

TRAITS OF SUCCESSFUL FRANCHISEE: A STUDY ON FRANCHISEES IN CHINA

AMY HEAH

S-GSM0012/09

**RESEARCH REPORT IN PARTIAL FULLFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION**

UNIVERSITI SAINS MALAYSIA

2011

ACKNOWLEDGEMENT

I will be eternally grateful to all the people who helped me to carry out this research and let them know without their valuable support and guidance I would not have been able to accomplish my work.

First of all, I would like to extend my sincere appreciation and warmest gratitude to my supervisor my supervisor Dr. Rajendran Muthuveloo. I would like to thank him for his willingness to spend his valuable time for giving me guidelines, without him this project would not have been successful. I sincerely thank him for generously contributing ideas, constructive feedback; continuous support as well as guidance, which has enable me to restructure and improve on this dissertation. He is a friendly and dedicated supervisor and encouraged me to develop a high quality dissertation.

I would also like to thanks my family who gives me a lot of freedom and encouragement, especially my late step father who gives me financial support to study my degree and also their continuous belief, support and tolerance on a daily basis and for being such as important part of my life.

Again, I would like to express my special thanks to all respondents that have participated in this study.

TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENTS	II
TABLE OF CONTENTS	III
LIST OF TABLES	VIII
LIST OF ABBREVIATION	X
ABSTRACT	XI
ABSTRAK	XII
Chapter 1 INTRODUCTION	1
1.1 Introduction	1
1.2 Background of the Study	1
1.2.1 History of Franchising	3
1.2.2 Definition of Franchising	4
1.3 Problem Statement	5
1.4 Research Objectives	5
1.5 Research Questions	6
1.6 Significance of the Study	6
1.7 Definition of Key Term	7
1.8 Outline of the Thesis	8

Chapter 2	LITERATURE REVIEW	10
2.1	Introduction	10
2.2	Social Exchange Theory	11
2.3	Studies on the Traits s of a Successful Franchisee	11
2.3.1	Team Work	11
2.3.1.1	Co-operative	12
2.3.1.2	Discipline	12
2.3.1.3	Tolerance	13
2.3.2	Leadership	14
2.3.2.1	Decisiveness/ Judgment	14
2.3.2.2	Self-confidence	15
2.3.2.3	Risk Taker	16
2.3.2.4	Innovate	16
2.3.3	Work Ethic	17
2.3.3.1	Honestly	17
2.3.3.2	Passionate	17
2.3.3.3	Determination	18
2.3.4	Networking	19
2.3.4.1	Communication Ability	19
2.3.4.2	Marketing/ Strategic Development	20
2.3.5	Openness	21
2.3.5.1	Ability to accept Change	21
2.3.5.2	Open Minded/ Acceptance of New Idea	22

2.4	Measure of Franchisee Success	22
2.4.1	Business Growth	23
2.4.1.1	Number of Year in Business	23
2.4.1.2	Number of Outlet	24
2.4.1.3	Size of the Outlet	25
2.4.2	Financial Status	25
2.4.2.1	Minimum Liability	25
2.4.2.2	Potential for Further/ New Investment	26
2.4.3	Reputation	26
2.4.3.1	Reputation among the Franchisee	27
2.4.3.2	Brand Image	27
2.4.3.3	Good Corporate Policy	27
2.4.4	Sustainability	28
2.4.4.1	Environmental Friendly	28
2.4.4.2	Corporate Social Responsibility	28
2.5	Summary	29

Chapter 3	METHODOLOGY	30
3.1	Introduction	30
3.2	Research Approach	30
3.3	Research Design	31
	3.3.1 Nature of Research	31
	3.3.2 Scale of Measurement	32
	3.3.3 The Structure of the Questionnaire	33
	3.3.4 Administration of the Questionnaire	35
3.4	Conceptual Framework	35
3.5	Population/Sample	37
3.6	Data Collection	38
3.7	Pilot Test	39
3.8	Data Analysis	40
3.9	Descriptive Analysis	41
3.10	Factor Analysis	42
3.11	Reliability Analysis	42
3.12	Assumption of Multiple Regression	42
3.13	Regression Analysis	43
3.14	Summary	44

Chapter 4	RESULTS	45
4.1	Introduction	45
4.2	Profile of Respondents	45
4.3	Goodness of Measures	50
4.2.1	Factor Analysis	51
4.2.1.1	Factor Analysis for Personal Traits	51
4.2.1.2	Factor Analysis for Successful Franchisee	52
4.2.2	Reliability Analysis	53
4.2.3	Correlation Analysis	54
4.4	Hypothesis Testing	59
4.5	Summary	61
Chapter 5	DISCUSSIONS AND CONCLUSIONS	62
5.1	Introduction	62
5.2	Discussion	62
5.3	Research Contribution	64
5.4	Research Limitations	65
5.5	Future Research	67
5.6	Conclusion	67
	REFERENCES	71
	APPENDICES:	
APPENDIX A-	Letter of Introduction	79
APPENDIX B-	Questionnaire	80
APPENDIX C-	SPSS of Frequency Table	87
APPENDIX D-	SPSS of Factor Analysis	89
APPENDIX E -	SPSS of Reliability Analysis	106
APPENDIX F-	SPSS of Regression Analysis	114

LIST OF TABLES

TABLE	TITLE	PAGE
3.1	Categories of Respond	33
3.2	Table of Questions Number and Types of Questions	34
3.3	Conceptual Framework of Relationship between the Independent Variable and Dependent Variable	36
4.21	Gender of Respondents	46
4.22	Ages of Respondents	47
4.23	Education Level of Respondents	47
4.24	Industry of Respondents	48
4.25	Number of Business Period of Respondents	49
4.26	Number of Branches of Respondents	49
4.27	Number of Employee of Respondents	50
4.3.1.1	KMO and Barlett's Test for Independent Variable (Personal Traits)	51
4.3.1.2	KMO and Barlett's Test for Dependent Variable (Successful Franchisee)	52
4.3.2.1	Summary of Cronbach's Alpha for Independent Variable (Personal Traits)	53
4.3.2.2	Summary of Cronbach's Alpha for Dependent Variable (Successful Franchisee)	54

LIST OF TABLES

TABLE	TITLE	PAGE
4.3.3.1	Regression Statistics for Dependent Variable (Successful Franchisee)	55
4.3.3.2	Regression Statistics for Dependent Variable (Successful Franchisee)	56
4.3.3.3	Regression Statistics for Dependent Variable (Financial Status)	57
4.3.3.4	Regression Statistics for Dependent Variable (Reputation)	58
4.3.3.5	Regression Statistics for Dependent Variable (Sustainability)	59
4.4.1	Summary of Hypothesis Testing	60
5.21	Answer of Research Questions	63
5.61	Theoretical Framework of Relationship between the Independent Variable and Dependent Variable	68
5.62	Evolution of Conceptual Framework	69

LIST OF ABBREVIATION

DTI	:	Department of Trade and Industry
IFA	:	International Franchise Association
LLC	:	Limited Liability Company
MNC	:	Multinational Corporation
NDRC	:	National Development and Reform Commission
SEZ	:	Special Economic Zone
SMEs	:	Small Medium Enterprises

ABSTRACT

This study investigates the existence of franchise in Shenzhen China. This research attempts to analyze the relationship between traits (teamwork, leadership, work ethic, networking and openness) as independent variable and the successful franchisee (financial status, reputation and sustainability) as dependent variable. To attain its objectives, this study utilized quantitative approach by distributing survey questionnaire to the franchise within Shenzhen China. A total of 106 usable responses were received. This study revealed a focus on traits (teamwork, leadership, work ethic, networking and openness) and the successful franchisee (financial status, reputation and sustainability). A total of twenty-one hypotheses were developed to study the effect of the stated independent variables on the dependent variables. The entire hypotheses were successfully tested with the SPSS method. The Regression analysis was used to test the hypotheses. Nine hypotheses were statistically proven with positive acceptance. Twelve hypotheses were rejected due to its insignificance. The results of the survey indicate that the leadership and work ethic have positive influence on the franchisee success.

ABSTRAK

Kajian ini menyiasat kewujudan francais di Shenzhen China. Kajian ini cuba untuk menganalisis hubungan antara ciri-ciri (kerja berpasukan, kepimpinan, etika kerja, rangkaian dan keterbukaan) sebagai pembolehubah bebas dan pemegang francais yang berjaya (status kewangan, reputasi dan kemampanan) sebagai pembolehubah bergantung. Untuk mencapai objektifnya, kajian ini menggunakan pendekatan kuantitatif dengan mengedarkan soal kaji selidik kepada francais dalam tempoh Shenzhen China. Sebanyak 106 jawapan boleh guna telah diterima. Kajian ini menunjukkan memberi tumpuan kepada ciri-ciri (kerja berpasukan, kepimpinan, etika kerja, rangkaian dan keterbukaan) dan pemegang francais yang berjaya (status kewangan, reputasi dan kemampanan). Sebanyak 21 hipotesis telah dibentuk untuk mengkaji kesan pembolehubah bebas yang dinyatakan pada pemboleh ubah bersandar. Hipotesis keseluruhan telah berjaya diuji dengan kaedah SPSS. Analisis Regresi digunakan untuk menguji hipotesis. Sembilan hipotesis statistik terbukti dengan penerimaan positif. Dua belas hipotesis telah ditolak kerana untuk tidak penting. Keputusan kaji selidik itu menunjukkan bahawa kepimpinan dan etika kerja mempunyai pengaruh yang positif terhadap kejayaan francais.

Chapter 1

INTRODUCTION

1.1 Introduction

Franchising has grown to be a dominate distribution tool for goods and services. Nowadays, franchising makes it possible to purchase a wide range of product and service from all over the world (Birkeland, 2002). According to Hoffman and Preble (2004), East Europe, Middle East and Asia are regions where franchising is emerging. It is now a recognized and reputable way of doing business. Although franchising is the repetition of success but the failure rate should not be under estimated. For example, according to Scott Shane (2009), among four franchise systems there are only one franchise system will success in the business over a ten year time, it shows that franchises fail at higher rates than independent businesses.

This chapter will discuss Background of the Study, History of Franchising, Definition of Franchising, Problem statement, Research Question, Research Objectives, Significant of the study and Outline of the thesis.

1.2 Background of the Study

When people heard the word of “Franchising”, normally will think of fast food chain or restaurant such as McDonald’s, KFC, Pizza Hut and Subway. In fact, Franchising is much wide than that. Franchises existing in almost every business area that we can think of in all price ranges. Franchising is a entry mode and business strategy to facilitate an organization to expand or gain higher market share. Franchising is one of the conventional strategy for business growth,

economic development and job creation (Hoffman & Preble, 1995) and is considered by some to be the world's fastest growing method for business set up (Justice, Castrogiovanni & Chan, 1994).

Franchising is accomplished through a licensing system in which the owner (franchisor) of a product or service grants a license to another (franchisee) to market the product or service within a defined territory using guidelines or methods established by the licensor. Franchisees receive a license to operate, much in the same way one obtains a state driver's license. Franchisees do not own the franchise (only the assets), a fee have to be paid before undertaking a complete training and taking an exam then there are the licensing rules to abide, and renewing it at the set periods.

In addition, franchising present a successful business concept, continuing support and an reputable trademark, proved marketing and operational methods. A successful franchise relationship is like a partnership. It combines your talents with the experience and knowledge of the franchisor. With franchising, you are in business for yourself not by yourself. Franchisors not only have sound training programs, but also knowledge of financial requirements, marketing, competition & buying contracts – Valuable knowledge that is useful for business that may take years for one to obtain on its own.

1.2.1 History of Franchising

McDonald will always come in the mind or earlier known when people think of franchising. McDonald was not the first franchise, not even close. Franchising has been around long, long time and which is by Isaac Singer. In year 1858, first franchise concept was started by the inventor of the sewing machine. In order to seek for a solution to distribute the new machine with people trained to use the machines, a legal system to selling the right to distribute the service or product was born and first Franchises contacts was occurs.

(<http://www.franchisedirect.com/information/guidetobuyingafanchise/whatisfranchising/29/190/>).

Franchising is a form of business arrangement which originated from France in the eighteenth-century. The term 'franchising' derived from ancient French, is defined as holding a particular privilege or right (Williamson, 1992). Franchising originated in the United States in the 19th century with companies like Singer, Coca Cola and Western Union. In the middle ages of Europe, the local lord would grand rights to hold markets or fairs. In essence, the monarch gave someone the right for a certain type of activity. They were the first franchisors and did not know it (Rudolf A. Kotik, n.d.).

Year 1955, a small chain of food franchises was took over by Ray Kroc, he built and make it into the world most comprehensive and successful fast food franchise giant – McDonald's. McDonald's currently has the most franchises outlet which is more than 30,000 restaurants in more than 100 different countries and leading global foodservice retailer. (Don Daszkowski, 2011).

1.2.2 Definition of Franchising

Luangsuvimol and Kleiner (2004) define franchising as “a long-term continuing business relationship wherein for a consideration, the franchisor grants to the franchisee a licensed right, subject to agreed requirements and restrictions, to conduct business utilizing the trade and/ or service marks of the franchisor and also provides to the franchisee advice and assistance in organizing, merchandising, and managing the business conducted to the licensee”.

As mentioned above, franchising is a legal system of licensing arrangement to distribute a service or products. Franchisor sells the rights to the franchisee to use their business identity, trademarks, and company system, for a timeframe given. Although there is an independent relationship between the franchisor and franchisee, both must cooperate and work as a team and accept responsibility and accountability for the success of the system and business. The relationship might last at least 5 – 10 years or eternally (Rudolf A. Kotik, n.d.).

In general, franchisees need to pay in two payments which is franchise fee (onetime payment) and royalty fee. Royalty fees are those fees which are recurring expenses and there are included advertising cost, training costs, and continuous usage of the business model. Usually the royalty will charge 3-10% of the company’s gross income (Rey Perez, 2011). Franchises have many different categories, however most of the people associate franchising to fast food chain only. But the truth is there are more than 120 industry categories of franchises available in the current business market. There are including health & wellness franchises, retail franchises, automotive franchises, business-to-business franchises, cleaning & maintenance franchises, food and beverage franchises, just to name a few.

1.3 Problem statement

It is an undeniable fact that Small Medium Enterprises (SMEs) play an essential role in the growth of the economy of China. Report of the Development of Vibrant SMEs in China for year 2005 (NDRC) shows SMEs accounted for 99.3 percent of all enterprises, contribute around 56% of gross domestic product of china and create 75%% of the country's jobs. In year 2007, SMEs account for 99% of the total for all enterprises in China. The contribute increase to 60% of country's gross domestic product and generating more than 82% of the urban emplacement in china.

As Franchising is one of the way to encourage entrepreneurship that develops further Small and Medium Enterprises (SMEs) in China and also for other country, this research focused on Franchising. In term of franchising successes and failure, there are few factor have been identified. The main issues included franchisor and franchisee relationship - reputation (Clarkin and Swavely, 2003), communication (Anderson and Narus, 1990), franchisee entrepreneurial ability (Dandridge and Falbe, 1994). Thus, this research is focused on franchisee entrepreneurial ability, where the researcher identifies the traits of franchisee needed for the development of successful franchisee.

1.4 Research Objectives

In today's business marketplace, franchising is one of the easiest and popular ways for conducting business. In most of the shopping mall, every 20 steps walk will see a nationwide recognized franchise around. This thesis provides an overview of a Franchisee's success factor. It should be taken into account that rapid changes in the increased competitive environment have

raised the need to examine the impact of competitive practices on the level of success. The objective of this thesis is to study the importance of the traits of a franchisee that is critical for growth and sustainability.

1.5 Research Questions

The research addresses the following questions:

1. Do traits of franchisee influence the successful of franchisee?
2. Do traits of franchisee (teamwork, leadership, work ethic, networking and openness) influence the successful of franchisee?
3. Do traits of franchisee (teamwork, leadership, work ethic, networking and openness) influence the financial status of franchisee?
4. Do traits of franchisee (teamwork, leadership, work ethic, networking and openness) influence the reputation of franchisee?
5. Do traits of franchisee (teamwork, leadership, work ethic, networking and openness) influence the sustainability of franchisee?

1.6 Significance of the Study

The significance of this study will be as follows:

- i. Individuals

It will provide information for individuals planning to be a franchisee to assess themselves whether they have the traits to be a successful franchisee.

- ii. Franchisor

Franchisor can assess the potential franchisee has the traits to be a good franchisee.

iii. Academicians

It provides further insight on areas academicians should consider in developing successful franchisees.

iv. Practitioners

It provides further insight in developing traits (i.e. training modules) in developing future franchisee.

1.7 Definition of Key Terms

Franchise

A legal and commercial relationship between the owner of a trademark, service mark, trade name, or advertising symbol and an individual or group wishing to use that identification in a business (allbusiness.com, 2011).

Franchise Agreement

The franchise contract.

Franchisee

A franchise owner.

Franchise Fee

The amount of money you need to pay the franchisor to purchase a franchise concept (World Franchise Associates, 2011).

Franchising

A method of conducting business in an industry that involves a franchisor (parent company) and franchisee (someone who pays for the right to sell the parent company's products and use their trademark/name) (World Franchise Associates, 2011).

Franchisor

The person or company that owns the right to manage/sell franchises (allbusiness.com, 2011).

Traits

Component of a person's behavior that is assumed to serve as an explanation of his or her enduring personal traits (BusinessDictionary.com).

1.8 Outline of the Thesis

This thesis comprises of 5 chapters. Each chapter has a distinctive aim and purpose. In the **first chapter**, it will briefly give an outlook of the subject, research problem and the significant study and an overall research purpose.

Chapter 2 provides the past and present literature related to the subject. In particular, the chapter presents research on what are the traits for a successful franchisee and how to measure the franchise successfulness. It gives rise to the research hypotheses and a conceptual model.

Chapter 3 describes the theoretical framework and the different research methodology implemented in this study will be introduced. This chapter describes the research setting, the

sampling procedure, statistical methods used to analyze data and how the research instruments were developed.

Chapter 4 deals with data gathering and data analysis. Here, the data gathered from the respondents are interpreted into useful information of the study by the help of the SPSS software. A series of hypotheses were tested. The chapter also outlines the revised version of the franchise instrument used for the final study.

Chapter 5 is the discussion of the findings together with the conclusion of this research. This chapter also point out the limitation experience in this research and gives some recommendation for further study and future reference.

Chapter 2

LITERATURE REVIEW

In this chapter presents and integrated research relating to the key personal characteristic that can influence the success of a franchisee. The chapter examines relevant characteristic of franchisee teamwork skills, leadership, work ethic, networking and openness and explores their potential impacts on franchisee success. Various measures for describing franchisee success are examined. The literature review will guide by the research objective, the research issues that researcher discussing or researcher argumentative thesis.

2.1 Introduction

In the current business world, franchising is one of the most popular and successful strategies for a new entrepreneur to enter the new market and also fastest growing business sectors. Franchising is considered to be a best Franchisor will provide the necessary training to the franchisee to run their business efficiently. It help the franchisee established the business framework when they starting a new business in order to minimizing the startup problem and guesswork. Franchisor sells the right for the franchises to use their brands and business system for market goods and services (Combs et al., 2004).

Franchise business is a worldwide well-know trademark and its cumulative goodwill so it leads a hand on the entrepreneur those cost of creating and advertising a name and also promotion. In term of financial, financial institutions are willing to lend money to franchise and franchises have the assistance in finding adequate source of load or financing.

Moreover, franchising expansion seems to more in nature because operating a successful franchise may continuously expanding the business in different areas and widely. Indeed, a lot of franchisees own their particular franchisee for all their businesses in all geographical segments.

2.2 Social Exchange Theory

Social exchange theory provides the basis for developing a model where collaborative communication from the franchisor relates positively to commitment, and commitment relates negatively to franchisees' propensity to leave the relationship. In addition, this is relevant to franchising, whereby franchisor and franchisee interaction centers on episodic exchange entranced in a mutually beneficial relationship such that both parties adapt to one another for equitable outcomes. Social Exchange Theory will apply to franchise relationship, where reciprocity is a key driver of relationship value.

2.3 Studies on the Traits of a Successful Franchisee

Although franchise businesses have the continuing support and appropriate training lead by the franchisor but the franchise still requires of their personal hard work, good managerial skill and personality traits for proficient result in all over time. Or else, the franchise would hop on board. The following list indentified five key metrics that most often to make a franchise successful.

When starting a franchise, the right attitude and behavior are needed because without that the franchise business would not be stay for long term success. For instance, a franchisee should be able to show them that the franchisee have a good personality traits such as highly confident

person who believes in hard work and discipline in order to success. Nonetheless, successful franchisee must demonstrate all of the following traits.

2.3.1 Team Work

In the real world, one person cannot handle all the aspects of a business, so business is a team sport. Simultaneously a franchise system is also a team work system, because they all are working together to benefit and create consistency throughout the entire company.

2.3.1.1 Co-operative

In this present competitive world, you can never excel if you refuse to work with others. Cooperation is very important in this world. This is an acknowledged fact utilized now in the business world. Along with the growth of the company is the increase of its clientele. As the tasks become greater, so does the need to delegate them into sub-tasks, components, work units, divisions, departments and groups. Therefore, each member of the team has a significant role and function to perform. Teamwork and cooperation then is very important.

2.3.1.2 Discipline

Subsequently, positive character and self-discipline are crucial for one to make good decisions consistently. We might lose control without self-discipline. Jeff Olson (2005) quotes that some small consistence things done make a significant difference in one business. In such define that these small things are "easy to do and easy not to do." Only with self-discipline can we be consistent in the small things that will make you successful. These are no lasting success without self-discipline. "Success is the fruit of tomorrow, the seed of self-discipline we sow today"

(Nwosu Chimauchem, 2008). In order to avoid all the discrepancy in effecting the work, self-discipline is important because it encourages us to put considerate and caution before any action taking. “Self-discipline does mean learning how to focus your mind and energies on your goals and persevere until they are accomplished” (Zorka Hereford, n.d.). Moreover, it also refines a mindset of the people to deliberate the choices rather by the personal emotions, bad habit or influence by other people. Self-discipline facilitate to reach personal objectives within a reasonable time frame and stay in a more organized and satisfying life.

According to Mehndiratta, Vaibhave (2008), “self-discipline is the key to success”. Do extra than other, do other did not and do not like to do, all this are the strength of self-discipline force and lead for the success. Self-discipline makes thing become different, it turn the franchisee’s energy to optimism and constructive actions. Discipline definitely will builds success if the franchisee continuity and regularity in their hard work.

2.3.1.3 Tolerance

Nevertheless, high levels of tolerance, persistent and enthusiasm will create successful people. Intolerance destroys opportunity, collaborative relationships and positive influence of the mind that too causes doubt, suspicion and further prejudices.

At any event, when customers or company staff defeat you or make you loses composure. In the heat of the moment, someone will easily manipulate your behavior and take control of the situation. As a good leader or franchisee, they are not allowed this to happen. Instead of bad manner, they will control their emotions and maintaining order in the workplace.

In order to manage better anger of a tense situation, effective leader will try all the possible method for dispel their anger. Anger is contagious and cancerous. Hostility begets more hostility. As society becomes tenser, rage becomes more common. One has to defuse the situation to avoid an unnecessary situation from happening at work. That is one of the responsibilities of a leader or franchisee holds.

Self-discipline and self-control franchisees are tend to think through the consequences of their choices and by accepting suggestions for solutions from other subordinate. Owing a franchise, the franchisee needs to stay ahead among the competitors. Learning about the tools which can help the business grow and succeed is the most important.

2.3.2 Leadership

Next in this trait's queue is leadership. Leadership plays an important role not only in one's life also for the business world. They business owner need to be a leader in the field of the business and they do acknowledge the mistakes and keep an open mind toward learning and adapting.

2.3.2.1 Decisiveness/ Judgment

A business owner or franchise requires to able to make decisions logically and with good judgment. People who are success are the ones who decisive. Decisive people will collect all the relevant information they need for managerial decision making and also management function. According to Sean Green (2008), in order to be the problem solver, franchisee cannot be "gut feeling". Franchisee need to accumulate the information, common sense and experiences and integrate into knowledge. In additional, before implementing the franchisee recommendation, the

risk-taker franchisee will consider the risk and does in-depth evaluation of the pros and cons of the solution proposed. Decisions given so much deliberation and replicate older judgment. The franchisee may not be a highly abstract thinker, but will be open of new idea and listen the input from others then thorough in gather the essential facts to support the franchisee decision. Franchisee will sometime come across a situation that they have to make some tough decision, especially come to personnel matters. So at the time, it is important for the franchisee to make difficult choices without guilt and hesitation.

2.3.2.2 Self-confidence

Commonly, high levels of optimism and confidence are key traits found in successful franchisee. They not afraid of failures and they are believed in themselves. They will think that every barriers or obstacle are the steeping-stone of their business success. They channel all their challenges to motivation and become their advantages.

According to A & C Black (2007), confidence is the keystone of assertiveness. If you have it, it is unremarkable. Conversely, if you do not have it, it is an extremely difficult quality to sustain and develop. Be confident will help franchisee to get through a situation like allow to work within clear boundaries and competency.

Confidence often increases with success because it let the franchisee recognized for their own ability and keeps an eye on their progress and changes their focus on their objectives and persevere until accomplished. We always believe that without objectives and without successes so franchisee's ability and confidence will contribute to the business's success.

2.3.2.3 Risk Taker

In extend from Section 2.2.2.1, successful franchisees are careful people and risk averse. Risk taker will try to minimize the risk as small and controlled as possible although they are willing to take risk. Risk of failure will involve in any business conducted but a success franchise with proven track record will make their effort to reduce the risk. Furthermore, franchisors are reservation over people who are daredevils. People who dominated by their fears and concerns to the point where they cannot take calculated and evaluated risks are commonly fail in buying franchise right. Rather, constructive risk-taker franchisee who willing to take risks in their franchise business by gathering, evaluating information and decisive how to reduce the risk are seeing higher chance in winning franchise success.

2.3.2.4 Innovate

Every establish business has common vision to make profit and intend to stick around long time and need to spend a good part of time innovating (Mehndiratta, Vaibhav, 2009). This is because in the current fast-moving world, consumers are expecting the good or services get cheaper and cheaper, and better and better innovation. This is the way to getting ahead among the competitors.

Successful franchisees have an enthusiasm to do and just to get the job done. This indicate that their attitude in handling multiple tasks at the same time and every of their action putting in long hours. The franchise must know and accept the fact which is regardless of what franchise they are, they need to be sure it's going to take work to make it success.

2.3.3 Work Ethic

Any of the potential franchisee must have strong Work Ethic (Cory Barber, 2011). It is suggested that one should choose living simple by getting routine eight to five job if one do not equip with positive and disciplined work attitude and habits and strong passion. All the successful franchisee philosophy will indicate that they will use all the possible method and work until the job done. They are never give up even the whistle blows or reach their bottle neck. If franchisee works passion, it will automatically tend out of work ethic.

2.3.3.1 Honestly

All in all, integrity takes the first place as there is no others trait more significant to success in a franchise than integrity. This applies to franchisee relationships with vendors, employees and also the franchisor. Franchisee needs to be the person who is personal morals and values are beyond questions.

2.3.3.2 Passionate

Equally important, successful people are those who are the passionate with what the franchisee does. According to Mehndiratta, Vaibhave (2008), personal passion change the way to live a more orderly and fullest life. Success will come naturally when there is passion in the work.

This is because we are more relentless in our pursuit of goals about things that we love. Successful entrepreneurs do not mind the extra working hours for their business due to the passion for the job and to keep it going.

Success is almost certainty if the franchisee has created enough passion for the business. Success cannot be guaranteed as they are always rick in business. Passion for own business significantly will benefit for business. Passion does not associate to making one think about the high income generated.

Passion physical trappings of success and transcends money. Passion makes the difference, passion for own business is show that love what they do and focus on what you would love to do. Franchisee need feed the love in particular franchise mode and put the passion into that business, so that it can be success.

2.3.3.3 Determination

Franchisees need the drive and determination to not disappointed their customer and do their best for the business (Richard Verkley, 2011). Although business efficiency is essential but must receive equal attention with customer service. To run an efficient business within the franchising is more easier compared with own or independent business person. Franchises have methodologies and methodologies in place but franchisees can still be prepared to meet a few obstacles. A piece of equipment will break down or a staff member will not show up for work. Franchisees can solve the problem and achieve customer's satisfaction with drive and determination.

A successful franchises need to be tenacious, persistent and passionate about what they do and be prepared to put in the work it takes. The attribute of the successful franchise is who spends a lot of their energy on those things to make their business. Hence, if the franchisee has

the passionate and determination to make it happen and with strong work ethic to establish the business, they have the chance of success as a franchisee

2.3.4 Networking

Moreover, networking is calculated process of exchanging resources, information, support and access between strategically individuals in a way to create mutually beneficial relationship for professional and personal success (Baber, Anne & Lynne, 2007). An entrepreneur will become part of the community if they choose their franchise company and the strategy location to establish.

2.3.4.1 Communication Ability

In networking term, operating a franchise business means dealing with many people. This is where someone with great networking skills will shine. Networking with neighbors, other business owners and people in the community is essential to growing your business, all this will assist the company to publicize their business more easily while building loyalty of the customers and good-will as well.

In additional, working well with staff, your franchisor, other franchisees and customers should be one of your primary goals. Building relationships and keeping line of communication open are vital to the success and vitality of your business.

2.3.4.2 Marketing/ Strategic Development

According to Charter Franchise Group consultants (2011), strategic development is one of the criterions that most often make a franchise successful in order to meeting the franchisee and professional goals require a sound business strategy. It is undeniable important to have the marketing and strategic development for most of the franchise systems. This is because marketing and strategic development will create the new ways to deliver branded messages that compel people to buy and develop a comprehensive approach to increasing franchisee sales and unit revenue. A franchisee need to be success, they must far from ordinary or traditional thinking to seek for unique way to deliver extraordinary results and exponential growth. Comprehensive strategy is crucial in nurturing enduring franchise relationships and that addresses in the franchise strategic development endeavor (Kevin B, 2011). They also stated that an explicit strategic develop will increase the chance of success and not simply aimed of reducing the likelihood of failure.

Likewise, network are essential because people can provide access to vital information, those information will insights on the product trends, early warning of happenings that could impact your business ad even it might great ideas for a business of your own (Baber, Anne & Lynne, 2007). In contrast, lack of information can negatively impact the future success of a specific franchise is unknown. Everyone can put a bottom-line figure on the value of a single conversation and sometime a single or simple conversation can change your life (Baber, Anne & Lynne, 2007). If a franchisee is truly a people who are enjoying social interaction and have an excellent strategic development, they have one of the most importance traits for any of the successful business person. In other words, marketing/ strategic place a important rule for a

franchisee success because it highlight a business's reputation within the market segment and it also realize many benefit such as increased visibility, increased customer loyalty, increase the franchise goodwill, enhanced company image and also provide the positive media coverage.

2.3.5 Openness

Nonetheless, practice of openness in business hold key to success in many franchises operating in this era where one welcoming feedback and continue work for improvement.

2.3.5.1 Ability to accept Change

In order to maintain the vitality of the business, all the organizations need to make changes. This is fact for franchise business. Together franchisors and franchisees must be prepared and equipped to deal with change when significant changes are made (Ed Teixeira, 2011) President of FranchiseKnowHow, LLC. Good franchise continues venturing opportunity for improvement and one who welcomes changes with open hands. They look for new ways to make their franchise concepts successfully. They understand the needs of the market and changing demands of the market and make their business strategies based on that. Normally people are refused to change because they always believe that their service and products are the best among all and they are never go wrong with that. However, it there are any feedbacks provided by the customer, the franchisees need to take note and acknowledge in order to provide better customer service and it will bring the success to the business.

2.3.5.2 Open Minded/ Acceptance of New Idea

Successful entrepreneur enter the franchise business with an open mind and make habit to talking with their staff being passionate about what you or they want to do. The most important is respectful of other's ideas because it will help the organization to see and act on new opportunities and grow. Majority of the leaders or entrepreneur are doing too much talking rather than listening. Other subordinate or customer feedback to the business's services or product is important to you as they are demonstrating the customers' satisfaction. On the contrary, someone who thinks they already know everything and strong reservation over customer or team feedback, will never be the successful franchisee (James Greig, n.d.). Further emphasize that anyone who wants to enter the business need to have a open mind and willingness to learn from all the experts around. Positive attitude are need rather than seeing challenges as a solid brick wall, this can lead to new opportunities. We cannot survived by ourselves, just need to interacting with others so that others have a chance to motivate you and you can motivate others or give others as well.

2.4 Measure of Franchisee Success

Everyone wants to be success but there are no any model has been adopted as the best fit for all the business. An effective success model should provide a clear framework for performance measurements to enable the accurate assessment of organizational success. Business only can improve which measure. Measuring how well you do on your way to success is important. Normally, an organization will set organization's goal to improve the company performance and their revenue. So the organization need to keep track on how it going to do and know if moving toward the organization goal. Whether your business is new, middle-aged or has been in the

family for generations, it is important to define success and achieve it, to have the satisfaction you were looking for when you first started the path you are on. There are various elements of a franchisee that may be evaluated and measured how successful the franchisee is. There are several predictors can be used to measure the level of success in franchisee organization and there are included Business Growth, Financial Status, Reputation and Sustainability. But not all the organization measures the success by using those elements because there might have some of the organization define success differently.

2.4.1 Business Growth

Franchise growth is a success measure because it usually related to the firms' survival. Franchisor growth is assessed through a number of the years that franchisee in the business, number of outlet, size of the outlet and the number of employees.

2.4.1.1 Number of Year in Business

According to azfranchises.com (2011), "although a success rate of over 90% for new franchise businesses in their first 5 years of operation has been often stated for many years, many franchise industry experts believe that number is overly ambitious and that a more realistic success rate is probably closer to 75%". Buying a franchise does not 100% guarantee for success and a lot of franchises fail their franchising business within 5 years. In additional, The United States Department of Commerce also offers the statistic regarding the business venture success and there are 96% success rate after 1 year of the franchise operations and after 5 years franchise operations was 92%. So from that, it indicates that the number of year since the company began franchising can use for measuring the franchisee success.

The DTI (2001), reports that 60 percent of new SMMEs fail within first two years. This results in wasted capital and disillusioned entrepreneurs. According to the U.S. Small Business Administration (Longley, 2006:1), over 50 percent of small businesses fail in the first year, and 95% fail within the first five years.

At the same time, there are some study shows that the age of the business is not the indicator to measuring the franchise success. “Franchise failures tend to increase with age as a result of an obsolescence effect whereby the business concept itself, along with franchised unit facilities, becomes dated and thereby less appealing than when the firm was younger” (Castrogiovanni, Justis, and Julian, 1993),

2.4.1.2 Number of Outlet

According to Alon (2006), the impact on franchise level of success can measure by the number of outlet owned units by a franchisor. Normally franchising practitioners is that franchisor who have at least two units over three years or three unit over two years in operate. There are several important function of franchisee owned outlets for the franchising system. For example, it let the franchisor innovate with its management systems, to test new concepts, learn from ongoing operations and stay in touch with the customers. By the research of Alon (2001), “retailers with a larger scale also were able to achieve higher growth rate in the number of outlets in early stages of franchising development, suggesting that company-based outlets are critical for expansion. Franchisors owned outlets also allow the franchisor to respond to environmental challenges during time of adversity, without the bureaucratic challenges, which may be mounted by franchisees in the system”.