WOMEN ENTREPRENEURS AND THE INFLUENCE OF GENDER ON SUCCESSFUL FRANCHISING

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ABSTRACT

This study explores the influence of gender on franchise business ownership. Franchising is a common form of small business ownership. Previous research suggests one of the greatest problems for franchise organizations is attaining franchisees that are a good match for their system. Research on entrepreneurs not constrained to franchisees has found that they can be dissatisfied with operating and owning their own business; and furthermore, that gender can affect success. Previous studies have shown that compared to men, fewer women pursue a career in entrepreneurship, perform not as well on almost every business performance measure and have more difficulty obtaining business financing for their business venture. Previous research has also suggested undercapitalization is frequently the biggest obstacle that an entrepreneur can face when it comes to growth. This study wanted to learn if women franchise business owners are significantly more dissatisfied with owning and operating a franchise compared to franchises owned by men. Findings reported here indicate that of the several franchise categories studied, less women pursue a franchise compared to men. Additional findings reported that in contrast to research findings on non-franchisee entrepreneurs, gender was not correlated to satisfaction.

INTRODUCTION

This follow-on study examines the influence of gender on satisfaction associated with successful franchise business ownership. Franchising takes place when an organization, called a franchisor, sells the rights to market its branded goods and use its business methods (Chirico, Ireland, & Simon, 2011). Previous research has explored the impact of gender on entrepreneurship (Brush, 2006; Shane, 2008; Gupta, Turban, Wasti, & Sikdar, 2009; Fairlie & Robb, 2009; Robb, Coleman, & Stangler, 2014; Sarfaraz, Nezameddin & Armaghan, 2014; McManus, 2017), yet limited research has focused specifically on the franchise format of business ownership. This study seeks to fill this gap in research.

According to the International Franchise Association Foundation (2018), 30.6 percent of franchised businesses were female-owned compared to 32.8 percent of non-franchised businesses in 2012. The question of whether a franchise owner’s gender is significant because it will determine best practices for evaluating future franchisee acceptance by franchisors. Much literature suggests there is a relationship between gender and entrepreneurship. However, a franchise model is very different from other entrepreneurial ventures. Therefore, it is important to know whether the factors that apply to non-franchise business opportunities are the same as those that work for a franchise.

Problem Background

Franchising has become a popular form of business ownership. The Small Business Administration (2016) estimated in 2012, there were almost 30 million small businesses in the
U.S. Approximately 800,000 of these small businesses were classified as franchises. IHS Markit Economics (2017) estimates that nominal GDP of the franchise sector will increase by 6.2% in 2018 to $757 billion. In spite of playing a significant role in United States economy, franchising still faces challenges. Previous studies on franchising suggests one of the greatest challenges for franchisors is obtaining franchise business owners that are a good partner for their system (Saraogi, 2009; Ramirez-Hurtado, Rondan-Cataluna, Guerrero-Casas, & Berbel-Pineda, 2011, McDermott, Boyd, & Weaver, 2015; McDermott & Boyd, 2017). To explore this difficulty, prior research on the subject of franchising has focused on significant traits of successful franchise business owners (Withane, 1991; Saraogi, 2009; McDermott, 2010; Ramirez-Hurtado, Rondan-Cataluna, Guerrero-Casas, & Berbel-Pineda, 2011). Interestingly, limited research has explored the impact of gender on franchise business ownership satisfaction which is explored in this study.

In addition to the challenge of finding qualified franchisees, McManus (2017), suggests one of the biggest problems for female entrepreneurs is raising capital to finance their business. Moreover, women-owned entrepreneurs raise smaller amounts of capital to finance their firms and are more reliant on personal, rather than external sources of financing. According to McManus (2017), statistics on business financing can be limited as it does not capture the decision-making process when requesting credit or the percentage of denial for different credit sources. Kynm’s (2014) research suggests that compared to men, women are more likely to feel discouraged from applying for business loans from traditional lenders. Shane (2008) suggests another theory for females having trouble raising capital is that women pursue opportunities that are less profitable and are more likely to be found in less appealing industries. The issue of financing, as a major impediment to business success, is further supported by studies that found undercapitalization is frequently the biggest obstacle that an entrepreneur can face when it comes to growth (Brush et al., 2006; Hill et al., 2006). This obstacle makes entrepreneurship more challenging for women and might lead to lower levels of satisfaction and success in owning and operating a business. Abraham (2012) suggests job satisfaction is a significant measuring tool as it produces outcomes associated with successful organizations such as higher engagement, enhanced productivity, more loyal customers, a higher level of motivation, and more dedication to the job.

**Grounds for the Study**

This study attempts to determine the impact of gender on franchise ownership satisfaction. Because of the challenges faced by many women in starting a business, this research specifically wanted to learn if female franchise business owners are significantly more dissatisfied with owning and operating a franchise compared to male franchise business owners. Previous research has explored the link between expectations and satisfaction. Oliver (1981) describes satisfaction as a psychological state developing when the feeling surrounding disconfirmed anticipations is tied with a person’s prior feelings about the experience. This study relates past experience to more accurate expectations, which can be argued are better displayed by satisfaction, the variance between expectations and results (Parasuraman, Zeithaml, & Berry, 1988).

**Conceptual Framework**

The concepts of gender and successful franchising are the theoretical underpinnings of this research. As shown in Figure 1, there are multiple factors that can influence a franchisee’s success and satisfaction with a franchising arrangement. This research, as shown in Figure 1 focuses on the relationship between franchisee gender and satisfaction.
The context of this research is based on gender providing a better opportunity or challenge of being an entrepreneur and more precisely, satisfied and successful franchisee.

**Statement of Potential Significance**

According to Robb et al. (2014), women start businesses with nearly half the capital that men do. This gap in financing is visibly correlated to the size gap between men and women owned businesses since capital is one of the key elements required by a growth-oriented business. This substantial difference, which actually broadens at the higher end of firm size spectrum, has consequences for women-owned firms. According to Sarfaraz, Nezameddin, and Armaghan (2014), women can and should play a more significant role in entrepreneurship and economic development. As a result, there is a continuing need to investigate various elements of women entrepreneurship. Robb et al. (2014) suggest the focus of women and entrepreneurship is not one of trying to reach some type of quota. This is a matter of economic growth, and to the extent that half of the American and educated population are not fully contributing in the engine of growth and innovation.

The assumption behind this research is that if aspiring entrepreneurs have more realistic expectations, they will be more successful (Carree & Verheul, 2012). However, Parasuraman, Zeithaml, & Berry (1988) suggest expectations are better for looking at satisfaction than success. Therefore, the relevant question for policy makers, entrepreneurs, business lenders, and franchisors is whether this knowledge is constructive in identifying “better” franchisees. This research addresses this question and looks at gender and satisfaction because we believe that there is stronger relationship between those constructs than between gender and success.

**LITERATURE REVIEW**

This literature review focuses on gender’s influence on pursuing a career in entrepreneurship, gender’s impact on succeeding in entrepreneurship, and the influence gender plays with satisfaction by franchise business ownership.
Gender’s Influence on Entrepreneurial Intention

Some studies on gender have examined the ratio of men and women that pursue a career in entrepreneurship. McManus’ (2017) research on entrepreneurship suggests women in the United States are less likely than men to start their own business. According to the International Franchise Association Foundation (2018), 30.6 percent of franchised businesses were female-owned compared to 32.8 percent of non-franchised businesses in 2012.

Other studies have looked at the motivation for women becoming entrepreneurs. In reviewing literature on gender’s influence on pursuing a career in entrepreneurship, there seems to be some common factors that influence why males and females start or grow a business. For example, Robb et al. (2014) found female and male entrepreneurs share similarities that include why they start their businesses, reasons for business success, and similar business challenges they face. These similarities include factors like potential for financial gain, a desire to work for oneself, and a drive to pursue a business idea. However, while these common factors touch on some interesting similarities, a deeper analysis indicates that there are key determinant differences, between genders, in entrepreneurial intention. For example, Robb et al. (2014) found key differences that impacted entrepreneurial intention, which included women having fewer inspiring role models and women responding differently to failure. Interestingly, Shane (2008) suggests women are more likely than men to pursue a home-based business opportunity.

Some studies have focused on the challenges women face when starting their own business. One of the biggest obstacles pertains to financing. According to Gupta, Turban, Wasti, and Sikdar (2009), women are more likely than men to report that the environment for starting a business is difficult. In addition, empirical evidence indicates that women struggle to receive debt or venture capital financing for new business opportunities. McManus (2017) similarly suggest businesses led by women are capitalized at much lower levels. The issue of financing, as a major impediment to business success, is further supported by studies that found undercapitalization is frequently the biggest obstacle that an entrepreneur can face when it comes to growth (Brush et al., 2006; Hill et al., 2006). In addition, Robb et al. (2014) suggest a high fraction of women entrepreneurs indicated financial capital as a critical challenge to starting a business and a large percentage of women use personal savings as their top funding source. Robb et al. (2014) also proposes one explanation for this notion is that women don’t meet the standards required by lenders for making loans.

Some studies have looked at the lack of mentorship available for women. According to Robb et al. (2014), the history of fewer women entrepreneurs might be attributed to the lack of female, entrepreneur role models and mentors from whom they can learn and draw inspiration, and whom they can emulate. This lack of available mentors may negatively influence their entrepreneurial self-efficacy and consequently, their entrepreneurial intentions. Shane (2008) similarly suggests another explanation is that women lack access to business opportunities. Lacking the right social networks means women are less likely than men to come up with new business ideas.

Gender’s Impact on Succeeding in Entrepreneurship

Literature, on gender’s impact on succeeding in entrepreneurship, has pointed to generalized lower levels of success by female entrepreneurs than their male counterparts. Because of the several challenges faced by women entrepreneurs, their businesses can’t do as well as new businesses led by men who have more access to capital. McManus (2017) suggests new businesses led by women perform worse on almost every performance measure. McManus suggests the
substantial differences in sales might be due to the big number of women-owned, non-employer businesses. Women owned businesses are half as likely to be employer businesses. Employer businesses produce far more in revenue regardless of gender. Shane (2008) also suggests one theory for female’s lower level of success in entrepreneurship is that women pursue opportunities that are less profitable and are more likely to be found in less attractive industries.

In trying to understand why there seems to be a major difference in the level of success between male and female-owned business, a study by Fairlie and Robb (2009) found that there were some key reasons that help to understand why the parity in success between genders exists. They pointed to some key factors that include female business owners being less likely to have prior work experience and working in a business selling similar goods and services. They believe this resulted in female business owners having fewer opportunities to gain the human capital skills that are vital to running a successful business.

Factors of Entrepreneurial Satisfaction

Studies suggest there are various outcomes on the impact of entrepreneurial satisfaction. Moreover, Abraham (2012) suggests job satisfaction produces outcomes such as higher engagement, enhanced productivity, more loyal customers, a higher level of motivation, and more dedication to the job. Morrison (1996) suggests job satisfaction is related to other non-work types of satisfaction such as life, family, and self-satisfaction. Also, VandenHeuvel and Wood (1997) submit descriptive support that entrepreneurs are more satisfied than salary earners with life factors such as more independence. In addition, Escobedo, Portillo, Casero, and Mongollon (2016) indicate some of the studies identified on female entrepreneurs showed that women did not satisfy their professional expectations doing tasks associated with housework that might not be highly regarded or valued by society, so their need and desire to achieve job, career, and personal satisfaction had increased.

HYPOTHESES

Previous studies have shown that fewer women pursue a career in entrepreneurship, perform not as well on almost every measure, which includes survival rates, sales, growth, employment and income compared to new businesses led by men, and have more difficulty obtaining business financing for their business venture. Weak performance in any of these areas is likely to decrease the satisfaction of the franchisee. It therefore follows that:

\[ H1 \] Female franchise business owners have a significantly lower level of job satisfaction than male franchise business owners.

\[ H2 \] Female franchise business owners have a significantly lower level of life satisfaction than male franchise business owners.

\[ H3 \] Female franchise business owners have a significantly lower level of career satisfaction than male franchise business owners.

The next section will address the methodology for this study.
METHODOLOGY

This section comprises of all parts of the study in replicable detail. It begins with a description of the following: the research design, the population and sampling method, contact and participation consent, data collection, research tools, the independent and dependent variables used in the research. A seven-step model was used to evaluate the hypotheses.

Research Plan

To examine the hypotheses, a comparative research model was selected to measure the differences in satisfaction between male franchise business owners versus female franchise business owners. The dependent variables for this study were job satisfaction, career satisfaction, and life satisfaction. A survey measuring the variables was taken from June 15, 2013 to July 15, 2013. The survey was mailed to respondents using a two-step process. The first mailing was an introduction to the study followed up seven days later with a package that included survey instructions, the survey, a consent form to take part in the study, and return addressed envelope with postage.

Population

The population for this study is business owners performing under a franchise model and agreement. Furthermore, the franchisee owned only one unit of the franchise and was located in the United States. To minimize variance created by context, the number of industries was limited to the following: Business Services, Home Repair and Improvement Services, or Cleaning and Maintenance Services. Four franchise companies were randomly chosen from each of the three categories yielding a total of 12 brands. For example, 14 franchisors were identified in the Cleaning and Maintenance category, 19 franchisors were identified in the Home Repair and Improvement category, and 25 franchise organizations in the Business Services category. After the franchise brands were randomly chosen from the three groups, a compiled inventory of franchisees based on the population conditions was provided by Frandata, a market research firm that focuses on franchising.

Sampling Method

The final sample was established using a stratified random sampling method. A list of 1,280 names was randomly pulled from the entire list of 4,167 names provided by Frandata using the Microsoft Excel random number generator. Every franchise business owner’s name in the three categories, Business Services, Home Repair and Improvement, and Maintenance and Cleaning was given a unique random number created from one to total N for each group. After that, Microsoft Excel arranged each name sequentially from one to total N for each category. Lastly, a random sampling procedure was applied to select from the randomized list to minimize order bias.

Instruments

This study utilized a self-administered mailed survey with 30 items. Survey contents were taken from the Minnesota Satisfaction Questionnaire (1977), Greenhaus’s (1990) Career Satisfaction Scale, and Diener’s (1984) Satisfaction with Life Scale. The Minnesota Satisfaction
Questionnaire includes 20 items and uses a five-point Likert scale from not satisfied to extremely satisfied on a variety of elements pertaining to job satisfaction. Diener’s Satisfaction with Life Scale is a five-item scale. Each item is scored from 1 to 7 so the possible range of scores is from 5 (low life satisfaction) to 35 (high life satisfaction). Career satisfaction was measured using a five-item Likert scale developed by Greenhaus, Parasuraman, and Wormley (1990), which studied relationships among race, organizational experiences, job performance evaluations, and career outcomes for black and white managers from three work organizations. All three instruments were chosen for their alignment to the study constructs and high reliability.

Variables

The independent variable for this study is gender. Gender was obtained by asking survey participants to circle their gender. The three dependent variables included job satisfaction, career satisfaction, and life satisfaction. The next section will cover the results of the survey.

RESULTS

This portion presents a breakdown of the findings from the mailed survey. It includes the demographic sample characteristics, descriptive statistics and the distribution curve of the dependent variables, reliability analysis and the results to the hypotheses using inferential statistics. All the data was analyzed using IBM SPSS, Version 24.

Sample Characteristics

The original sample of 1,280 had a response rate of 19.6% yielding a sample size of 251. A general summary of sample characteristics is provided in Table 1. The franchisees randomly selected in this study came from organizations franchising over 25 years (M = 25.17, SD = 12.49, minimum-maximum 11-61, N = 12).

<table>
<thead>
<tr>
<th>Item</th>
<th>Category</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Female</td>
<td>45</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>204</td>
<td>81</td>
</tr>
<tr>
<td></td>
<td>No Response</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

The next section presents the distribution, bell curve and Cronbach’s alpha of the three dependent variables.

Distribution and Cronbach’s Alpha Sampling Method

The descriptive statistics for the three dependent variables which include job satisfaction, career satisfaction, and life satisfaction indicated that kurtosis and skewness were between the ±1.00 levels, indicating a normal distribution bell curve for the three dependent variables. Cronbach’s alpha reported .89 on the Minnesota Satisfaction Questionnaire, .88 on the Diener’s Satisfaction with Life Scale, and .88 on Greenhaus’ Career Satisfaction Scale.
Results from tests of the Hypotheses

Tests of the three hypotheses used a one-tailed independent samples t-test to compare the means for job satisfaction, career satisfaction, and life satisfaction for Gender. Since conducting three t-tests at the same time increases the risk of a Type I error, a Bonferroni adjustment was applied reducing the original alpha from .05 to .016 (.05/3). Table 2 shows the results for the one-tailed, independent samples t-test for franchisees by gender.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Gender</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
<th>t</th>
<th>Sig. One-Tailed</th>
<th>95% C.I. of the difference Lower/Upper</th>
<th>Reject or Retain Null</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Job Satisfaction</td>
<td>Male</td>
<td>204</td>
<td>75.58</td>
<td>10.133</td>
<td>.709</td>
<td>.868</td>
<td>.193</td>
<td>-4.648 to 1.805</td>
<td>Retain</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>45</td>
<td>77.00</td>
<td>9.036</td>
<td>1.347</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Life Satisfaction</td>
<td>Male</td>
<td>204</td>
<td>26.19</td>
<td>5.919</td>
<td>.414</td>
<td>.216</td>
<td>.414</td>
<td>-1.732 to 2.159</td>
<td>Retain</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>45</td>
<td>25.98</td>
<td>6.348</td>
<td>.946</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Career Satisfaction</td>
<td>Male</td>
<td>204</td>
<td>18.19</td>
<td>4.788</td>
<td>.335</td>
<td>-.883</td>
<td>.189</td>
<td>-2.183 to .832</td>
<td>Retain</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>45</td>
<td>18.87</td>
<td>3.929</td>
<td>.586</td>
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<td></td>
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</tbody>
</table>

DISCUSSION

This study addresses two distinct problems pertaining to entrepreneurship. First, previous research on the topic of franchising suggests one of the greatest challenges for franchise organizations is acquiring franchise business owners that are a good match for their system. Finding an appropriate franchisee is paramount in order for a franchisor to be successful. All three hypotheses for this study suggested females would have a lower level of satisfaction in owning and operating a franchise. Nevertheless, none of the three hypotheses showed a significant difference in satisfaction. These findings suggest that women can be equally successful franchisees compared to men.

Another problem addressed in this study is the challenges females face in pursuing entrepreneurship. Studies indicate that women entrepreneurs raise smaller amounts of capital to finance their business and are more dependent on personal, rather than external sources of financing. Within the context of franchising, this distinction is important because franchises typically require substantial amounts of external capital in both debt or equity.

Previous studies have shown that fewer women pursue a career in entrepreneurship and more specifically a franchise. This problem appears evident in the number of female entrepreneurs. According to the International Franchise Association Foundation (2018), 30.6 percent of franchised businesses were female-owned compared to 32.8 percent of non-franchised businesses in 2012. This study showed only 18% of the franchise business owners were women.
Limitations

There are several limitations to this research. This study focused only on individuals who owned only one franchise unit impacting the generalizability of the findings. The next limitation would include non-response bias. For many mailed surveys, there is the possibility that some types of participants are likely to be overrepresented and others underrepresented in the sample received, creating biased results. Another limitation is that this survey only included three out of approximately 80 industries that use franchising as a means of distribution restraining the generalizability of the outcomes. However, the three industries selected for the study were considered popular categories and fairly representative of the franchise market in the United States. Moreover, there are intrinsic limitations in extracting causal deductions regarding the antecedents of satisfaction. Lastly, this study did not measure control variables such as current sales performance of the franchise unit and the number of years in business which could also have an influence on entrepreneurial satisfaction.

Suggestions for Practice

There are a few recommendations for practice that could be concluded from this research. First, franchise organizations seeking new franchisees could find a strong pool of aspiring entrepreneurs in the female market. According to Robb et al. (2014), one obstacle faced by women entrepreneurs is a lack of mentors. More access to mentors is a significant tactic for encouraging more women to own and operate a franchise. Franchisors should feature more success stories of women franchisees in their system through media that targets women.

Much of the literature suggests that raising capital is one of the biggest challenges for women pursuing entrepreneurship. Developing the financial capabilities of women and ensuring access to outside financing are among the key recommendations noted in this study. If women entrepreneurs do not pursue, or if they are not able to attain external capital, their probabilities for owning and operating a franchise is limited. The challenge of raising capital also makes it difficult in hiring new employees and expanding the business in new locations.

Research suggests women are more drawn to home-based business opportunities. There are numerous franchise opportunities available in the home-based category. Home-based franchise opportunities are typically less expensive compared to many other industries that use franchising as a means of distribution. Franchisors that offer home based opportunities may find a viable market in the women segment.

Future Studies

There are several suggestions for future studies that can be drawn from this research. First, it would be an interesting follow-on investigation using a qualitative approach that specially focuses on the motivation of female entrepreneurs who own and operate a franchise. Research questions could focus on a female franchisees motive to buy a franchise. In addition, it could also focus on the obstacles females experienced in purchasing a franchise as well as running the day to day operations of the business. Next, this study only included 3 out of approximately 80 industries that presently use franchising as a means of distribution restraining the generalizability of the findings. It would be noteworthy to learn if the results of this study would be different using other common industries in franchising such as food, children’s services, or pet care.
CONCLUSIONS

This research makes several contributions. First, there is much research suggesting more males pursue a career in entrepreneurship and tend to be more successful than females in terms of entrepreneurship. However, this study showed no relationship between gender and franchisee satisfaction suggesting women can be equally as successful in franchising. One of the biggest obstacles women face is securing financing for starting a business. Improving the financial qualifications of women and warranting access to outside financing is among the key suggestions noted in this research. Lastly, fewer women pursue a career in entrepreneurship, specifically franchising. The emphasis of women and franchising is not a notion of trying to hit some sort of ratio. This is an issue of business development, opportunity, and that half of the United States and qualified population of prospective women entrepreneurs are not completely participating in franchising.

REFERENCES


