

THE INFLUENCE OF INDUSTRY SELECTION ON SUCCESSFUL FRANCHISE OWNERSHIP AND SATISFACTION

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ABSTRACT

The significance of industry choice on franchise business ownership is investigated in this study. Franchising is a popular choice for small business ownership. However, entrepreneurs considering purchasing a franchise have a choice of approximately 75+ different industries to choose from in the franchise arena. Previous studies on entrepreneurs, not constrained to franchisees, have found that many entrepreneurs can be dissatisfied with owning and operating their own business and further, industry choice can influence success and satisfaction. This quantitative study applies a comparative research model to assess whether the practice of considering industry is significant for franchise business owners. A survey instrument was selected to measure the differences in satisfaction between franchise business owners in three different industries. A total of 1,280 surveys were mailed and 251 surveys were completed. Findings reported here indicate that industry category plays a significant role in a franchise business owner's level of job satisfaction.

INTRODUCTION

This follow-on study examines the influence of industry choice on satisfaction associated with successful franchise business ownership. Franchising takes place when a company, referred to as the franchisor grants the rights to an individual, known as a franchisee permission to sell its products, use its brand name, and system (Chirico, Ireland, & Simon, 2011). According to the International Franchise Association Foundation (2018), there are over 75+ industries that use franchising as a means of distribution and growth. Previous research has explored the impact of industry on entrepreneurship (Isabelle, Horak, McKinnon and Palumbo, 2020; McManus, 2017; Porter, 1979; Shane, 2007), nevertheless, limited research has focused specifically on the franchise format of business ownership. This study seeks to fill this gap in research.

Problem Background

Previous studies have found that many entrepreneurs can be dissatisfied with owning and operating their own business and further, industry choice can influence success and satisfaction. This research follows a 2018 study conducted by McDermott and Butler on the impact of gender of franchisee success and satisfaction. An initial literature review to this 2019 study identified that women who 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. Shane (2008) suggests females have more trouble raising capital because they pursue business opportunities that are less profitable and are more likely to be found in less appealing industries.

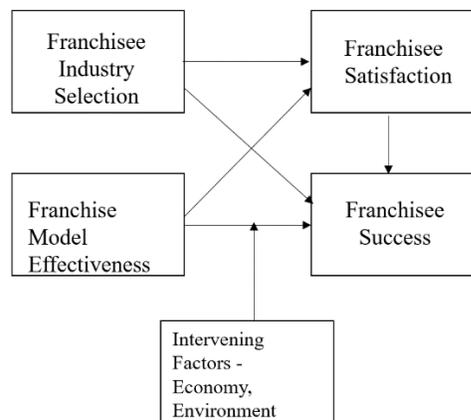
Grounds for the Study

This follow-on study attempts to determine the impact of industry choice on franchise ownership satisfaction. 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). 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.

Conceptual Framework

The concepts of industry selection 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 industry and satisfaction.

Figure 1



The context of this research is based on industry providing a better opportunity of being an entrepreneur and more precisely, satisfied and successful franchisee. The assumption behind this research is that if aspiring entrepreneurs have more realistic expectations, they will be more successful (Carree & Verheul, 2012).

LITERATURE REVIEW

The researcher will present a brief synthesis of the relevant literature pertaining to industry selection. Kotler and Keller (2016) define industry as “a group of firms offering a product or class of products that are close substitutes for one another.” In addition, “industries are classified according to several different factors, such as the number of sellers, degree of product differentiation, presence or absence of entry, mobility, exit barriers, cost structure, degree of

vertical integration and degree of globalization” (p. 277). One of the most popular sources for analyzing the attractiveness of an industry is Michael Porter’s (1979) Five Forces model. The five forces include bargaining power of buyers, bargaining power of suppliers, threat of new entrants, threat of substitute products or services, and rivalry among existing competitors. These five forces were applied to any industry. Nevertheless, some scholars have challenged Porter’s model. For example, Isabelle, Horak, McKinnon, and Palumbo (2020) suggest entrepreneurs and policy makers go beyond the traditional five forces suggested in Porter’s model. These additional forces of consideration include the following: industry exposure to de/regulation, threat of digitalization, exposure to globalization, and the competitor’s level of innovativeness. These new theories on industry attractiveness can play a crucial role in a business’s success or failure if these new variables are not taken into consideration. According to Frey and Osborne, industries frequently face rapid changes in their processes due to technology and are aggressively seeking employees with a high level of creativity and social skills to seek sustainable competitiveness (Frey & Osborne, 2013).

According to Shane (2007), many entrepreneurs start businesses in industries that have a high level of competition. These industries selected by entrepreneurs typically mirror their competitors and have lower profit margins. Shane suggests many entrepreneurs choose these less attractive industries for two reasons. First, they have a higher comfort level in industries they are familiar and have experience and next, the barriers to entry in these industries are low. For example, hair stylists open hair salons and chefs open their own restaurants. The next section will address the hypothesis for this study.

HYPOTHESES

Previous studies have shown that industry selection can have a positive impact on job satisfaction and success. It therefore follows that:

H1 Industry choice will show a statistically significant level of difference in job satisfaction.

The next section will address the methodology for this study.

METHODOLOGY

This study is a follow-on to a 2018 study conducted by McDermott and Butler. A seven-step model was used to evaluate the hypotheses. To examine the hypotheses, a comparative research model was selected to measure the differences in job satisfaction between three different industries. The independent variable for this study was industry type and the dependent variable was job satisfaction. The population for this study is business owners performing under a franchise model and agreement. 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. The final sample was established using a stratified random sampling method. This study utilized a self-administered mailed survey with 20 items. Survey contents were taken from the Minnesota Satisfaction Questionnaire (1977). The Minnesota Satisfaction Questionnaire uses a five-point Likert scale from not satisfied to extremely satisfied on a variety of elements pertaining to job satisfaction. The Minnesota Satisfaction questionnaire was chosen for its alignment to the study and high reliability. Industry type was obtained by asking survey participants to circle their industry.

RESULTS

Sample Characteristics

The original sample of 1,280 had a response rate of 19.6% yielding a sample size of 251. 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). All the data was analyzed using IBM SPSS, Version 24.

Results from tests of the Hypotheses

Tests of the hypothesis used a one-way between groups ANOVA with alpha originally set at .05. To reduce the risk of a Type 1 error, a one-way between groups ANOVA was used to compare the means for job satisfaction for industry type. ANOVA by its very nature reduces the risk of a Type 1 error.

SCALE	INDUSTRY	N	MEAN	STD. DEV.	STD. ERROR MEAN	LOWER BOUND	UPPER BOUND	MIN	MAX
JOB SATISFACTION	Maintenance, Cleaning Services	82	73.10	9.930	1.097	70.92	75.28	46	94
	Home-Repair Improvement Services	66	77.05	9.534	1.174	74.70	79.39	56	96
	Business-Related Products Services	103	76.97	10.056	.991	75.01	78.94	51	98
	Total	251	75.73	10.010	.632	74.48	76.97	46	98

Table 2 shows the output for the one-way between groups ANOVA for the independent variable “Industry Type” with job satisfaction as the dependent variable.

SCALE	ANOVA	SUM OF SQUARES	df	MEAN SQUARE	F	SIG.
JOB SATISFACTION	Between Groups	841.036	2	420.518	4.307	.014
	Within Groups	24210.996	248	97.625		
	Total	25052.032	250			

A statistically significant difference was found for job satisfaction between the three industry types.

DISCUSSION AND CONCLUSIONS

This study addresses the importance of industry selection in choosing a business, specifically a franchise opportunity. In franchising, there are over 75+ industries to choose from. Shane (2008) notes that many entrepreneurs make poor choices when selecting a business. Their selection is often based on choosing industries they are most passionate and enjoy. Nevertheless, these are not necessarily the most important factors in determining an organization's success. Aspiring entrepreneurs that are interested in franchising should place industry choice at the top of the criteria when selecting a franchise. This research makes several contributions. First, this is one of the first studies that has verified that industry choice has an impact on a franchisees job satisfaction and success. In addition to Porter's Five Forces model, aspiring entrepreneurs should also consider variables such as industry exposure to de/regulation, threat of digitalization, exposure to globalization, and the competitor's level of innovativeness.

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