

Entrepreneurial Orientation in Franchising Systems: A Franchisee Perspective

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Abstract

Despite the importance of entrepreneurial activities and role of franchisees in the generation of new ideas and innovations in the franchise system, there are limited studies on the conduct of the entrepreneurial orientation within the context of the franchising and from franchisee perspective. Although in a franchise system, the franchisor always tries to develop the standardization across the system to take advantage of cost minimization, different local environment requires some flexibility and adaptation in a franchisor policy (Falbe et al., 1999). Therefore, the franchisor should balance between standardization and adaptation and display of entrepreneurial behaviours to take advantage of local market opportunities (Bradach, 1997). Given the important role of franchising in global wealth creation, understanding the extent to which an EO is desirable in franchise systems, is an area which merits attention (Dada and Watson, 2012). Therefore, this study examines the entrepreneurial orientation in a franchise system. Finding of this study show, innovativeness in a franchise system is different in core and peripheral elements of a product or services. The franchisor in a franchise system restrict the franchisees to the "peripheral" elements of products. And the franchisor concentrates on the innovation in the "core" elements. Both the franchisor and franchisee equally share the risk in a franchise system and even the franchisee take more risk in entering in the new market and financial risk. The franchisee's autonomy in a franchise system is limited to the decision making about the peripheral elements. The franchisor almost thinks about the future and seek new opportunity in industry. In fact the franchisor in a system proactively look for the new opportunities that may or may not be related to the present line of business (Lumpkin and Dess, 2001b). Instead, the franchisees in a franchise system aggressively react to the local competitors and apply the proper strategy to overcome them.

Key words: Franchising, entrepreneurial orientation, Innovativeness, proactiveness, competitive aggressiveness