determine the impact of the removed items. The refining of the model based on factor loadings and modification indices (Hair et al., 2010) continued until there were 24 items measuring the four constructs.

Assessment of Scale Items

A confirmatory factor analysis (CFA) was conducted by creating a measurement model using the AMOS software to see if the items loaded on their respective constructs.

The initial model fit of the 33 items indicated an opportunity to improve the overall reliability of the scales. The results were X^2 of 1,177 with 467 DF; SRMR=.064; RMSEA=.086; CFI=.876; RFI=.788 which indicated items should be removed to improve model fit. Once the items were removed, a total of 24 items measuring the constructs remained. The PFS scale was reduced from 15 items to 7 items. Advertising and brand value/ recognition remained at three and four items, respectively. The autonomy facet of organizational climate was reduced from three items to two items, while the other facets (initiating structure, leadership consideration, and reward orientation) remained at two items each. Following the removal of items the measurement model exhibited a good fit (X^2= 339 with 188 DOF; SRMR=.067; RMSEA=.062; CFI=.956; RFI=.89).

Then, the scale items were then assessed by performing a reliability analysis using Cronbach's alpha to determine the consistency of the items used in the survey, as recommended by Nunnally (1978). The reliabilities for the constructs ranged from 0.79 – 0.93, well within acceptable guidelines (Hair et al., 2010). In the context of this model, the four item brand value/recognition scale had a reliability of 0.91. The advertising three-item scale adapted to the franchising context had a reliability of 0.89. The POS scale as adapted to the franchising setting (PFS) produced a reliability of 0.93. In the context of this model, the organizational climate scale with the four facets developed by Schul et al. (1985) had reliabilities as follows: initiating structure 0.86, leadership consideration 0.79, autonomy 0.80, and reward orientation 0.85. Hence, as stated previously all of the scales reliabilities were above .70, which demonstrates acceptable internal consistency (Hair et al., 2010). A summary of the construct items and their reliabilities are provided in Table 2.1.

Tests for convergent and discriminant validity were conducted. For convergent validity, standardized regression weights (loadings) for all factor loadings were .75 or above, thus meeting the preferred minimum of .70 (Hair et al., 2010). Additionally, average variance extracted (AVE) scores for all constructs ranged from 0.66 – 0.77 exceeding the 0.50 guideline indicating convergent validity. Furthermore, composite reliability, a measure of internal consistency of the measured variables representing a latent construct, ranged from 0.79 – 0.93 for all constructs, which are above the acceptable level of 0.70. This information is provided in Table 2.1. Discriminant validity was assessed using Fornell and Larcker's (1981) approach of comparing the AVE to the square of the construct intercorrelations. The comparison revealed the AVE's were all larger than the squared interconstruct correlation for all constructs, which confirmed discriminant validity.

Table 2.1 Factor loadings, Construct Reliability, Alpha's & AVE

Construct	Item		Factor Loadings	Construct Reliability	Alpha	AVE
PFS	5c	The franchisor strongly considers my goals and values.	0.78	0.93	0.93	0.67
	5j	The franchisor cares about my general satisfaction at my franchise.	0.81			
	5k	If given the opportunity the franchisor would not take advantage of me.	0.75			
	5l	The franchisor shows concern for me.	0.85			
	5m	The franchisor cares about my opinions.	0.82			
	5n	The franchisor takes pride in my accomplishments at my franchise locations.	0.84			
	5o	The franchisor tris to make my job as easy as possible.	0.86			
Brand Value / Recognition	6a	Our brand name recognition is strong.	0.79	0.91	0.91	0.71
	6b	Your franchise (chain) has a good reputation for quality and service.	0.89			
	6c	Your franchise (chain) is well respected.	0.87			
	6d	Your brand name is one of your most precious assets.	0.83			
Advertising	8a	The advertisements for the franchise (brand X) are creative.	0.89	0.89	0.89	0.73
	8b	The advertisements for the franchise (brand X) are original.	0.86			
	8c	The advertisements for the franchise (brand X) are different from the advertisements of the competitve brands.	0.82			
Organizational Climate Initiating Structure	7f	Good ideas from franchisees often do not get passed along to the management of this franchise organization.	0.97	0.87	0.86	0.77
	7g	Franchisees are not allowed to provide input into the determination of standards and promotional allocations, or in establishing other key franchise-related criteria fees, services to be added, etc..	0.78			
Organizational Climate Leader Consideration	7h	I am provided sufficient guidelines and careful instructions on how to manage my franchise operations.	0.76	0.80	0.79	0.66
	7i	The rights and obligations of all parties concerned are clearly spelled out in the franchise contract.	0.86			
Organizational Climate Autonomy	7a	I am able to pace my business growth and development as I see fit without any interference from my franchisor.	0.88	0.80	0.80	0.67
	7b	There are very few, if any, individuals (or offices) in the franchise organization who can directly influence my company's operation.	0.75			
Organizational Climate Reward Orientation	7j	I receive adequate business income as a direct result of being affiliated with this franchise organization.	0.89	0.85	0.85	0.74
	7k	The benefits I receive from being a member of this franchise organization are directly related to my company's	0.83			

Summated scales were created by averaging the remaining items and then used to develop correlations, means, and standard deviations for the final research model (Table 2.2). Item means for the constructs were greater than their median values and the single sample means tests showed p< .01 for all variables except one facet of organizational climate, initiating structure which was at p< .05. Brand value/recognition and leadership consideration had the largest mean values, 6.03 and 5.81 respectively. Correlations were in the .2-.7 range, indicating medium to large effects (Cohen, Cohen, West & Aiken 2002). Tolerance ranged from .36-.82 indicating no significant multicollinearity. Variance inflation factors (VIFs) ranged from 1.22-2.76, showing they were within acceptable guidelines (Mason & Perreault 1991).

Table 2.2 Correlations, means and standard deviations

	Mean	SD	1	2	3	4	5	6	Tol	VIF
1. PFS	5.77	0.99								
2. Brand Value/ Recognition	6.03	0.91	.686**						0.46	2.16
3. Advertising	5.72	1.04	.597**	.594**					0.48	2.08
4. OC Initiating Structure	4.91	1.67	0.121	0.089	.162*				0.82	1.22
5. OC Leadership Consideration	5.81	1.02	.691**	.646**	.623**	.206**			0.40	2.53
6. OC Autonomy	5.45	1.14	.592**	.477**	.534**	.382**	.423**		0.54	1.86
7. OC Reward Orientation	5.75	1.03	.701**	.656**	.628**	.568**	.196**	.716**	0.36	2.76

** P < .01, * P < .05

Assessment of Hypothesized Linkages

Given satisfactory measurement properties of the scale items, the next step was to examine the hypothesized relationships. First H1a, H1b, and H2a-d were examined using regression. Summated scale scores were used in the regressions. Hypothesis 1a examined the impact of brand value/recognition on franchisees PFS. Brand value/recognition was found to have a significant and positive effect on a franchisees' PFS ($b= .230$, $p< .001$). Results provide support for H1a. The next hypothesis (H1b), examined whether or not the franchisees attitude toward advertising would increase their brand value/ recognition. The results indicated this was significant ($b= .594$, $p< .001$), thus providing support for H1b. As a franchisor's attitude toward advertising increases, so does a franchisees' perception of brand value/recognition.

The four organizational climate facets were also tested with regression. Hypothesis 2a examined initiating structure leading to an increase in a franchisee's PFS. Although the results were significant ($b= -.108$, $p< .05$), it was in the opposite direction of the proposed hypothesis, hence support was not provided for H2a. It appears that a decrease in the franchisors initiating structure leads to the franchisees perception of support. The next hypothesis examined was leader consideration. H2b stated the more leader consideration by the franchisor, the more the PFS. This was found to be significant ($b= .30$, $p< .001$). Results provided support for H2b. H2c predicted the more autonomy provided by the franchisor to the franchisee, the more the franchisee would perceive franchise support. This was found to also be significant ($b= .32$, $p< .001$), supporting H2c, Next, hypothesis 2d (reward orientation) was examined. It was found to be significant and positive ($b= .18$, $p< .01$). Results provided support for H2d. The more the franchisor rewards the franchisee, the more the franchisee perceives support. All four facets of organizational climate combined predicted PFS with an R^2 of .68 indicating they account for 68% of the variance in PFS (see Table 2.3).

Table 2.3
Regression Predicting Perceived Franchise Support

Variable	B	SEB	b	R^2
				0.68
Constant	0.5	0.3		
Advertising	0.02	0.05	0.02	
Brand value/ recognition	0.26	0.07	0.23***	
Organizational Climate				
Initiating structure	-0.7	0.03	-0.108*	
Leadership consideration	0.3	0.06	0.30***	
Autonomy	0.27	0.05	0.32***	
Reward Orientation	0.17	0.06	0.18**	

***p< .001, **p< .01, *p< .05
B - Unstandardized coefficient
SEB - Standard error

H1C required a test for mediation. Specifically, it examines if brand value/recognition was a partial mediating variable (Baron & Kenny 1986) between the franchisees' attitude toward advertising and PFS (Park & Jang 2012). The first step was to assess the impact the four facets of organizational climate (initiating structure, leadership consideration, autonomy & reward orientation) had on perceived franchise support. The next step evaluated the impact of both the organizational climate facets and the attitude toward advertising on PFS. The regression results indicated that three of the four organizational climate facets were significant at p< .001 (leadership consideration, autonomy & reward orientation), whereas initiating structure was significant at p< .01. However, the attitude toward advertising construct was not significant. The next step was to run a regression analysis with the attitude toward advertising construct predicting brand value/recognition. The results indicated a positive significant relationship (B = .594, p< .001). Then the organizational climate facets and brand value/recognition were regressed on PFS and were all determined to be significant.

The final step was to evaluate the impact of all of the independent variables (organizational climate facets, attitude toward advertising, and brand value/recognition) on PFS. All were significant except for the measure of attitude toward advertising. Based on these results, the attitude toward advertising measure had no direct impact on PFS (see Table 2.4).

When regression was performed with brand value/recognition predicting PFS, the path was significant (B =.230, p<.001). However, when attitude toward advertising and brand value/recognition were both used in multiple regression to determine if they predicted PFS, only brand value/recognition was found to be positive and significant with B = .230, p<.001 (see Table 2.4). If the relationship between attitude toward advertising and PFS is reduced but remains significant when brand value/recognition is added as another predicting variable, then the prediction of partial mediation will be supported (Hair et al., 2010). In this case, the only positive significant relationship was between brand value/recognition and PFS, therefore there is no support for brand value/recognition mediating the relationship between the franchisees' attitude toward advertising and PFS (H1c).

Table 2.4 Testing Mediated Regression H1c

	Model 1	Model 2	Model 3	Model 4	Model 5
	ß	ß	ß	ß	ß
Step 1					
Organizational Climate→Perceived Franchise Support					
OC Initiating Structure	-.195***				
OC Leadership Consideration	.385***				
OC Autonomy	.343***				
OC Reward Orientation	.286***				
Step 2					
Organizational Climate→Perceived Franchise Support					
OC Initiating Structure		-.133**			
OC Leadership Consideration		.366***			
OC Autonomy		.348***			
OC Reward Orientation		.237***			
Advertising→Perceived Franchise Support		0.064			
Step 3					
Advertising→Brand Value/ Recognition			.594***		
Step 4					
Organizational Climate→Perceived Franchise Support					
OC Initiating Structure				-.109*	
OC Leadership Consideration				.303***	
OC Autonomy				.321***	
OC Reward Orientation				.181**	
Brand Value/Recognition→Perceived Franchise Support				.230***	
Step 5					
Organizational Climate→Perceived Franchise Support					
OC Initiating Structure					-.108*
OC Leadership Consideration					.297***
OC Autonomy					.316***
OC Reward Orientation					.177**
Brand Value/Recognition→Perceived Franchise Support					.226***
Advertising→Perceived Franchise Support					0.023
Total R^2	0.658	0.660	0.353	0.684	0.684
Adj R^2	0.652	0.652	0.350	0.676	0.675

*** p< .001 **p< .01, *p< .05

A summary for all hypotheses tests is presented in Table 2.5. Five of the seven hypotheses were supported. There was no support indicated for a greater level of initiating structure leading to more PFS. The other hypothesis not supported and neither was the mediating relationship between a franchisees' attitude toward advertising and PFS through brand value/ recognition. The results indicate that brand value/ recognition had a positive significant relationship to PFS, but a franchisees' attitude toward advertising was not significant and mediation was not supported.

Table 2.5 Hypotheses Results

	Predictor Variable	Dependent Variable	Findings
H1a	Brand Value/Recognition	PFS	Supported***
H1b	Advertising	Brand value	Supported***
H2a	OC Initiating Structure	PFS	Not Supported
H2b	OC Leadership Consideration	PFS	Supported***
H2c	OC Autonomy	PFS	Supported***
H2d	OC Reward Orientation	PFS	Supported**
H1c	Advertising	PFS	Not Supported
	Partially mediated by Brand value/ recognition		

PFS = perceived franchisor support
***p< .001, **p< .01, *p< .05

Discussion

There have been numerous studies examining the effects of social support in a work environment. Social support lowers employee conflict while reducing stress, and increasing job satisfaction and performance (Ducharme & Martin 2000; Fisher 1985; Haines et al., 1991; Park et al., 2004). Another study indicated "social support leads to affective commitment and is moderated by the resources available and the conditions of the work environment (Rousseau & Aube 2010)".

Previous research has examined social support in a small business environment in an effort to understand the negative effects it may have on employees' personal conflict and job satisfaction (Martinez-Corts et al., 2011). Ng and Sorensen (2008) conclude that social support benefits employees' job function within an organization. In addition, organizational support theory suggests that employees form perceptions about how the firm values their contributions and cares about their well-being, which can have an impact on their work effort (Eisenberger et al., 1986). In other words, employees' perceptions of POS influence their contributions. Furthermore, research studies have found a connection between POS and employee outcomes (Babakus et al., 1996; Eisenberger et al., 1990; Piercy et al., 2006; Randall et al., 1999; Riggle et al., 2009; Whitener 2001). POS has also previously been studied in the management and sales literature (e.g., Babakus, Cravens, Johnston & Moncrief 1996; Eisenberger, Fasolo & Davis-LaMastro 1990; Piercy, Cravens, Lane & Vorhies 2006; Randall, Cropanzano, Borman & Birjulin 1999; Riggle, Edmondson, & Hansen 2009; Tyagi 1982; Whitener 2001)., but it had not been studied in the context of the franchising environment with a focus on the franchising relationship.

Furthermore, there are studies that look at the franchising relationship and lack of support is indicated as a problem (Knight 1986), but the studies have not examined the franchise relationship with respect to the dependent variable of POS (which is PFS in the franchise environment). As stated previously, salespeople and franchisees' share similar characteristics. They are both required to be the go between the company they work for and the customers they serve. The salesperson is required to meet organizational objectives and customer needs in similar fashion to franchisees' who have a contractual obligation to the franchisor while still meeting the needs of their customers. Despite the possibility of this interesting connection of the salesperson to the firm and the franchisee to the franchisor, there was no franchising literature to examine this connection.

This study was designed to examine the franchisor/franchisee relationship by analyzing the services the franchisor provides the franchisee, and the impact it may have on the franchisees' perceptions of whether or not the franchise provides the necessary support. The goal of this dissertation was to apply Eisenberger et al. (1986) theory of POS to the franchise relationship to determine which types of support had an impact on the franchisees' perception of support from the franchisor. In this dissertation the types of support specifically examined were the four facets of organizational climate (initiating structure, leadership consideration, autonomy & reward orientation), the franchisees' attitude toward advertising, and whether or not brand value/recognition partially mediated the relationship between attitude toward advertising and POS.

As indicated in Table 2.5, support was found for five of the seven hypotheses indicating a direct relationship between the different types of support represented by the independent variables and PFS. Although an interactive effect was not supported for the hypothesis proposing a mediating effect of brand value/recognition on the relationship of franchisees' attitude toward advertising and PFS, a direct effect was observed between brand value/recognition and PFS. This indicates that although franchisees look to brand image to determine the perceived value of the franchise, it does not mediate the relationship of their attitude toward advertising to PFS in this study. Another interesting finding of this study is that initiating structure does not appear to impact a franchisees' perception of support. This may be because the franchisee is buying into an existing business model when buying a franchise and expects this as part of the business without previous knowledge of the workings of the particular franchise.

The other three facets of organizational climate (leadership consideration, autonomy & reward orientation) appear to have a positive significant impact on PFS. Leadership consideration, not unlike the sales literature, indicates the more a person has a feeling of control over what happens with the job enhances their belief that if they perform a job well the desired outcome will follow (Tyagi 1982). This also transfers to franchising. The more the franchisee perceives leadership consideration from the franchisor, the more the franchisees perceive support. Autonomy also had a positive impact on PFS, the more autonomy the franchisee perceives to have the more PFS. Reward orientation also had a positive and direct impact on PFS. That is, the stronger the performance-reward relationship between the franchisor and the franchisee the higher the perceived support from the franchisor.

Overall, the results indicate that certain types of support services provided by the franchisor lead to the franchisee perceiving more support from the franchisor. The support activities are three facets of organizational climate, the franchisees' attitude toward advertising, and brand value/ recognition, which directly lead to PFS. This finding is not surprising given that the franchisee relies on the franchisor for support to start and operate their business. The franchisor is the entity that is knowledgeable about the operations of the organization. What was surprising was there was no direct impact between a franchisees' attitude toward advertising and PFS. Given that brand value/ recognition does not mediate the relationship between attitude toward advertising and PFS was also surprising in that franchisees pay royalties to have advertising by the franchisor build brand awareness. Although franchisees ultimately look to the brand image of the franchise to determine its perceived value, it did not mediate the relationship. There was, however, a direct effect of brand value/recognition to PFS.

Limitations

This study like all research has limitations. First, the study was conducted in the U.S. and a variety of franchisees from different franchise organizations were surveyed. It does not take into account the different types of industries. Second, there is a lack of longitudinal data. Had the study been able to survey respondents several times, there may have been comparisons to be made in the relationship responses. Third, only the franchisees were surveyed. Although that was the intent of this particular study, having responses from both the franchisor and the franchisee could allow for comparisons of responses in the future.

Future Research

Future research should replicate this study in an international setting. Many franchise organizations have expanded to the international arena and support of those franchisees should be evaluated. Another opportunity would be to examine a particular industry in franchising and perhaps compare results across several discrete industries to see if the results hold true.

Conclusion

The purpose of this study was to apply the theory of Perceived Organizational Support (PFS) to the franchising relationship, which in the applied context became Perceived Franchise Support. The next was to provide insight into the types of support from the franchisor to the franchisee which increases PFS. The types of support predicted were four facets of organizational climate (initiating structure, leadership consideration, autonomy & reward orientation), the franchisees' attitude toward advertising, and brand value/ recognition. Brand value/recognition and three facets of organizational climate (leadership consideration, autonomy, and reward orientation) were found to be significant in increasing PFS. The prediction of brand value/recognition partially mediating the relationship between advertising and PFS was not supported. Furthermore, there was no support for the direct path of a franchisees' attitude toward advertising leading to PFS. The information provided on the three facets of organizational climate and brand value/recognition could assist franchisors in developing a better understanding of the support the franchisee perceives as being important to the relationship. Given that leadership consideration, autonomy, reward orientation and brand value/recognition can have a positive impact on the perception of the franchisees, they also could ultimately provide the franchisor with information to strengthen the relationship to the benefit of both parties.

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CHAPTER 3 ESSAY 2

FRANCHISING: AN EXPLORATORY EXAMINATION OF THE IMPACT OF POWER ON PERCEIVED FRANCHISOR SUPPORT AND CONFLICT

Introduction

When a firm determines the best method of expansion is through franchising, marketing and management problems, including conflict, can emerge (Combs & Ketchen 1999). In part, conflict emerges when the franchisor and the franchisee have different objectives (Boe, Ginalski, & Henward 1987). Examples include dealing with the franchisor's contractual requirements regarding product, quality and standards. The financial costs in joining the franchise as well as the royalty fees assessed every month can also be a source of conflict (Baucus, Baucu,s & Human 1993; Morrison 1997).

Researchers have examined antecedents to conflict and have found that power is a determinant of conflict (Boe, Ginalski, & Henward 1987; Morrison 1997; Pondy 1967; Raven & Kruglanski 1970; Stern & Gorman 1969). With the franchising relationship, Hunt and Nevin (1974), using French and Raven's (1959) conceptualization, examined power from the context of coercive and non-coercive means, with non-coercive including reward, expertise, legitimate, and referent power. Typically, within the franchising context most power in the relationship is in the hands of the franchisor because the contract usually favors them (Ozanne & Hunt 1971) and the franchisor is considered the expert at the time the franchisee is first starting the business (Aldrich & Auster 1986). This available expertise is a key reason people choose to open and operate a franchise. It is an established business model that offers them training and support in an industry where they may have little to no knowledge.

This essay was exploratory in nature and had several aims. First, it attempts to expand franchising knowledge by examining the constructs used in management and sales research to provide a better understanding of the franchise relationship, specifically exploring the relationships between perceived organizational support, power, and conflict. Second, the research attempts to advance the franchising literature by focusing on the franchisees' perspective of the franchising relationship. Furthermore, the proposed exploratory study examined selected predictors of conflict in a franchisor/franchisee relationship. By exploring this relationship and the variables that affect it, franchisors gain insight as to when and what power is most appropriate to reduce conflict in the relationship. Therefore, the purpose of this essay was to examine the extent to which perceived franchisor support and power lead to conflict (or reductions in conflict) in the franchisor/franchisee relationship.

To accomplish the objectives of this research, a theoretical foundation for organizational support was provided. Then an overview of each construct was discussed. The exploratory study was examined via an online format using a sample of 208 franchisees collected by a large firm specializing in panel data collection.

Theoretical Foundation and Construct Overview

Perceived Organizational Support

Perceived organizational support (POS) is a construct based on the perception an employee has about the support they receive from their firm and how that support influences their contributions to the firm (Eisenberger et al., 1986). Previous research in the management literature has found a relationship between POS and a variety of employee outcomes (Babakus et al., 1996; Eisenberger et al., 1990; Randall et al., 1999; Whitener 2001; Riggle et al., 2009). Similarly, in sales a relationship has been found between POS and a salesperson's satisfaction and organizational commitment to the firm (Babakus et al., 1996; Piercy et al., 2006). Finally, a salesperson's relationship with their organization has been found to influence the support they believe they are getting from that organization, as do the extent of the recognition, feedback, and assistance from the firm (Babakus et al., 1996). These relationships identified in management and sales are analogous to the franchisee's relationship with the franchisor.

POS includes a salesperson's perceptions of the firms' willingness to reward their efforts by providing them with interesting jobs and adequate resources (Eisenberger et al., 1986). As with the sales managers of firms who take "responsibility for coaching, establishing goals, motivating, and perhaps training the sales force" (DeConinck & Johnson 2009, p. 337), the franchisor often performs similar tasks for the franchisee. These tasks include training the franchisee and their employees in business practice (Combs et al., 2004; Stanworth & Curran 1999). Ultimately, the franchisor provides an established business processes, techniques, and information to run the business (Windenhausen & Joyce 1977).

Importantly, and the crux of the premise of this essay, is that *similar relationships have not been studied in a franchising context*. Studies have examined the franchisee's perspective and the lack of support received (Knight 1986), but not with respect to POS as a predictor variable. Despite the parallel in the sales management setting, no articles are evident in the extant franchising literature along these lines of inquiry. Applying the empirically tested concepts from the management, channels, and sales literature to a franchising context provides the opportunity to further explain the franchising relationship in a way not previously done. In order to make an appropriate adaptation for the purpose of this study, going forward with POS in the franchising context will be referred to as perceived franchisor support (PFS).

Power

Power in the channels literature is defined as the concept that one channel member can change or influence the behavior of another channel member (Hunt & Nevin 1974). French and Raven (1959) defined the different sources of power as the changes and effects that occurred with their use. They therefore determined that the basis of power was the relationship between two entities: a "social agent and a person" (p.155). Furthermore, from a research perspective they wanted to determine the reactions of the person experiencing the power, and in the process identified five types of power: referent, expert, reward, legitimate, and coercive power. Referent power refers to a person's desire to want to identify with a group or entity. Expert power is when a person perceives an entity has more knowledge than their own. Reward power pertains to the belief of a person that the entity has the power to mediate the reward provided to them. Legitimate power is based on values and the idea that a person believes the entity has the right to influence them, and that they also have an obligation to adhere to this influence. Collectively, four of the types of power (referent, expert, reward, and legitimate) are considered non-coercive in nature. The fifth type of power is coercive, which pertains to a person believing they can be punished (French & Raven 1959).

Conflict

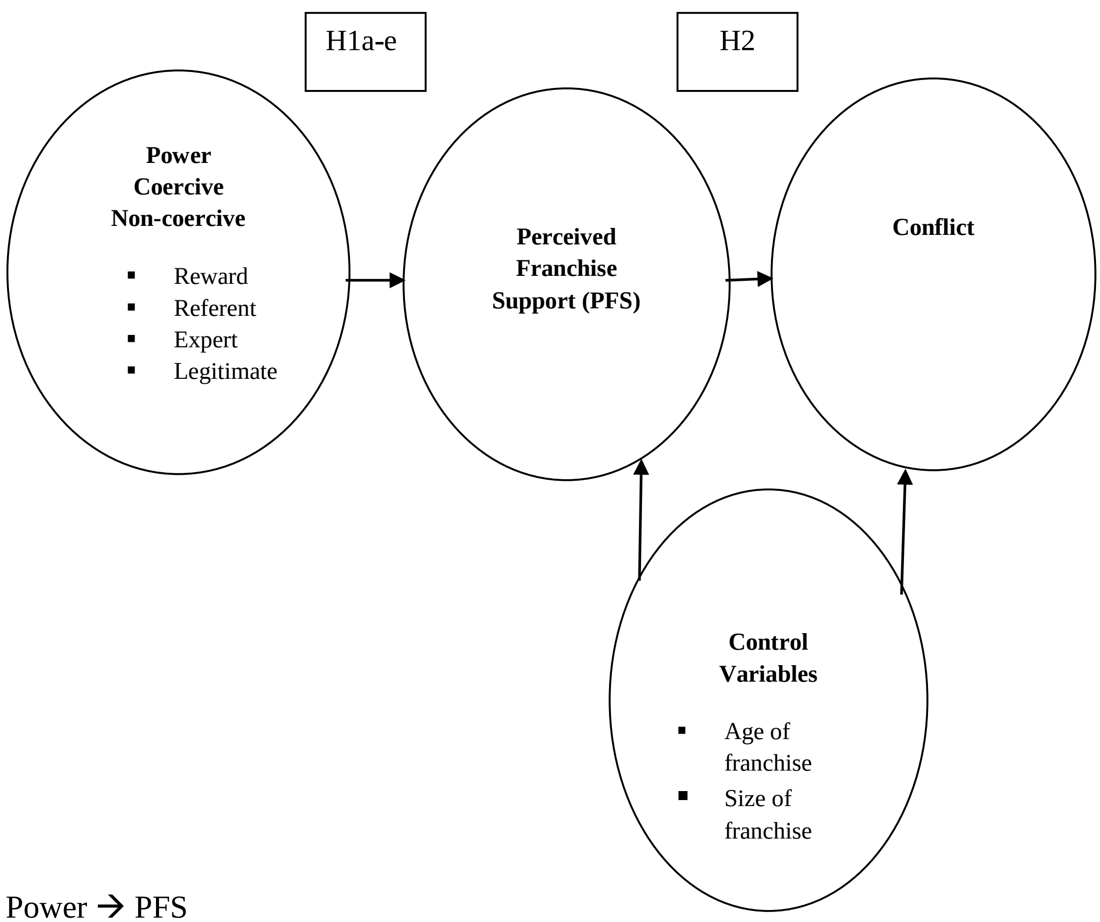
Intrachannel conflict exists when members of the channel believe that one partner's behavior is hindering the other partner from achieving their goals and ultimately affecting their performance (Stern & Gorman 1969; Strutton et al., 1993). "The effects of intrachannel conflict can be functional or dysfunctional to the operation of the channel" (Schul, Pride, & Little 1983, p.22). Functional conflict can aid in making the channel more efficient (Assael 1969; Bower 1965; Deutsch 1971; Lusch 1976; Rosenbloom 1973; Stern & Heskett 1969). Dysfunctional conflict can hinder the channel's capability to perform and could ultimately destroy its very existence (Alderson 1965; Rosenberg & Stern 1970; Schul et al., 1983; Stern & Gorman 1969).

In the franchising literature, dysfunctional conflict is described as a franchisor's rules or behaviors that obstruct the franchisee from being able to achieve their goals and ultimately hinder the franchisee's performance (Rosenberg & Stern 1970; Schul et al., 1983; Stern & Gorman 1969; Strutton et al., 1993). As such, the mere enforcement of the legally binding contract from the franchisor has potential to raise the franchisee's perception of dysfunctional conflict (Lusch 1976). Furthermore, the success of the franchisor and franchisee relationship partially depends on the franchisor managing the differences that will eventually emerge from the conflict between the franchisee's need to be independent and the franchisor's need to control (Etgar 1978; Rosenberg & Stern 1970; Strutton et al., 1993; Winsor, Manolis, Kaufmann, & Kashyap 2012).

Hypotheses Development

The exploratory model is presented in Figure: 2.

Figure 2: Outcomes of Power and Perceived Franchisor Support Power on Dysfunctional Conflict



Power → PFS

In the marketing channels literature, power is one channel member's "ability to control the decision variables in the marketing strategy of another member in a given channel at a different level of distribution" (El-Ansary & Stern 1972, p. 47). In the franchise relationship, non-coercive sources of power imply a desire to give power willingly (Hunt & Nevin 1974), whereas exercised coercive power, as mentioned earlier, can lead to the enforcement of the contract which in most cases favors the franchisor (Michael 2000). It is the support activities provided by the franchisor that can legitimize this potential for coercive power (Hunt & Nevin 1974).

The franchising literature indicates that non-coercive power refers to the support activities the franchisor provides the franchisee (Hunt & Nevin 1974; Doherty & Alexander 2006). The franchisor's referent power attracts franchisees to the business. At the same time, franchisees want to be involved with an established business model. The franchisors have the expertise and knowledge about the business, which in turn provides very attractive assistance to franchisee start-ups (Windenhaus & Joyce 1977).

In franchise relationships, the contractual arrangement between the franchisor and the franchisee has a tendency to make the franchisee more dependent on the franchisor (Strutton et al., 1993). This makes the franchisor the stronger channel member and gives them the ability to dictate the channel climate (Strutton et al., 1993). In the franchising literature, it is the threat of enforcing the contract that is the key coercive power the franchisor can inflict on the franchisee, and possibly ultimately terminating the relationship (Bond & Bond 1991; Brickley et al., 1991; Doherty & Alexander 2006; Hadfield 1990; Rubin 1978; Tikoo 2002). These contractual arrangements refer to the types of products, the quality, and the standards set by the franchisor (Morrison 1997). The franchise fee, at the time of startup, and the monthly royalties, (Baucus et al., 1993) as well as differing objectives and profitability goals (Justis, Olsen, & Chan 1993;

Morrison 1997) can all be an area of conflict in the relationship. Ultimately, the coercive power of the franchisor is that they can terminate the contract with the franchisee through litigation, (Bond & Bond 1991; Brickley, Dark, & Weisbach 1991; Doherty & Alexander 2006; Hadfield 1990; Rubin 1978) forcing them out of business for the violation of these criteria.

We can use knowledge of power and support in other fields to propose directions for research related to the franchisor-franchisee relationship. For example, in a study to analyze the effects of legitimate power and coercive power in an experimental situation involving a supervisor with and without group support, Raven and French (1958) established a link between the perception of group support and power. Their findings indicated that group support of the supervisor resulted in greater acceptance of the perceived legitimate power held by that supervisor and the workers were more attracted to the supervisor. However, the effects of coercive power lowered the groups' perceptions of the supervisors' legitimacy (Raven & French 1958).

A search both outside and inside the franchising literature revealed very limited knowledge of the relationship between POS and power. A study conducted in a healthcare organizational setting revealed that supervisor's use of expert, referent, and reward powers led to employee POS, and that if the employees felt supported by the manager they encountered less resistance, received fewer complaints, and ultimately lower turnovers. On the other hand, use of coercive power by management ultimately led the employees' to view service recovery as necessary (Carson et al., 2002).

Taking the above findings into account, the following hypotheses are proposed:

H1a: As franchisor use of coercive power decreases, PFS will increase.

> H1b-e: As franchisor use of non-coercive power (reward, referent, expert, and legitimate) increases, PFS will increase.

PFS → Conflict

Research across various types of marketing channel systems reveals that the franchising business model is highly susceptible to the use of power and conflict (Winsor et al., 2012). Although both parties are independent businesses with differing interests, they are still "economically interdependent and contractually committed" to a long-term relationship (Winsor et al., 2012, p. 622). The issue then becomes a matter of the franchisee differentiating the franchisor services that are effective and perceived as beneficial from the ones that have little to no effect (Grunhagen et al., 2008) leading to PFS. Furthermore, franchising research advances the idea that when franchisees are strengthened and protected it is beneficial to the franchisor (Grunhagen et al., 2008).

Therefore, when the franchisor focuses on using non-coercive powers which provide support activities the franchisee perceives as necessary for success (Doherty & Alexander 2006), most if not all of the feelings of conflict the franchisee has should decrease. This would enable the franchisor to reduce conflict to maintain an effective operation and remain competitive (Stephenson & House 1971). It is the coercive power enforced by the franchisor against the franchisee in the form of contract termination (Doherty & Alexander 2006) that could lead to conflict. This in fact would force the franchisee to stop using the trademark (Michael 1996) and force the closing of their doors.

Therefore, the following hypothesis is proposed.

> H2: As PFS from the franchisor to the franchisee decreases, conflict with the relationship increases.

The franchisor/franchisee relationship is complicated even more given there is a legally binding agreement between the two entities (Bernstein 2004). Although the franchisor/franchisee relationship is a contractual one, the informal relationship between the franchisor and the franchisee is often stronger and therefore more consequential than the contract itself (Gassenheimer, Baucus & Baucus 1996). Hunt and Nevin (1974) determined that when franchisors exercised non-coercive power there was an increase in the franchisees' satisfaction with the relationship which inherently led to less conflict. This indicates that the use of non-coercive power leads to an increase in PFS. Based on these ideas, it is proposed that PFS has a partially mediating effect on power and conflict. Thus:

> H3a: As franchisor use of coercive power increases, the franchisee perception of conflict increases; however, this relationship will be partially mediated through PFS.

> H3b-e: As franchisor use of non-coercive power increases, the franchisee perception of conflict decreases; however, this relationship will be partially mediated through PFS.

Methodology

Sample

The sample in this study includes 208 business format franchisees from various firms and industries in the United States. In order to examine this relationship, primary data was collected via an online survey using a national panel firm. It was delivered through an online invitation to a subset of franchisees that was drawn randomly (Meyer & Baker 2010). This approach was chosen since franchising research historically uses panel data (Castrogiovanni, Justis & Julian 1993; Combs, Michael & Castrogiovanni 2009). The panel company did not have a figure for the total number of people solicited to take the survey. However, there were 270 people who opened the survey and out of those 20 people did not agree to take the survey. Out of the 250 who agreed to take the survey nine were not franchise owners, three did not know if they were franchise owners and therefore, were blocked from answering the rest of the questions in the survey. This left a total of 238 completed questionnaires. Once the invalid responses were removed, 208 completed questionnaires remained.

Of these 208 franchisees, 40% were female and 46% were college graduates. The average age of a franchisee was 41 and they had been in the franchising business between 3 and 4 years. Out of the 208 franchisees, 43 owned more than one franchise location.

Measurement

Existing scales were used, when available, to measure the study's constructs, and were adapted as needed. The adapted scale items for all constructs are located in Appendix A. A total of 65 items were used to measure the three constructs. Power and conflict were both measured using a ten-point scale ranging from 1 (strongly disagree) to

10 (strongly agree). Conflict was measured using a reduced version of the subset of the 20-item organizational conflict scale (OCS) developed by Dhar and Dhar (2003). The scale was previously used to determine employee perceptions of organizational conflict. For this study, it was adapted to the franchise setting.

The next constructs measured were coercive power and non-coercive power using Gaski's (1986) scale. The coercive power scale has a total of 6 items. The non-coercive power scale measures four different types of power: reward (15 items), expert (5 items), referent (4 items), and legitimate (5 items). In the original coercive and non-coercive power scales, a 5-point Likert scale was used; for this study, the 5-point scales were expanded to a 10-point Likert scale (1 – 10) to capture more variance in the responses (Hair et al., 2013).

Next, PFS was measured using a seven-point Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree). The construct was measured using an adapted version of the POS scale developed by Eisenberger, Huntington, Hutchinson and Sowa (1986). This scale has been used extensively in the sales management literature (Babakus et al., 1996; Blau et al., 2001; Cropanzano et al., 1997; DeConnick & Johnson 2009; Eisenberger et al., 1990; Piercy et al., 2006; Randall et al., 1999; Rutherford et al., 2010; Whitener 2001). For the purpose of this study, the 16 item short version of the survey was adapted to the franchising context. Scales were adapted from varying sources and a pretest was conducted using franchisees to assess and refine the scales (Hair et al., 2010). The major change to the scales was in the wording. Specifically, referring to the franchisor where necessary in order to capture the franchisee perspective. Prior to the survey collection, three experts agreed one item from the PFS scale should be removed.

The item referred to a lowering of salary which does not fit the franchise context. Franchisees' are not paid with a salary. Therefore, the PFS scale was reduced to 15 items.

Finally, to strengthen the empirical tests for this study and eliminate any other explanations (Yin & Zajac 2004), two control variables were used. The first aspect controlled for was franchise age. It was measured as the years the franchisee had been established (Barthelemy 2008). The next variable controlled for was size of franchise and was measured as the amount of "outlets in the chain" (Barthelemy 2008, p. 1457).

Procedure/Analytical Approach

In order to determine whether or not the model is a good fit and to test for validity, a confirmatory factor analysis was performed using AMOS 18. There was a need to determine if the relationships of the variables were performing as expected, and if there was acceptable fit (Hair et al., 2010). The RMSEA and SRMR were examined to see if they fell within the recommended limits of .03 to .08. The CFI was checked to see if it was at .90 or above (Hair et al., 2010). The next step was to examine the alpha's, and convergent and discriminant validity.

Based on the size of the sample and the different facets of power, regression was the method used to test the hypothesized relationships. Average summated scores were used to represent the constructs. Therefore, hypotheses H1a-e and H2 were tested using multiple regression (Hair et al., 2010). A test for mediation on H3a-e was also conducted based on the guidelines set by Baron and Kenny (1986).

Results

Measurement Model

The results of the initial 65 items were X^2 of 4122 with 1631 degrees of freedom (DOF); SRMR= .06; RMSEA=.09; CFI= .821; RFI= .741. These results indicated items should be removed. The items with low loadings were singled out and the reliabilities checked to determine the impact on the model if the item was removed. Items were removed if the model indices and reliabilities indicated a better fit. Once removed, the model was again assessed to analyze the impact of the removed items. The process of refining the model continued until there were 26 total items measuring the three constructs. The final measurement model indicated a good fit (X^2= 491 with 278 DOF; SRMR= .045; RMSEA= .061; CFI= .961; RFI= .90).

Assessment of Scale Items

The conflict scale was reduced from 15 items to 6 items with an alpha of 0.97. Coercive power was reduced from 6 items to 3 items with an alpha of 0.96. Expert power was reduced from 5 to 3 items with an alpha of 0.86. Referent power was reduced from 4 items to 3 items with an alpha of 0.88. Legitimate power was reduced from 5 to 2 items with an alpha of 0.84. Reward power was reduced from 15 items to 5 items and had an alpha of 0.92. PFS was reduced from 15 items to 4 items and had an alpha of 0.85.

The next test conducted was for convergent validity. The factor loadings for all variables ranged from .57 - .98 indicating all were above the minimally acceptable level of .50 provided by Hair et al. (2010). Additionally, the average variance extracted (AVE) scores for all constructs ranged from .49 - .89. The AVE for referent power was the only one at .49 which is slightly below the acceptable level of .50 or above. Next, was a test for discriminant validity which was conducted using Fornell and Larcker's (1981) approach comparing AVE's to the square of the construct intercorrelations. The AVE's were determined to be larger than the squared interconstruct correlations for all constructs except for referent power which had three out of the six squared correlation estimates greater than the AVE's. The construct reliabilities, alphas and AVE's are shown in Table 3.1.

Table 3.1 Construct Reliabilities, Alpha's & AVE's

Construct	Construct Reliability	Alpha	AVE
Conflict	0.97	0.97	0.85
Coercive power	0.96	0.96	0.89
Expert power	0.86	0.86	0.68
Referent power	0.88	0.89	0.49
Legitimate power	0.84	0.84	0.73
Reward power	0.92	0.92	0.7
PFS	0.85	0.84	0.58

PFS = perceived franchise support

Correlations ranged from .128 - .784 indicating medium to large effects (Cohen, Cohen, West & Aiken 2002). Next, the tolerance (Tol) and variation inflation factor (VIF) were examined. The acceptable guidelines for tolerance are a minimum of .10 and VIF is a maximum of 10 (Mason & Perreault 1991). Tolerance ranged from .22 - .96 indicating no significant muliticollinearity, and variance inflation factors (VIF's) were within acceptable guidelines, ranging from 1.04 – 4.57 (Mason & Perreault 1991). The correlations, means, standard deviations, tolerance and VIF's are shown in Table 3.2.

Table 3.2 Correlations, means and standard deviations

	Mean	SD	1	2	3	4	5	6	Tol	VIF
1. Conflict	5.72	2.91								
2. Coercive power	5.04	3.17	.784**						0.96	1.04
3. Expert power	8.06	1.6	-.012	.152*					0.28	3.62
4. Referent power	8.04	1.66	0.055	.168**	.823**				0.22	4.57
5. Legitimate power	8.13	1.6	.128*	.159*	.674*	.773*			0.40	2.53
6. Reward power	7.87	1.69	0.032	.173**	.658**	.628**	.538**		0.50	2.00
7. PFS	5.76	0.94	0.027	.155*	.689**	.693**	.559**	.621**	0.44	2.26

**p< .01, *p< .05

PFS = perceived franchise support

Assessment of Hypothesized Linkages

The next step was to examine the hypothesized relationships. Hypothesis 1a examined the impact of coercive power on franchisees PFS. The results do not provide support for H1a (b=.007, p> .05). The next hypotheses (H1b-e) examined whether an increase in non-coercive power increased a franchisees' PFS. H1b was significant (b=.153, p< .01) indicating an increase in expert power causes an increase in PFS. Therefore, there is support for H1b. Hypothesis 1c was also significant (b=.18, p< .001) indicating an increase in referent power causes an increase of PFS. H1c was supported. H1d states: as legitimate power increases the franchisees perception of PFS increases. H1d (b= -0.001, p> .05) was not significant. Hypothesis 1e: as reward power increases the franchisees perception of PFS increases was significant and supported (b=.125, p< .001). The control variable age which was measured by the number of years the respondent had been a franchisee was significant (b=.132, p< .01), whereas size measured as the total amount of franchise locations was not (b= .000, p>.05). All variables combined predicted 58% of the variance in PFS. Please see Table 3.3, model 1, for results for H1a-e.

Hypotheses 2 examined a decrease in PFS leads to an increase in conflict ($b = .083$, $p > .05$). This hypothesis was not significant. See Table 3.3, model 3, for results for H2.

H3a-e required a test for mediation. Specifically, to examine if PFS was a mediating variable (Baron & Kenny 1986) between franchisor's power and the franchisees' perception of conflict. The first step was to assess the impact coercive and non-coercive power (expert, referent, legitimate, and reward) had on PFS (model 1). The next step was to evaluate the impact coercive and non-coercive power had on conflict (model 2). The regression results indicate coercive power was significant ($b = .733$, $p < .001$). The results also indicated expert power ($b = -.36$, $p < .05$) and legitimate power were also significant ($b = .321$, $p < .01$), but legitimate power was positive which is the opposite direction of the stated hypothesis. The next step was to assess the impact of PFS on conflict (model 3) and it was found to not be significant ($b = .083$, $p > .05$).

The last step was to evaluate the impact of all the independent variables (coercive power, expert, referent, legitimate, reward powers, and PFS) on conflict (model 4). Only three powers were significant: coercive power ($b = .733$, $p < .001$), expert power ($b = -.359$, $p < .05$), and legitimate power ($b = .321$, $p < .01$). Given that model 3 was not significant, hypothesis H3a-e was not supported.

Table 3.3 Testing Mediated Regression

	Model 1	Model 2	Model 3	Model 4
Step 1				
Power→PFS				
Coercive power	0.007			
Expert power	0.153**			
Referent power	0.18***			
Legitimate power	-0.001			
Reward power	0.125***			
Age (control variable)	0.132**			
Size (control variable)	-2.888E-7			
Step 2				
Power→Conflict				
Coercive power		0.73***		
Expert power		-.36*		
Referent power		0.006		
Legitimate power		0.32**		
Reward power		-.10		
Age (control variable)		0.089		
Size (control variable)		7.55E-07		
Step 3				
PFS→Conflict			0.083	
Step 4				
Power→Conflict				
Coercive power				.733***
Expert power				-.359*
Referent power				0.006
Legitimate power				.321**
Reward power				-.099
PFS→Conflict				-.104
Age (control variable)				0.089
Size (control variable)				7.55E-07
Total R^2	0.577	0.651	0.001	0.652
Adj R^2	0.563	0.639	-.004	0.638

***p< .001, **p< .01, *p< .05

PFS = perceived franchise support

Discussion

Studies have been conducted examining intrachannel conflict, where one member of the channel hinders another member of the channel from achieving their goals and ultimately affects their performance (Stern & Gorman 1969; Strutton et al., 1993). The two types of conflict are functional and dysfunctional. In the franchising relationship, dysfunctional conflict is considered the franchisor's rules and behavior that block the franchisee from achieving their goals and eventually hinders their performance (Rosenberg & Stern 1970; Schul et al., 1983; Stern & Gorman 1969; Strutton et al., 1993). This relationships success depends on the franchisor's ability to manage the differences that can arise from the conflict between the franchisees' need to be independent and the franchisors need to control (Etgar 1978; Rosenberg & Stern 1970; Strutton et al., 1993; Winsor, Manolis, Kaufmann & Kashyap 2012).

Previous research has been conducted to examine the antecedents of conflict and power was found to lead to conflict (Boe et al., 1987; Morrison 1997; Pondy 1967; Raven & Kruglanski 1970; Stern & Gorman 1969). Additionally, power, from the context of French and Raven's (1959) conceptualization has been used by Hunt and Nevin (1974) to examine the franchising relationship. Usually, in the franchising relationship the power is held by the franchisor because 1) the contract favors them (Ozanne & Hunt 1971) and 2) they are considered the experts when the franchisee is first starting out in the business (Aldrich & Auster 1986). The franchising relationship is not only a contractual one, but is often stronger and more meaningful than the contract itself (Gassenheimer et al. 1996). Although previous research has found a connection between power and conflict, it had not been studied in the context of PFS as a possible mediating variable. Therefore, power was studied in the context of French and Raven's (1959) conceptualization of coercive, reward, referent, expert, and legitimate power.

POS is a construct that has been extensively studied in the management and sales literature. It is based on the perception an employee has on how well they are supported by the firm they work for. In the management literature, previous research has found a relationship between POS and a variety of outcomes (Babakus et al., 1996; Eisenberger et al., 1990; Randall et al., 1999; Whitener 2001; Riggle et al., 2009). Additionally, in the sales research a relationship between POS and a salesperson's satisfaction and commitment to the firm has been found (Babakus et al., 1996; Piercy et al., 2006). Therefore, a salesperson's relationship with their firm influences the support they perceive they are getting from that firm (Babakus et al., 1996) and the perception of the firm's willingness to reward their efforts with interesting jobs and adequate resources (Eisenberger et al., 1986). This is similar to the franchising relationship, the franchisor provides training for the franchisee and their employees in the business practice (Combs et al., 2004; Stanworth & Curran 1999). Therefore, Eisenberger et al. (1986) theory of perceived organizational support was adapted for this study and was referred to as perceived franchise support.

To further strengthen the empirical tests and to eliminate any other explanations (Yin & Zajac 2004), two control variables were used: age and size. As stated previously, age was indicated by the number of years the franchisee had been an owner/ operator (Barthelemy 2008). Size was measured by the total number of franchise locations (Barthelemy 2008).

Therefore, this study was designed to be exploratory in nature to examine the impact of PFS as a partially mediating variable between the relationship of power and conflict within the franchising relationship. The goal was to determine which types of power impacted PFS leading to conflict. The types of power examined were coercive and non-coercive powers (expert, referent, legitimate & reward).

Support was found for three out of the eleven hypotheses. Three out of the five powers (expert, referent & reward) indicated a direct relationship to PFS. This indicates that as expert, referent, and reward powers increase, PFS also increases. An interesting finding of this study is coercive power does not appear to impact a franchisees' perception of support. This may be because a franchisees' perception of coercive power is the enforcement of the contract and that enforcement is usually necessary only if the franchisee is not following the franchisor's guidelines.

Another interesting finding was the effect of the age control variable, it was measured by the number of years the respondent had been a franchisee and was significant. This would indicate the longer the respondent was a franchisee, the more support they perceived from the franchisor. Possibly because the longer the franchisor and franchisee had been in a relationship, the more the franchisee has learned to conduct the business in the manner the franchisor had intended causing less friction and therefore perceives a stronger level of support.

There were two powers that had a direct relationship with conflict, expert, and legitimate. This indicates the less expert power the franchisor provides, the more the franchisee perceives an increase in conflict in the relationship. However, legitimate power was significant in the opposite of the hypothesized direction indicating an increase in legitimate power increased conflict in the relationship. Additionally, it was also indicated there was a relationship with coercive power and conflict, as coercive power increased conflict in the relationship increased. This was expected and therefore, not hypothesized in the study. Although these relationships were significant, no support was found for PFS leading to conflict, therefore the results fail to support those hypotheses.

A surprising point discovered was that PFS does not partially mediate the relationship between power and conflict. PFS had no significant relationship to conflict. Although expert, referent, and reward power have a direct and positive relationship to PFS and coercive, expert, and legitimate power have a direct relationship to conflict, PFS was not significant when the power variables were added.

Overall, the results indicate certain types of power can have a positive impact on the franchisees' perception of support from the franchisor. Although, it was not hypothesized to have a direct relationship in this study, coercive and expert powers indicated a significant relationship with conflict in the franchisor/ franchisee relationship confirming prior research (Hunt & Nevin 1974). What was surprising was that PFS did not partially mediate the relationship between power and conflict. Based on the outcome of this study, there is room for additional examination of other possible variables that effect the franchising relationship.

Limitations

This study was only conducted within the U.S. and although a variety of franchisees from different industries were surveyed, it does not take into account the different types of industries. Additionally, only franchisees were surveyed. Although, that was the intent of this survey, having responses from the franchisor could allow for future comparisons.

Future Research

This study potentially opens the door for a reexamination of the existing constructs and to study additional variables that could affect the franchising relationship. Franchising, originally an American concept, has opened the door for companies and has enabled them to expand internationally. Therefore, franchising studies should be replicated in an international setting to determine if power leads to support and conflict. Another area for future research would be to concentrate on one industry to determine the effect of power on support and conflict to make comparisons.

Conclusion

The purpose of this study was to explore the impact of coercive and non-coercive powers on conflict and to determine whether PFS partially mediated the relationship between power and conflict. The types of power predicted were coercive and non-coercive (expert, referent, legitimate 7 reward). Three powers were found to be significant in increasing PFS, expert, referent, and reward. Although no direct relationship was hypothesized in this study between power and conflict, three powers had a direct and significant relationship to conflict, coercive, expert, and legitimate. Additionally, the prediction of PFS partially mediating the relationship between power and conflict was not supported. Furthermore, there was no support for the direct path of PFS to conflict. Although, only three of the eleven hypotheses were supported, this study has possibly opened the door for a reexamination of the franchising relationship and the variables that affect them. The lack of conclusiveness has indicated more studies need to be performed to determine the variables that affect the franchising relationship from the franchisees' perspective. If franchisor's had a better understanding of how the franchisees' perceive the relationship perhaps it could provide the necessary support to help strengthen the relationship even further.

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Appendix A

Questionnaire Items

All scale items have been adapted to the franchising context.

Organizational Conflict Scale (OCS) (Adapted from Dhar & Dhar 2003)

Questionnaire Items; 10 Point Likert-type Scale

1. Due to contradictions, opportunities to use initiative are lost by the organization.
2. Promotion policy has always been a reason for disagreement amongst the employees of our organization.
3. Job descriptions have often been found overlapping, hence disappointing the people performing various roles.
4. Salary is not necessarily in line with professional attributes of an employee.
5. Superiors are not necessarily more capable, effective and efficient in comparison to their subordinates.
6. Compensation paid is not proportionate to the efforts made by an employee.
7. Rigid systems make people uncomfortable.
8. Performance appraisal system is seen by many as a deliberate effort to offset their career advancement.
9. It is difficult to predict the psychological distance between the superiors and their subordinates in this organization.
10. Open and effective communication between people working in this organization cannot be generalized
11. Merit and worth of subordinates is not recognized by the superiors.
12. Employee development is generally hampered.
13. Intelligent and meritorious people are seen as a threat.
14. Dilemma is a common feature in this organization.
15. Task assignment is not based on the interest of people.
16. One is always exposed to the risk of penalty even if task clarity is lacking.
17. Innovations are opposed.
18. Directions received from various authorities tend to be incongruent.
19. People are forced to undertake unrelated tasks to prevent them from furthering their interests.
20. Some people purposely tend to block the opportunities of others.

Coercive Power Scale (Adapted from Gaski 1986)

Questionnaire Items; 10-Point Likert- type Scale

Please indicate (X) how often the franchisor takes each of the following kinds of action in their dealings with you:

21. Delay delivery
22. Delay warranty claims
23. Take legal action against you
24. Refuse to sell
25. Charge high prices
26. Deliver unwanted products

Non-coercive power scale (Adapted from Gaski 1986)

Reward power:
Please indicate (X) how often the franchisor takes each of the following kinds of action in their dealings with you:

27. Provide advertising support
28. Give trade allowances/incentives
29. Train personnel
30. Provide sales promotion materials
31. Grant favors
32. Give inventory rebates
33. Provide financing/credit
34. Furnish supplies
35. Give business advice
36. Provide service
37. Give pricing assistance
38. Give free samples
39. Provide ordering assistance
40. Provide inventory management assistance
41. Demonstrate products

Expert power:

42. The franchisor is an expert in its field.
43. I respect the judgment of the franchisors' representative.
44. The people representing the franchisor don't know what they are doing.
45. I get good advice from the franchisor.
46. Since the franchisors people are familiar with their products, I accept what they tell me.

Referent power:

47. I like the franchisors people I deal with.

48. I couldn’t care less what the franchisor thinks of me.
49. I admire the franchisor and I want to act in a way to merit the respect of the people there.
50. The approval of the franchisors people means a lot to me.

Legitimate power:
51. The franchisor has the right to expect my cooperation.
52. The franchisor should stay out of my business.
53. The franchisor has no right to tell me what to do.
54. Since the franchisor negotiates with my suppliers, I should accept their recommendations.
55. Franchisors have a right to expect franchisees to follow instructions.

Perceived Organizational Support (Adapted from Eisenberger, Huntington, Hutchinson, & Sowa, 1986)

Questionnaire Items; 7 Point Likert-type Scale

56. The franchisor values my contribution to its well-being.
57. The franchisor fails to appreciate any extra effort from me. (R)
58. The franchisor strongly considers my goals and values.
59. The franchisor would ignore any complaint from me. (R)
60. The franchisor disregards my best interests when it makes decisions that affect me.
61. Help is available from the franchisor when I have a problem.
62. The franchisor really cares about my well-being.
63. Even if I did the best job possible, the franchisor would fail to notice. (R)
64. The franchisor is willing to help me when I need a special favor.
65. The franchisor cares about my general satisfaction at my franchise.
66. If given the opportunity, the franchisor would take advantage of me. (R)
67. The franchisor shows very little concern for me. (R)
68. The franchisor cares about my opinions.
69. The franchisor takes pride in my accomplishments with my franchise.
70. The franchisor tries to make my job as interesting as possible.

Note. (R) indicates the item is reverse scored.