ELSEVIER

THE CHALLENGE OF AUTONOMY AND DEPENDENCE IN FRANCHISED CHANNELS OF DISTRIBUTION

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EXECUTIVE SUMMARY

An enduring challenge for franchise management involves the reconciliation of (1) the franchisor's desire for standardization, consistency, and control for the preservation of its goodwill and brand equity, and (2) the franchisee's quest for autonomy, especially because franchises are frequently sold on the platform of be your own boss and have historically attracted would-be franchisees with self-employment histories and strong streaks of independence and autonomy. Building on arguments derived from agency theory, resource dependence theory, the locus of control argument, and the countervailing power premise, the present study attempts to evaluate (1) the interrelationships between the concepts of autonomy and dependence, and (2) the influence of competition, success, experience, and multi-unit ownership as determinants of the various autonomy-dependence perceptions. It is suggested that, contrary to the dominant perspective nested in the markets versus hierarchy dichotomy, which portrays the sentiments of dependence and autonomy as opposing theoretical variables (i.e., they are envisioned to exist only in high-low combinations of these two constructs), even their high-high and low-low combinations can emerge within a franchise setting, and that these diverse behavioral settings entail unique management challenges.

The empirical portion of the study utilizes data drawn from the franchised channel of fastfood restaurants. The results support the emergence of all four combinations of dependence and autonomy (i.e., the traditional high-low combinations as well as the high-high and low-low combinations), suggesting

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that behavioral settings of franchises are indeed richer than hitherto imagined. It appears that because franchisee-franchisor relationships encompass several domains, they each feel dependent on the other party in certain domains, and simultaneously, autonomous in other domains.

The environmental factor of competition, the relationship factor of business success experienced in the franchise system, and the structural factor of multi-unit ownership emerged as significant predictors of dependence and autonomy. Notably, however, the countervailing power argument was not supported by the data. The multi-unit ownership effects were especially strong and provided a more direct test of the alignment of goals and incentives envisioned by agency theory. We conclude by identifying four categories of franchisees with distinct gestalts that franchisors would do well to learn to manage in the spirit of portfolio management.

INTRODUCTION

A key challenge for franchisors in managing relationships with franchisees involves judiciously balancing the competing forces of dependence and autonomy. Franchised business can be alternatively conceived as (1) a form of small business activity distinguished by its conspicuously close relationship with another larger enterprise entity, the franchisor, or (2) simply a managed outlet featuring the corporate strategy of another, truly independent enterprise, the franchisor. Under the former view, franchisees arguably are essentially like many small, independent firms interacting with asymmetrically larger entities in the conduct of their business; the latter model, however, envisions hierarchy-like control of the ostensibly dependent franchisee by the franchisor using formal (i.e., contractually mandated) and/or informal methods (Blair and Esquibel 1996). What complicates the independent firm model is that though franchises are frequently promoted on the platform of be your own boss by franchisors, in reality few departures from the standard franchise contract are tolerated by franchisors.

On the other hand, though some investigations of franchisees' motivation for electing the franchise option reveal a more complex picture (Dant 1995; Kaufmann and Stanworth 1995; Peterson and Dant 1990; Stanworth 1995), historically and generally, the allure of franchising has attracted disproportionately high numbers of prospective franchisees with direct or vicarious prior experience of self-employment (Ozanne and Hunt 1971; Stanworth and Kaufmann 1996). Such individuals, naturally given to attendant sentiments of independence, are likely to exhibit a strong desire for autonomy in the operations of their franchised outlets. Also, operationally, franchisees may enjoy considerable de facto independence because (1) contracts can never anticipate potential contingencies inclusively, (2) the infeasibility of perfect behavior control by monitoring due to costs and efforts implications, and human imperfections in monitoring, (3) the logical impossibility of total ex ante control, (4) certain activities necessarily require decentralized decision- making (e.g., local personnel decisions), (5) franchisors' unwillingness to engage in certain activities in the spirit of division of labor, and (6) the need to cultivate and maintain a climate of civility, goodwill, and trust with franchisees as befitting business relationships. In sum, the challenge for franchise management involves the accommodation of the franchisor's desire for standardization, consistency, quality control, and the preservation of its goodwill and brand equity, and the franchisee's quest for autonomy (Stanworth 1995; Strutton, Pelton, and Lumpkin 1995).

The simultaneity of dependence and autonomy within franchised relationships, therefore, appears endemic to the context of franchising as an interorganizational governance form. Excessive autonomy undermines franchisors' authority and control and can

result in serious systemic crises stemming from its loss of corporate identity and/or the dilution of its brand equity. Conversely, excessive controls aimed at monitoring agents' behaviors are not only prohibitively costly and foster the familiar postcontractual agency problems (Bergen, Dutta, and Walker 1992; Carney and Gedajlovic 1991; Shane 1995), they can also precipitate motivational and morale problems among franchisees. From a management perspective, then, balancing the forces of dependence and autonomy within franchising becomes a critical activity for maintaining the long-run viability of the franchise systems.

Following this perspective, the overall goal of this study was to evaluate the interrelationships between the forces of autonomy and dependence within a franchising context. In doing so, we explore two issues (1) the nature and occurrence of the perception of dependence and desire for autonomy within franchise relationships, and (2) the influence of selected factors on these sentiments. We begin with a literature review aimed at providing background and theoretical understanding of the simultaneous occurrence of dependence and autonomy in franchise settings. We then propose hypotheses on their coexistence, as well as on the factors of competition, success, experience, and multiunit ownership identified as potential determinants of the dependence and autonomy perceptions. Subsequently, the empirical effort based on data drawn from the franchised fastfood restaurant channel is described. And finally, we present our results and their interpretation and speculate on the implications of this investigation.

LITERATURE INSIGHTS AND HYPOTHESES

Interrelationship of Dependence and Autonomy

The construct of dependence, a natural consequence of division of labor within distributive arrangements, occupies a central role within channel theory. Dependence is nomologically related to several core channel constructs like power, conflict and satisfaction (cf. Brown, Lusch, and Muehling 1983; Gaski 1984), and evidence has generally shown a positive link between a target firm's dependence and a source firm's attempts at control through use of power (cf. Frazier, Gill, and Kale 1989). The core arguments behind this expectation can be traced to the familiar theoretical reasoning of Emerson (1962) and French and Raven (1959) that posit dependence to be the inverse of power. Under this view, the opposite of dependence is independence. More recently though, recognizing that dependence does not have to be unilateral (i.e., both sides of the dyad can be mutually dependent upon each other to various degrees), channel researchers have started to pay more attention to the notion of bilateral dependence or more commonly interdependence (Buchanan 1992; Gundlach and Cadotte 1994; Kumar, Scheer, and Steenkamp 1995).

Autonomy, defined as a party's ability or desire for independent thought and action (cf. Sims, Szilagyi, and Keller 1976), is a relatively less well-understood phenomenon within distribution channel contexts—especially as it relates to dependence. Although the notion of dependence is not inconsistent with limited autonomy enjoyed by parties in a dyad, only the high-low combinations of dependence and autonomy have been conceptually examined in a systematic manner within the extant literature (Figure 1). Cell 2 of Figure 1, described by low autonomy and high dependence approximates hierarchies, whereas cell 3 comprised of high autonomy and low dependence relationships mimics

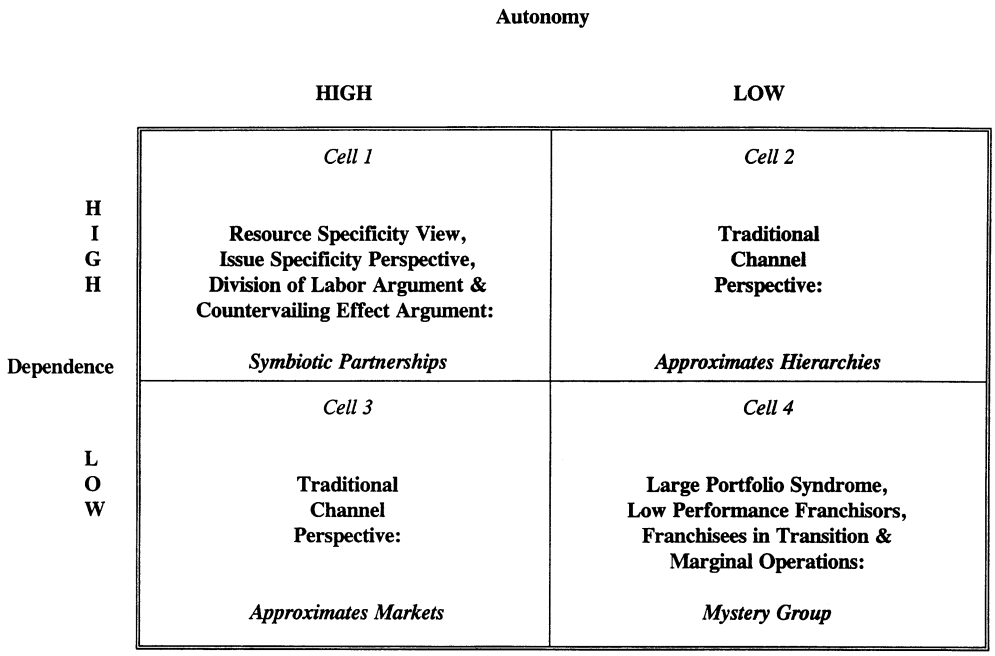

FIGURE 1 Dependence-autonomy combinations.

markets in the classical markets versus hierarchies presentation of governance arrangements (Williamson 1975, 1985). Some organizational theorists also support the view of an inverse relationship between dependence and autonomy (e.g., Pugh et al. 1969; Thompson and McEven 1958; Warren 1967). Gouldner (1959) ascribed this relationship to functional reasons. Describing functional autonomy of a system-part as the probability that it can survive separation from the system, Gouldner postulates that parts of highly dependent systems should definitionally possess low functional autonomy, and vice versa. In other words, of the four potential combinations of autonomy and dependence (Figure 1), the high-low combinations (i.e., cells 2 and 3) are considered the most viable states of relationships within an interorganizational context, whereas cells 1 and 4 are not.

However, a number of other scholars have advocated the coexistence of high dependence with high autonomy in social systems (cf. Baliga and Jaeger 1984; Garnier 1982; Oppenhiem 1961; Pfeffer and Salancik 1978; Pointer, Begun, and Luke 1988; Thompson 1967). For instance, Pfeffer and Salancik (1978) note that even in asymmetrical exchange relationships, asymmetries tend to be resource specific. In other words, rarely do all the asymmetries place one party in an advantageous position over the other party to create unilateral-dependency structures. Much more likely are situations where asymmetries favoring party A are counterbalanced or offset (at least partially) by asymmetries over other resources favoring party B. Such settings, in turn, permit the emergence of relationships characterized by high levels of resource and domain-specific autonomy, and simultaneously high levels of dependence perceptions on other resources and domains. This conceptualization appears singularly pertinent to the franchising contexts where both franchisor and franchisee are expected to contribute distinct profi-

ciencies to the success of their joint enterprise (Peterson and Dant 1990; Stanworth 1995) in the spirit of division of labor.

Closely analogous to the resource-specificity arguments of Pfeffer and Salancik (1978), Oppenhiem (1961) proposes a formal definition of autonomy that makes the coexistence of autonomy and dependence a theoretically logical outcome. Oppenhiem argues that the extent to which Y does not have control over X's conduct, X is autonomous. However, even if Y has control over X's conduct over activities x_i, with respect to non-x_i activities, X is autonomous of Y. In sum, Oppenhiem sees the relationship between dependence and autonomy as predicated on issue-specific considerations. In fact, several studies have provided corroborative evidence for the coexistence of high autonomy with high dependence in interorganizational contexts (cf. Baliga and Jaeger 1984; Garnier 1982; Pointer, Begun, and Luke 1988). Much of this evidence comes from loosely coupled organizations, pooled interdependence settings, and headquarter-subsidiary relationships where symbiotic relationships are strategically critical to the viability of all participating members.[1]

Finally, as postulated by Galbraith (1967), a strong countervailing effect is likely to be operative within the behavioral settings represented in franchised distribution channels. That is, strong perceptions of dependence (certainly quite natural for franchisees) are likely to foster commensurately strong desires for autonomy. This expectation is especially relevant to franchised settings because, as noted earlier, disproportionately high representation of individuals with prior self-employment experience (with their associated independence streak) among the franchisees should further reinforce the desire for autonomy predicted by the countervailing argument.

The two rival perspectives offered above, however, are not irreconcilable. Gouldner's proposal (i.e., that dependence definitionally implies low autonomy) can be accommodated as an extreme case (i.e., in a highly skewed interdependence setting) within the Oppenhiem-Pfeffer-Salancik framework that adopts the resource-specificity perspective to dependence and accepts the coexistence of dependence and autonomy. Herein, the division of domains may be so skewed in favor of one party that domain demarcations cease to substantively matter to the weaker party. This occurrence, though, is more likely in an intraorganizational context (Gouldner's setting) where skewed interdependence is reinforced by formal authority structures. In interorganizational contexts like franchised channels, characterized by parties performing distinct functions, the coexistence and countervailing explanations appear much more plausible. In sum, there is theoretical support for both, the more traditional high-low combinations (i.e., cells 2 and 3, Figure 1) as well as the simultaneously high-high combination of autonomy and dependence perceptions (cell 1, Figure 1).

The low-low combination of autonomy-dependence perceptions (cell 4, Figure 1) is also feasible, although the theoretical arguments for such a combination are not as well documented in the extant literature. Consequently, we label cell 4 the Mystery Group in Figure 1. Plausible explanations for the low-low combination include:

1. *Large portfolio syndrome:* Diversified franchise-owners who see their franchise operations as a small part of their total portfolio may experience low levels of dependence

[1] For a review and discussion of analogous evidence regarding parties being able to separate judgments along issue-specific lines based on other theoretical frameworks like exchange theory, determinant attribute theory, and Fazio's accessibility model, see Dant, Lumpkin, and Rawwas (1998).

on their franchisors. Simultaneously, the low significance attached to the franchises may also lead to a noncaring, complacent attitude to a point that directives received from franchisors are mechanistically implemented, and not seen as encroaching on autonomy because of low involvement.

2. *Low performance franchisors:* A franchisor demanding strict adherence to various controls mandated by the franchise agreement on the part of the franchisees (e.g., inventory control and replenishment procedures), but performing inadequately on its own duties and obligations to franchisees (e.g., insufficient demand-generation activities) may cause the franchisees to fend for themselves and cause a low-low perception.
3. *Franchisees in transition:* Franchisees about to exit the system for (say) greener pastures but not wishing to antagonize the franchisors in the interim by contesting its directives may also display such an attitude.
4. *Marginal franchisees:* Franchisees with relatively poor sales and little hopes for future improvement due to market conditions and/or ineffective franchisor policies, but still obliged to follow the controls instituted by their franchisors would also belong to this low-low combination cell.

Note that, normatively speaking, franchisees classifiable into this low-autonomy, low-dependence cell (cell 4, Figure 1) would not be considered model franchisees, and their future tenure within their franchise systems may itself be uncertain. Nonetheless, the above explanations appear to be realistic and reasonable. Based on this discussion, we formulated our first two hypotheses:

> *H1:* Within a franchise setting, franchisee groups may experience any of the four combinations of dependence and autonomy perceptions presented in Figure 1.

> *H2:* Within a franchise setting, the high-dependence high-autonomy condition will be the most prevalent dependence-autonomy combination among the four combinations of dependence and autonomy perceptions presented in Figure 1.

Determinants of Dependence and Autonomy

Theoretically, a large number of variables can influence the perception of dependence and the desire for autonomy within principal-agent dyads (Frazier, Gill, and Kale 1989). In the present study, we selected competition, success, experience, and the incidence of multi-unit ownership as predictor variables on grounds of compelling logic and relevancy, and because of their established significance within the channels literature (cf. Achrol, Reve, and Stern 1983; Dwyer and Oh 1987; Etgar 1977; Kaufmann and Kim 1995; Peterson and Dant 1990; Pfeffer and Salancik 1978). We investigate these determinants first, in terms of their direct effects on dependence and autonomy as specified in H3 through H10 presented later, and subsequently, across the four combinations of dependence and autonomy as identified in Figure 1. The latter analyses are executed on an associative, exploratory basis, because the extant literature base does not permit the specification of theory-driven hypotheses for these combinative contexts. And yet, as argued in H1 and H2, the franchising context affords us an opportunity to understand nonconventional combinations of autonomy and dependence. In sum, the goal behind

the associative, exploratory analyses was to probe more richly the behavioral chemistry of the combinative contexts represented in Figure 1.

Competition

The organizational as well as interorganizational literature has consistently identified environmental uncertainty and its dimensions to be strategically critical variables for understanding decisions, operations, and the processes of firms; in fact, many theorists posit environmental threat as the raison d'être for organizational adaptation (Lawrence and Lorsch 1967; Galbraith 1973; Hannan and Freeman 1977). From a channel leadership perspective, Etgar (1977) has proposed that more control will be attempted by the channel leaders (i.e., here, the franchisors) when the environment is threatening. Similarly, from a resource dependence perspective, Dwyer and Oh (1987) found reduced propensity for control in munificent, nonthreatening environments, and vice versa. The core premise of resource dependence theory is that firms seek to reduce uncertainty by purposefully crafting formal and semiformal links with other firms (Pennings and Woiceshyn 1987) frequently by deliberately increasing the extent of interfirm coordination and creating negotiated environments (cf. Cyert and March 1963).

Following Balakrishnan and Wernerfelt (1986), who advocate a more context specific and focused approach to understanding environmental uncertainty, we identified competition as the key operative dimension of environmental uncertainty within our industry context, and our hypotheses reflect this choice. Competition is frequently isolated as the appropriate proxy for tapping uncertainty (cf. Thompson 1967), especially in mature industries, and was used as a key uncertainty dimension by both Etgar (1977) and Dwyer and Oh (1987). As can be inferred from above, then, higher levels of competition are expected to prompt attempts of greater control on the part of the franchisor.[2] If such attempts at control elicit a countervailing effect as postulated by Galbraith (1967), franchisees may exhibit a heightened desire for autonomy. Galbraith (1967) suggests that the exercise of power brings about a reciprocal reaction of rebuffing those attempts at control, because people naturally value autonomy rather than dependence.

Building on agency-theoretic arguments, however, Dant and Nasr (1998) show that franchisees facing a competitive marketplace have incentives to share more information than normal with their franchisors, effectively ceding more de facto control to their principals and suggesting a desire for less autonomy. Per the agency-theory formulation, franchisees possess the incentive to conceal information about external environmental factors if it has the effect of explaining their business success in terms of external factors, and not their effort (Bergen, Dutta, and Walker 1992). That is, if low levels of competition are perceived to be the underlying cause of a franchisee's success, such a franchisee would likely hide such information from its franchisor. Conversely, when confronted with high levels of competition, the franchisee will likely proactively pass on information about the marketplace strife to its franchisor in an attempt to explain its poor performance or, if the performance is good despite such competition, to signal its superior effort (Dant and Nasr 1998). The implication of this behavior is to suggest a desire for

[2] Note that the legitimacy of franchisors being the controlling partner is seldom questioned within franchise chains (cf. Dant and Berger 1996).

less autonomy on the part of franchisees facing conditions of high competition—an effect contrary to the conuntervailing arguments of Galbraith (1967).[3]

> *H3:* Within a franchise setting, higher levels of competition will lead to lower levels of desire for autonomy on the part of the franchisees.

Given the earlier noted arguments for the emergence of high-dependence high-autonomy condition (i.e., because dependence is not the opposite of autonomy per se), the competition-dependence theoretical linkage requires careful scrutiny. Based on the locus of control logic (i.e., that attributions about forces controlling others' behaviors play a fundamental role in shaping people's opinions; cf. Anand and Stern 1985; Kaufmann and Stern 1988), the impact of competition on dependence is likely to rest on franchisees' attributions of the credible roles their franchisors can play in overcoming competitive problems. To the extent that franchisors are seen as capable of subjugating competitive environmental pressures, motivational investment of the franchisees in their franchise business is likely to remain steadfast or grow, alternative business alliances are not likely to be sought, and dependence perceptions (by definition) are likely to be strengthened (Emerson 1962).

By the extension of the same logic, franchisees are likely to attribute higher levels of competition as being the result of the franchisor's lack of performance and/or latter's inability to mitigate competition, in turn, lowering the attractiveness of the franchise relationship (i.e., lowering dependence perceptions). Such attributions are especially plausible within the more typical, fragmented, competitive markets of consumer franchises (e.g., fastfoods), where individual franchisors are relatively less capable of altering marketplace dynamics. Herein, increased competition and the resultant diminished revenue flows are likely to readily prompt franchisees to seek supplementary earnings from alternative sources of income, thereby diluting their motivational investments in focal franchises and, in turn, dependence (Emerson 1962). We tested these contentions, using the following hypothesis:

> *H4:* Within a franchise setting, higher levels of competition will lead to lower levels of perceptions of dependence on the part of the franchisees.

Success

Dwyer and Oh (1987) note that when the marketplace is perceived as rich, franchisees operating in such markets, because of their criticality to the franchisors, will have a measure of power to extract procedural and fiat exemptions from their franchisors. Correspondingly, franchisors are expected to relinquish a measure of bureaucratic control to secure the continued support of these successful franchisees who hold key positions

[3] Dissonance theory, self-perception theory, and attitude theory (Bem 1967; Festinger 1957; Osgood and Tannenbaum 1955; Ross et al. 1983) postulate that when confronted with an apparent incongruity between behavioral patterns (i.e., sharing information in high competition contexts) and cognitive structures (i.e., desire for autonomy), the innate need for consistency between behavior and cognition will cause individuals either to reject their previous beliefs and actions as mistakes (a stressful option) or, more plausibly, to reconcile them. In the language of social exchange theory (Thibaut and Kelley 1959), then, a new referent structure will likely have been established as a result of such equilibrium-seeking reconciliation: to not desire autonomy in contexts of high competition. Dant and Monroe (1987) posit that such referent structures tend to be grounded in contingencies and therefore can be evoked on a selective basis to match the circumstances facing individuals, i.e., the same franchisee that desires less autonomy within high competition environment may desire more autonomy in low competition settings.

for access to high spending and growing markets. In other words, successful franchisees are expected to enjoy a higher measure of de facto autonomy than the nonsuccessful ones, and such experience may further strengthen such franchisees' desire for autonomy.[4]

However, the opposite theoretical linkages between success and autonomy are predicted by the resource-dependence theory and the attributions argument. Per the resource-dependence framework (cf. Pfeffer and Salancik 1978), successful franchisees are likely to interpret their profitable business alliances with franchisors as symbolic of successful containment of the forces of marketplace uncertainty. Similarly, per the attributions argument, successful franchisees are likely to ascribe their market success to franchisors' market initiatives and interventions, highly treasure these profitable relationships, and desist from breaching them by seeking greater autonomy. Anand and Stern (1985) also found successful franchisees to relinquish control willingly to their franchisors. Hence, although some arguments can be offered for a positive relationship between success and desire for autonomy, consistent with our earlier arguments couched in the attributions logic, we expect success to reduce the desire for autonomy:

> *H5:* Within a franchise setting, higher levels of success will lead to lower levels of desire for autonomy on the part of the franchisees.

The same locus of control perspective (i.e., franchisees' attributions of franchisors' contributions to their achieved success, cf. Anand and Stern 1985; Kaufmann and Stern 1988) can be utilized to frame and provide insights into the linkages between success and dependence. Although arguably, successful franchisees may attribute their success to (1) franchisors' efforts, (2) their own efforts, and/or (3) environmental largesse, Anand and Stern (1985) found franchisees routinely attributing their success to their franchisors—an effect also partially supported by Peterson and Dant (1990). Successful franchisees, hence, appear to interpret their market success as symbolic of their franchisors' success in subjugating the marketplace competition. In turn, such attributions should increase the attractiveness of the franchise relationship in franchisees' eyes, strengthen their motivational investment in their franchise business, and obviate the need for alternative business alliances (i.e., definitionally underscore dependence perceptions; cf. Emerson 1962). Based on this reasoning, therefore:

> *H6:* Within a franchise setting, higher levels of success will lead to higher levels of perceptions of dependence on the part of the franchisees.

Experience

Peterson and Dant (1990) note that with increasing experience with franchising, franchisees acquire reasonable proficiency and self-confidence in operating those systems. In time, such veteran franchisees tend to experience a sense of accrual of personal power and the confidence to go it alone in increasingly enlarging domains of activities, and

[4]The resource-specificity, domain-specificity, and division-of-labor arguments previously presented to defend the coexistence of high autonomy with high dependence (cf. Pfeffer and Salancik 1978; Oppenhiem 1961; Dant, Lumpkin and Rawwas 1998; Dant and Monroe 1987) serve to further reinforce the expectation based on Dwyer and Oh (1987). That is, whereas Dwyer and Oh (1987) see the franchisee's sense of power and autonomy growing due to the franchisor's relaxation of controls, the resource-specificity perspective would posit success directly contributing to the franchisee's sense of domain-specific accrual of power and desire for autonomy regardless of the franchisor actions.

in turn, a further upsurge in desire for autonomy. Stanworth (1995) and Dant and Nasr (1998) also show that longer established franchisees tend to be more resistant to compliance with franchisors' directives or sharing market information with them. Such franchisees presumably attribute their success to self, feel more autonomous de facto, and therefore, less obliged to honor franchisor requests—in time leading to further strengthened desires for autonomy:

> *H7:* Within a franchise setting, higher levels of experience will lead to higher levels of desire for autonomy on the part of the franchisees.

Peterson and Dant (1990) also discovered such an experience base to erode perceptions of dependence. The power-dependence theory (cf. Emerson 1962; Beier and Stern 1969) can be used to develop the following explanation for this phenomenon. The rich experiential base of franchising knowledge accumulated by the older franchisees, in addition to bolstering their self-confidence, can also reduce the motivational investment of these franchisees in the franchisee-franchisor relationship in that franchisors may be seen as increasingly irrelevant partners for the continued success of their franchises. Conversely, the relatively high levels of initial willingness on the part of the franchisees to comply with franchisor stipulations may also be ascribed to a honeymoon or recency effect experienced by the relatively new franchisees (Dant and Nasr 1998). These predictions are stated in the following hypothesis:

> *H8:* Within a franchise setting, higher levels of experience will lead to lower levels of perceptions of dependence on the part of the franchisees.

Multi-Unit Ownership

Most contemporary fastfood franchised units belong to mini-chains owned by multi-unit franchisees (Bradach 1995). Some franchisees begin as single-unit operators and gradually obtain the rights to operate more franchises in what is termed as incremental or sequential expansion (Kaufmann 1992); other franchisees, known as master or area franchisees, are granted the rights to sell or develop multiple franchised units within an exclusive territory on a prespecified schedule (Kaufmann and Kim 1995). However, despite their prevalence, literature has paid only limited attention to understanding these modern, but more complex organizational forms (Dant and Nasr 1998).

The extant empirical evidence suggests that multi-unit franchisees enjoy systemic advantages over their single-unit counterparts and are associated with higher system growth rates (Kaufmann and Kim 1995; Kaufmann and Dant 1996; Shane 1995). Given the high stakes associated with such operations, multi-unit franchise operators are likely to experience high levels of motivational investment in their relationships with the focal franchisors. Moreover, because of the scope of such multi-unit activity, few viable alternatives are likely to be available to these franchisees in the short-run. In sum, such vestment should generate strong perceptions of dependence (on their franchisors) on the part of the multi-unit franchisees:

> *H9:* Within a franchise setting, higher levels of multi-unit ownership will lead to higher levels of perceptions of dependence on the part of the franchisees.

Importantly, multi-unit franchisees find their goals and incentives as being closely aligned to those of their franchisors, because they effectively function as minifranchisors managing their own minichains. This altered principal-agency mindset has myriad impli-

cations. For instance, incentives to free ride, the classical agency theory problem (Bergen, Dutta, and Walker 1992; Lafontaine 1992), are relatively low as providing lower quality products/services in any of their outlets becomes counterproductive in that it dilutes their own subsystem's brand equity (Dant and Nasr 1998). Fears of premature termination of franchise contracts (cf. Dant, Paswan, and Kaufmann 1996; Lafontaine and Kaufmann 1994) are also lower, and master franchisees likely feel more secure in their business alliances than their single-unit counterparts. Master franchisees, given the nature of their responsibilities of developing territories and managing minichains, are also less likely to spend their time in mundane execution of routinized operations, and more time in planning and coordinating as their agenda increasingly mimics that of the franchisors. So that they may successfully accomplish these tasks, multi-unit franchisees are permitted far more de facto flexibility and latitude than their single-unit counterparts; however, they are not likely to exploit such opportunities to deviate from the prescribed procedures because they can directly appreciate the rationale for discipline and standardization within a franchising context from the franchisors' perspective. Finally, given their high stakes, the commensurate downside of opportunistic behaviors should also function as a formidable deterrent to misadventures. Our final hypothesis, therefore, postulates:

> *H10:* Within a franchise setting, higher levels of multi-unit ownership will lead to lower levels of desire for autonomy on the part of the franchisees.

METHOD

Sampling Procedures

We selected the franchised fastfood restaurant channel as the setting for the empirical component of this investigation. We chose this industry principally because it displays considerable diversity in operational policies across firms (e.g., differences in control procedures utilized). Additionally, it has been one of the most frequently investigated channels of distribution (cf. Dant and Young 1989); consequently, we benefited from the available descriptive literature during the study-design stages of this project (e.g., in isolating variables of contextual significance). Finally, this setting was considered appropriate because even though this channel, like most franchised channels, has a well-defined authority structure, the leader-subordinate relationships are often relatively informal, which facilitates the emergence of divergent dependency and autonomy conditions.

The data were collected using trained interviewers to carry out personal interviews with the aid of an unidentified, multi-page, structured questionnaire. The respondents comprised of owners, managers, and owner managers of franchisee-owned restaurant franchises located in 32 different cities in three contiguous states in the southeastern United States. Twenty-six major fastfood chains are represented in our sample—the most frequently sampled chains being Domino's, McDonald's, Burger King, and Subway. The choice of sampled states and cities was based on the convenience of access. In terms of the distribution of their population (determined post hoc), the sampled cities ranged from the about 5,000 category to the more than 50,000 category, with their distribution closely approximating the regional population profile as shown in the *1980 Census of the Population* (U.S. Department of Commerce 1982).

Respondent Eligibility Criteria

At the onset, the white and yellow pages of current telephone directories were consulted to identify the regional universe of potential respondents. Next, the franchise owners, managers, or owner managers were contacted to verify if their establishment was franchisee-owned. In this first screen, company- or franchisor-owned outlets were disqualified for the sample, because they represented more of an intraorganizational context, whereas channel constructs have been traditionally conceptualized and investigated within an interorganizational context. Moreover, the franchisee-owned and company-owned outlets were likely to vary substantially in terms of the key constructs of autonomy and dependence; hence, we decided against mixing the two.

Following the rationale of key-informant methodology (cf. Campbell 1955), owners, managers, and owner managers were identified as the natural choice to provide information about franchisee-franchisor relations. To ensure this operationally, only respondents that were involved in over 50% of franchise-related interactions with their franchisors were deemed qualified for the interview. This second screen was used because preliminary checks had indicated that (1) absentee ownership is common in restaurant franchises, (2) managers are sometimes not delegated the authority to interact with franchisors' representatives, and (3) manager turnover tends to be frequent in the fastfood franchises.

Once these criteria were met, the cooperation of the eligible respondents was solicited using a standardized appeal (however, no monetary incentives were offered), and an interview was scheduled for a mutually convenient date and time. Interviews at the restaurants were typically scheduled in off-peak hours (usually afternoons) to ensure respondent involvement and attention. In some cases, the interviews were held in the offices of absentee owners away from the restaurants. The interviews lasted 40 minutes on average.

Sample Size and Response Rate

Even though a total of 374 potential franchises were initially contacted, the finally usable sample consisted of 176 respondents. The breakdown is as follows:

Complete Interviews	176
Refused/Incomplete (eligibility not determined)	19
Ineligible	179
(company-owned establishments = 117)	
(key informants not available = 62)	
Total	374

The 31.3% of franchises (117/374) disqualified because of franchisor ownership approximate the 26.7% analogous industry-wide statistic for the three states sampled (U.S. Department of Commerce 1988, p. 9). Of the 176 finally usable cases, 94 (53%) were owners or co-owners, whereas 82 (47%) were primary managers of their outlets. A MANOVA-based paired comparison across the latter two subgroups yielded nonsignificant statistics; therefore, all 176 respondents were deemed to have come from the same population of respondents for the purposes of all subsequent inferential analyses.

Interview Approach

The respondents were measured on their general evaluations of the franchisee-franchisor relationship wherein scaled measures of variables like autonomy, dependence, success, and competition were obtained. The respondents were also requested to provide descriptive data on their franchise outlets; herein, measures of (1) average annual sales revenue of the outlets, (2) the age of their franchise outlets, (3) the number of years the respondent had been personally dealing with the representatives of the focal franchisor, and (4) the incidence of multi-unit ownership were ascertained.

Research Instrument

All measures used in this study (see Appendix) were drawn from established literature sources (where they were tested for their reliability, and their convergent, discriminant, and nomological validities), although item wordings were modified to represent the context of franchised fastfood channel under investigation. All scaled questions were supplied with 5-point Likert-type anchors (i.e., 1 = strongly agree, 2 = agree, 3 = neutral, 4 = disagree, and 5 = strongly disagree) as response categories. Consequently, smaller values reflect greater levels of agreement.

Dependence

Emerson (1962, p. 32), who proposed the widely accepted (Gaski 1984) inverse relationship between power and dependence, defines dependence to be a function of (1) the attractiveness of the present relationship, and (2) the availability of alternate alliances. Both these core ideas are well represented in our 5-item measurement of dependence, and the scale items attempted to tap the extent of nonreplaceability of franchisor and the significance of the perceived losses associated with the scenario of channel dissolution (cf. Dant and Schul 1992).

Autonomy, conceptualized as the extent of preference to work independently, extends the thrust of Sims, Szilagyi, and Keller's (1976) operational definition for autonomy to interorganizational (channel) context. Earlier antecedents of their 5-item scale (all five items were used in the present study) are traceable to the works of Turner and Lawrence (1965) and Hackman and Lawler (1971).[5]

Competition

As noted earlier, following Balakrishnan and Wernerfelt (1986), competition was identified as the key operative dimension of environmental uncertainty within the context

[5] Note that two of the autonomy items (i.e., items 3 and 5, see Appendix) contain the word independent. Strictly in terms of face validity, because the construct of autonomy is being investigated in conjunction with the construct of dependence, and the two are conceptualized as separate constructs and not opposites of each other per se, items tapping autonomy should not contain the word independent. However, these items were retained principally in the spirit of being true to the original source of scales. By the way of post hoc corrections, however, two exercises were executed. First, Cronbach's α was computed using only items 1, 2, and 4 of the autonomy scale (i.e., items without the word independent) and yielded a slightly higher reliability coefficient of $\alpha = 0.71$ than the 5-item complete version of the scale with $\alpha = 0.69$ (Appendix). Second, all reported inferential analyses were rerun, using the 3-item version of the autonomy scale. The results were identical to the 5-item results in all cases, although the means differed slightly in the second or third decimal

of our industry in this study, and was measured by two scales principally drawn from the arguments of the Moores and Duncan (1989) study. Measures of competition, or the extent of perceived rivalry in the marketplace, have generally been perceptually based (cf. Negandhi and Reimann 1972), and we emulated this tradition. Consistent with Moores and Duncan (1989), our two scales alluded to competition in terms of two dimensions: (1) other alternatives open to customers, and (2) ongoing effort requirement for market-share retention in the face of marketplace rivalry. The chosen scales also mirror the notion of demand instability and interchannel competition identified by Etgar (1977) as key aspects of environmental threat. Because they tapped distinct dimensions of competition, the two scales were separately entered into the inferential analyses.

Success

Success, or the extent of satisfaction with performance, has been commonly conceived within organizational literature in terms of performance indicants (e.g., evaluations of return on capital used). In many instances a single indicator has been deemed to be sufficient for this measurement task (e.g., Azma and Mansfield 1981). However, in the present study, we also included two perceptual measures of success based on Moores and Duncan (1989): an overall satisfaction question about the success of the franchise, as well as a more directed question on satisfaction with growth in revenue and profit. Further, because measures of success are often objectively obtained (cf. Negandhi and Reimann 1972), we also included a self-reported measure of average annual sales to tap success. The three scales (like the competition measures, and for similar reasons) were separately entered into the inferential analyses.

Experience

Following Peterson and Dant (1990), the primary measure of experience was operationalized in terms of the age of the franchise outlet. However, because the possibility of relatively less experienced manager respondents reporting on older franchises could not be ruled out a priori, we also used a second measure for experience in the present study—namely, the length of time the focal respondent had been interacting with the franchisor's representatives on franchise matters. This measure permits us to authenticate our first measure of experience. Moreover, because perceptual measures are used in the investigation, the respondents' tenure with the franchise outlets, in and of itself, becomes a significant estimate of the experience construct. Again, the two measures were separately entered into the inferential analyses.

Multi-Unit Ownership

Given the nature of this query, and consistent with the related literature (cf. Kaufmann and Dant 1996), the existence of multi-unit ownership (i.e., whether or not more than one outlet of the same chain was operated by the responding franchisee) was directly verified by a yes/no nominal question.

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places. Using the rationale of adequate domain sampling, the reported results pertain to the 5-item measure of autonomy.

Measure Validation

Measurement models corresponding to the latent constructs of autonomy and dependence constructs were assessed for reliability, unidimensionality, and certain types of validities before using those measures for hypothesis testing. Such psychometric checks are not valid for competition, success, experience, and multi-unit ownership variables because they were developed as formative rather than as latent measures.

As can be seen in the Appendix, dependence and autonomy scales demonstrated acceptable levels of reliability (i.e., $\alpha = 0.65$ and 0.69, respectively), and closely approximate those achieved in their source studies. Unidimensionality or the evidence on congeneric measures (Hunter and Gerbing 1982; Jöreskog and Sörbom 1989) was assessed in terms of internal and external consistency (cf. Anderson, Gerbing, and Hunter 1987) using ITAN software (Gerbing and Hunter 1988). Internal and external consistency, conceptually analogous to convergent and discriminant validities (Hunter 1973), were respectively demonstrated by (1) insignificant χ^2 tests on residual interitem correlations with trait effects partialled out (Hunter and Gerbing 1982, p. 278), and (2) high similarity coefficients computed across the full set of items (Hunter and Gerbing 1982, p. 281) where all ϕ's were found to be greater than 0.95. More evidence for discrimination was provided by the comparison of reliabilities and interconstruct correlations where bivariate correlations were found to be consistently lower than reliabilities. Finally, the nomological network suggested by these interconstruct correlations was supportive of the theoretically vested expectations; and hence provided evidence of nomological validity. Given the above results, the pedigree of measures, and their correspondence with theoretical definitions, autonomy and dependence item scores were summed and averaged to create composite indices prior to inferential analyses. However, as noted in the Appendix, one dependence item had to be deleted in this measure purification process.

Data Analysis

H1 and H2 were tested using hierarchical cluster analysis and the postclustering internal validation procedures (using MANOVA, ANOVA, and Duncan's multiple range paired comparisons) (Table 1), and H3 through H10 were assessed by multiple regression analyses (Table 2). Subsequently, as previously noted, we evaluated the influence of the determinants of dependence and autonomy (i.e., competition, success, experience, and multi-unit ownership) on the four combinations of dependence and autonomy as identified in Figure 1 in an associative, exploratory vein (Table 3). The latter analyses were also based on MANOVA, ANOVA, and Duncan's comparisons, and draw on the logic of external validation of cluster solutions. Recall that these exploratory analyses were designed to probe more richly the chemistry of combinative contexts visualized by Figure 1.

Hierarchical cluster analysis, used to verify the emergence of the four internally homogeneous autonomy-dependence combinations proposed in Figure 1, used the measures of dependence and autonomy (Appendix) as the clustering variables. The hierarchical approach initially designates each case as a unique cluster, and then successively merges cases/clusters until all respondents that display similarity of response patterns are included within single clusters. Squared euclidean distance and average linkage between groups were used as the proximity measure and the clustering algorithm, re-

TABLE 1 Cluster Solution: Description and Internal Validation (H1 and H2)

		Clusters			
Cluster Description	Full Sample[a] (n = 176)	Cell 1 High Dependence High Autonomy (n = 103)	Cell 2 High Dependence Low Autonomy (n = 22)	Cell 3 Low Dependence High Autonomy (n = 28)	Cell 4 Low Dependence Low Autonomy (n = 21)
Dependence					
Mean	2.60	2.26	1.57	3.96	3.58
SD	0.92	0.53	0.36	0.51	0.25
Autonomy					
Mean	2.62	2.47	3.74	1.91	3.15
SD	0.69	0.47	0.45	0.39	0.39
Internal Validation		$F_{(df)}$	p-Value	Power (1-β)	Effect Size (η^2)
Multivariate Results		104.68	0.000	0.99	0.65
Univariate Results					
Dependence[b]		$155.49_{(df = 3,170)}$	0.000	0.99	0.73
Autonomy[b]		$83.69_{(df = 3,170)}$	0.000	0.99	0.60

[a] The four cluster samples add up to 174 rather than 176 (the full sample size) because of the listwise deletion procedure used in cluster analyses.

[b] Post-ANOVA Duncan's paired comparisons (with experiment-wise Type I error held at $\alpha = 0.05$) indicated that all possible pairs were significantly different from each other for dependence as well as autonomy.

Smaller values show greater agreement, because the response categories are coded as strongly agree (1) to strongly disagree (5) (see Appendix).

spectively; their choice appearing appropriate in the current task (cf. Hair et al. 1995; Punj and Stewart 1983). Because cluster solutions per se are not inferentially grounded, their subsequent internal and external validation using probabilistic statistics acquires critical significance (cf. Speece, McKinney, and Appelbaum 1985). Consequently, both forms of validity were checked for and found to hold.

Internal validation seeks to verify if the clusters retained are inferentially distinct from each other and are not merely an artifact of researcher's specification of the desired

TABLE 2 Regression Results: Predictors of Dependence and Autonomy (H3 through H10)

	Dependent Variable: Autonomy		Dependent Variable: Dependence	
	F=3.22; df=8,130; p-Value=0.002; Adjusted R^2= 0.28		F=4.08; df=8,130; p-Value=0.000; Adjusted R^2=0.32	
Predictor Variables	β	p-Value	β	p-Value
Competition: customer-driven competition	−0.092	0.112	−0.137	0.016
Competition: market share concern	−0.154	0.012	−0.131	0.029
Success: overall franchise success	−0.140	0.029	0.042	0.504
Success: franchise growth	−0.065	0.298	0.132	0.030
Success: sales dollars ('000)	−0.263	0.001	0.112	0.049
Experience: age of franchise (years)	0.001	0.986	0.040	0.581
Experience: years of contact with franchisors	0.018	0.785	0.031	0.637
Multi-Unit Ownership (percent)	−0.148	0.018	0.282	0.001

For the scaled questions (i.e., the two competition scales and the first two success items), smaller values show greater agreement, because the response categories are coded as strongly agree (1) to strongly disagree (5) (see Appendix). Listwise case deletion approach was used for handling missing values.

TABLE 3 Description of Dependence-Autonomy Combinations: MANOVA, ANOVA, and Duncan's Paired Comparisons

Dependent Measures	Cell 1 High Dependence High Autonomy (n = 103)	Cell 2 High Dependence Low Autonomy (n = 22)	Cell 3 Low Dependence High Autonomy (n = 28)	Cell 4 Low Dependence Low Autonomy (n = 21)	Univariate Results $F_{(df = 3,170)}$ p-Value	Duncan's Multiple Comparisons: Significantly Different Pairs (Experiment-wise α = 0.05)
Competition:						
customer-driven competition	Mean 1.84 SD 0.99	Mean 1.71 SD 0.98	Mean 1.18 SD 0.39	Mean 1.77 SD 0.44	3.32 p = 0.022	Cell 3 from cell 1
Competition:						
market share concern	Mean 1.54 SD 0.79	Mean 1.59 SD 0.94	Mean 2.09 SD 1.34	Mean 1.41 SD 0.51	2.55 p = 0.058	Cell 3 from cells 1, 2, and 4
Success:						
overall franchise success	Mean 1.36 SD 0.62	Mean 1.12 SD 0.33	Mean 1.64 SD 1.00	Mean 1.24 SD 0.44	2.31 p = 0.079	Cell 3 from cell 2
Success:						
franchise growth	Mean 2.52 SD 1.21	Mean 1.82 SD 0.64	Mean 2.64 SD 1.47	Mean 3.06 SD 1.15	3.17 p = 0.027	Cell 2 from cells 1, 3, and 4
Success:						
sales dollars ('000)	Mean $899 SD $644	Mean $679 SD $312	Mean $567 SD $333	Mean $578 SD $262	3.50 p = 0.017	Cell 1 from cells 3 and 4
Experience:						
age of franchise (years)	Mean 8.99 SD 6.90	Mean 7.41 SD 5.29	Mean 10.27 SD 4.14	Mean 7.23 SD 4.85	1.11 p = 0.348	None
Experience:						
years of contact with franchisors	Mean 7.28 SD 6.77	Mean 7.12 SD 7.17	Mean 7.36 SD 5.00	Mean 5.59 SD 3.50	0.37 p = 0.778	None
Multi-Unit Ownership						
(percent)	54.4%	63.6%	21.4%	28.6%	$\chi^2_{(df = 3)}$ = 7.71 p = 0.052	Cell 1 from cells 3 and 4 Cell 2 from cells 3 and 4

Multivariate results: F = 2.52; p-value = 0.000. For the scaled questions above (i.e., the two competition scales and the first two success items), small values show greater agreement, because the response categories are coded as strongly agree (1) to strongly disagree (5) (see Appendix).

number of clusters. As noted above, this internal validation step also represents an inferential test of H1 and H2 (Table 1). Once internal validity of clusters has been established, external validation, a more stringent hurdle, attempts to assess the usefulness of the cluster solution by examining whether intercluster differences persist across other measures not used in the clustering algorithm. If the evidence is supportive, researchers can claim the discovery of population subgroups that differ not only along the variables used to segregate them, but on other relevant variables as well, signifying stable and meaningful segments or clusters. Again, as stated earlier, this external validation step also serves as the exploratory investigation of the influence of competition, success, experience, and multi-unit ownership on predicting Figure 1 cells (Table 3).

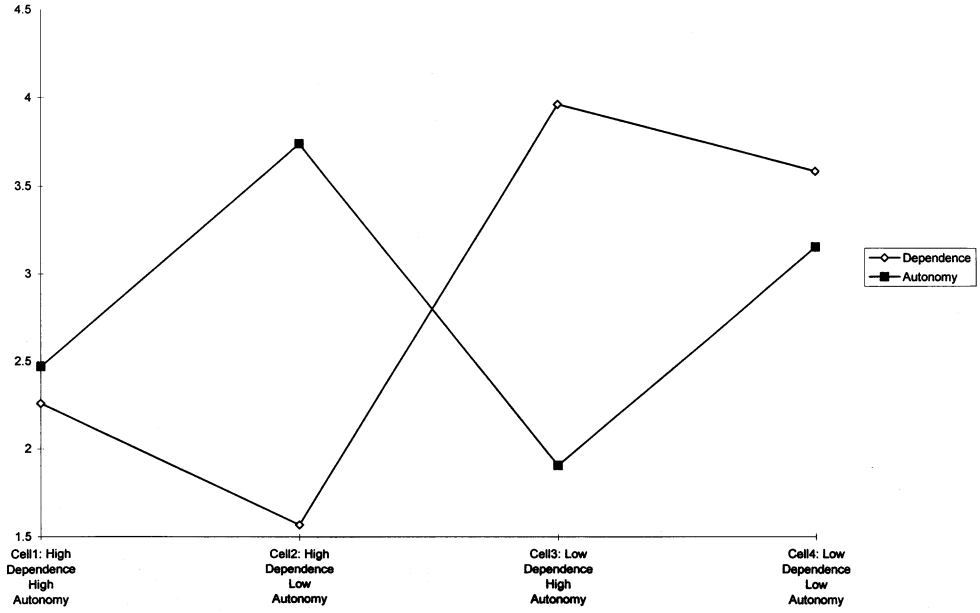
MANOVA, the principal technique used for the aforementioned validation purposes, is a useful technique when there are multiple intervally scaled criterion variables and one categorical predictor variable (Green 1978) (i.e., the four clusters obtained from the hierarchical procedure). Similar to ANOVA, MANOVA seeks to check for differences among the population centroids across predictor variables. Significance is denoted by statistics such as Wilks' λ, which are convertible into equivalent multivariate F ratios. Once significant MANOVA indicates overall group differences, further univariate analyses to determine the sources of these group differences (traditionally by an ANOVA for each criterion variable) become appropriate. As a post-ANOVA procedure, Duncan's comparisons provided details of specific significant paired differences while controlling for the experiment-wise error rate to a prespecified level (here at $\alpha = 0.05$). Two multiple regressions were run to test H3 through H10 (Table 2) where measures of competition, success, experience, and multi-unit ownership were entered as predictors of the criterion variables of dependence and autonomy.

RESULTS

Validation of Cluster Analyses

The final cluster solution, interpreted below, comprised of four clusters as theoretically proposed by H1 (Figure 1).[6] The internal validity of the four-cluster solution, the core theoretical framework argued in this study, was strongly supported by the multivariate (i.e., MANOVA) as well as the subsequent univariate anova tests (Table 1 and Figure 2). The multivariate classification yielded a magnitude of effect of $\eta^2 = 0.65$. η^2 is a generalization of point-biserial r^2 and multiple R^2, which ranges from 0 to 1 as in R^2 with the same interpretation (Cohen 1977, p. 282). Univariate effects (i.e., see η^2 in Table 1) show

[6] Specifying the appropriate number of clusters to be used is one of the most challenging decisions to make in cluster analysis. Although various criteria and guidelines are offered for approaching this task, unfortunately "no standard, objective selection procedure exists" (Hair et al. 1995, p. 442). In part, this difficulty arises because cluster analysis is an objective methodology utilized to quantify the structural characteristics of a set of observations; consequently, it possesses strong mathematical properties but no statistical foundations (cf. Hair et al. 1995). This is also the core reason for the need to establish the internal and external validity of cluster solutions. As Hair et al. (1995) point out, theoretically vested relationships often suggest a natural number of clusters to specify (i.e., in our case four per Figure 1). Nonetheless, four additional cluster procedures were also attempted before settling on the four-cluster solution. That is, one to five cluster solutions were obtained and compared with each other in terms of their respective agglomeration coefficients. The largest percent increases in these coefficients were observed in going from four- to three-cluster solutions (52%) and from four- to five-cluster solutions (44%), respectively, suggesting the superiority of the four-cluster solution. Limitations of sample size prevented us from performing any split-half procedures. However, as shown in Tables 1 and 3, the four-cluster solution received strong inferential support in terms of validation.

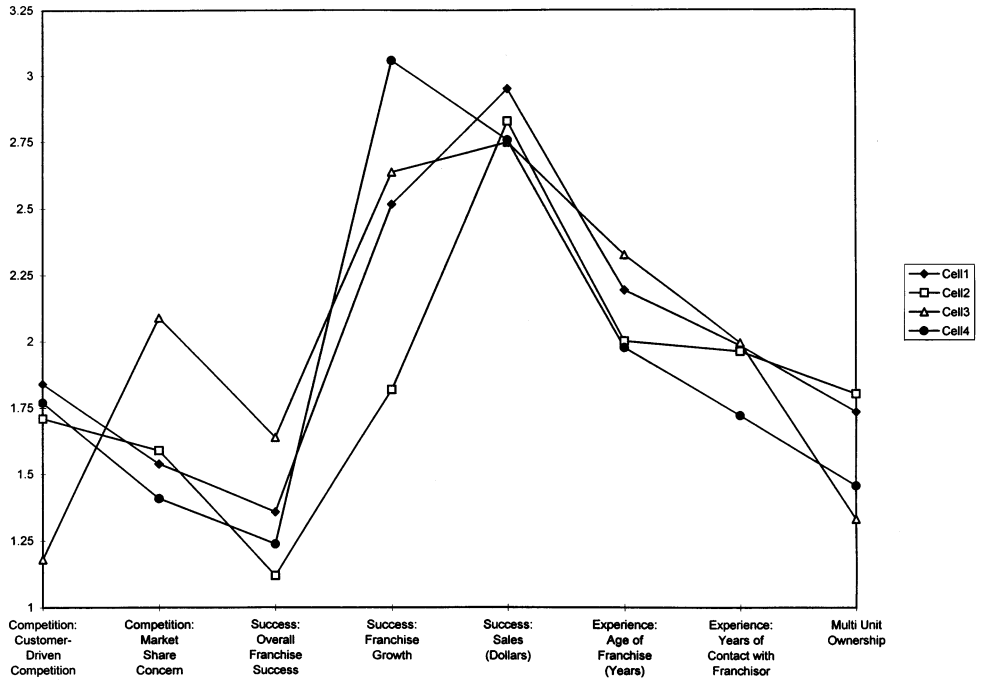


Notes Low scores show greater agreement. *See Appendix.*

FIGURE 2 Cluster solution (cf. Table 1).

that the four-cluster solution explained 73% and 60% of the variance in dependence and autonomy measures, respectively; all these effects were also accompanied by statistical power of 1-β = 0.99 (Cohen 1977) (Table 1). Although the magnitude of effect must be typically benchmarked within specific content areas (Fern and Monroe 1996), the above η^2's would be considered large within most substantive domains (Cohen 1977). Similarly, observed power in the magnitude of 0.80 and higher is generally considered proof of demonstrated statistical conclusion validity (Cohen 1977). Finally, all post-ANOVA Duncan's comparisons were statistically significant, denoting that no two clusters were alike (Table 1 and Figure 2). Interestingly, as we elaborate below, the highest-frequency cluster (i.e., cell 1; Table 1 and Figure 2), does not correspond to the markets versus hierarchies classification traditionally used to predict dependence-autonomy combinations.

Evidence of external validity of clusters can be inferred from the results summarized in Table 3 and Figure 3. All dependent variables, except multi-unit ownership, which was measured using a nominal approach and therefore evaluated using a χ^2 test, were first subjected to multivariate scrutiny using MANOVA (Table 3). The results pointed to statistically significant differences across the four clusters; consequently, MANOVA analyses were followed up by ANOVAs and Duncan's comparisons. The two experience variables yielded nonsignificant results, suggesting that the clusters did not differ on this dimension. However, the four clusters revealed significant differences across the remaining six variables at $p \leq 0.08$ (four of them at $p \leq 0.05$ level). In sum, although the intent of the analysis presented in Table 3 was to provide only associative, exploratory insights, evidence suggests that the subgroups represented in the four clus-



Notes Measures of *Success: Sales (Dollars)* and *Multi Unit Ownership* were log transformed *(using log10)*, and the two *Experience* scores were log transformed using *natural log* prior to their plot for ease of visual presentation. See Table 3 for their original metrics.

FIGURE 3 Description of dependence-autonomy combinations (cf. Table 3).

ters appear to exhibit enduring differences over variables other than dependence and autonomy (used to create the clusters), pointing to their theoretical stability and external validity.

Dependence-Autonomy Combinations (H1 and H2)

As previously noted, the internal validation step described above, also provides the assessment of H1 and H2. Our first hypothesis, H1, argued for the viability of all four combinations of the dependence-autonomy perceptions within a franchise setting, whereas H2 posited that the most frequently occurring dependence-autonomy combination will be the high-dependence high-autonomy combination (i.e., cell 1, Figure 1). Table 1 and Figure 2 demonstrate that both H1 and H2 were supported by the data. The empirically verified substantive labels assigned to each of the four clusters in Table 1 (i.e., high-dependence high-autonomy for cell 1, high-dependence low-autonomy for cell 2, low-dependence high-autonomy for cell 3, and low-dependence low-autonomy for cell 4) were directly based on the dependence and autonomy means shown in Table 1. In short, H1 was supported because the four emergent clusters correspond to the subgroups specified in Figure 1. Further, consistent with H2, the cell 1 frequency (i.e., the high-dependence high-autonomy combination) was the highest among the four clusters (Table 1). This was followed by, in sequence, cell 3 (the low-dependence high-autonomy combination), cell 2 (the high-dependence low-autonomy combination), and cell 4 (the

low-dependence low-autonomy combination). The one-way χ^2 test on frequencies across clusters was statistically significant at $p < 0.0001$.

Competition, Success, Experience, and Multi-Unit Ownership (H3 through H10)

The regression results (Table 2) show that H3 (rather than the countervailing argument) better captures the impact of competition on franchisees' desire for autonomy (i.e., it lowers their desire for autonomy); however, although both β's are negative per H3, only one was significant at $p \leq 0.05$. In short, H3 was partly supported. Substantively, this means that the agency-theory argument, the basis for H3, seems to be operative within franchising contexts—a result consistent with Dant and Nasr (1998). H4, which predicted a negative impact of competition on dependence perceptions, was supported by both measures of competition (i.e., both β's were significant and negative) supporting the premise of environmental determinism derived from the locus of control argument. That is, franchisees do not appear to make attributions of credible roles their franchisors can play in overcoming competitive pressures confronting consumer franchises, leading to diminished attractiveness of the franchise relationship, and therefore dependence.

The empirical evidence on the influence of success on autonomy consistently favors H5, which posited a negative relationship between success and autonomy based on resource-dependence theory; however, only two of three measures yielded statistically significant effects at $p \leq 0.05$ even though all three effects were directionally correct. Per H6, the effect of success on dependence perceptions was positive by all three measures (although only two out of three were statistically significant), confirming resource-dependence theory based argument of H6. In sum, the impact of success on both, dependence and autonomy, seems to be accurately predicted by the arguments derived from resource-dependence theory (i.e., that successful franchisees will invoke franchisor attributions in their assessments of dependence and desire for autonomy). It is also noteworthy that H5 and H6 effects were supported by both the objective measure of annual sales revenue and perceptual measures (Appendix), establishing further validity for the obtained results.

None of the experience effects predicted for H7 (i.e., experience will raise the desire for autonomy) and H8 (i.e., experience will lower franchisee dependence on franchisors) were statistically significant. The most plausible explanation for these nonsignificant findings appear to be the relatively high scores found for the two experience measures (the means were 8.33 years and 6.76 years, respectively, for the age of franchise and the years of contact with franchisors measures) accompanied by low variances. On the other hand, both H9 (which posited a positive relationship between multi-unit ownership and dependence) and H10 (which predicted a negative effect of multi-unit ownership on franchisees' desire for autonomy) were strongly supported by the data. Together, these results suggest that multi-unit franchisees greatly value their alliances with the franchisors (hence the increased perception dependence per H9), and do not opportunistically abuse their position to extract concessions and exemptions from their franchisors (hence the lowered desire for autonomy per H10). Presumably these effects hold because such franchisees can first-hand appreciate the rationale underlying franchisors' controls and mandates based on their own direct experiences of the complicated business of managing minichains.

Summary

The highest cluster frequency discovered for the high-high combination of autonomy and dependence perceptions (cell 1, Figure 1) vindicates the key premise of coexistence of these constructs introduced in this study. The same implication can be drawn from the emergence of cell 4, the low-low combination cell. Taken together then, these patterns suggest that the behavioral contexts represented in franchises are much more complex than the markets versus hierarchies dichotomy implicit in cells 2 and 3 of Figure 1.

It is very important to note that the countervailing effect argument (cf. Galbraith 1967) that would somewhat simplify the dependence-autonomy linkage (i.e., that attempts at control leading to dependence produce a natural, reactionary escalation in the desire for autonomy) was refuted by the data. The most logical explanation for such coexistence phenomenon, hence, appears to be that franchisee-franchisor relationships encompass several domains. The franchisee's world includes certain domains in which s/he feels autonomous, and others in which s/he feels dependent (e.g., franchisees are likely to experience a great deal of autonomy in domains like local customer service functions, personnel management (Stanworth 1995), but are likely to defer to their franchisors in matters involving marketing functions, pull demand generation, and pricing (Dant and Berger 1996)). The normative implication is that all parties concerned should recognize and respect such domains or personal spaces to preempt conflicts. Not surprisingly, domain dissensus has long been isolated as one of the root causes of channel conflict (Stern and Heskett 1969). Finally, there is evidence to suggest that desire for independence and autonomy easily transcends national and ideological boundaries (Stanworth 1995).

As regards H3 through H10, the environmental factor of competition, the relationship factor of business success experienced in the franchise system, and the structural factor of multi-unit ownership emerged as significant predictors of dependence perception and the desire for autonomy on the part of the franchisees. Represented in these significant effects are the theoretical underpinnings of agency theory, the locus of control argument, and resource-dependence theory. Notably, as already mentioned, the countervailing reaction argument (Galbraith 1967) was not supported by the data. The multi-unit ownership effects (i.e., H9 and H10) uncovered in this investigation represent a more direct test of the occurrence of alignment of goals and incentives between multi-unit franchisees and their franchisors as presumed by researchers investigating the multi-unit ownership phenomenon (e.g., Kaufmann and Kim 1995; Kaufmann and Dant 1996; Shane 1995).

Exploratory Description of Dependence-Autonomy Combinations

Interesting as the results of these hypotheses are, they shed light only on the direct, individual effects on dependence and autonomy. But the characterization of the behavioral context of franchising singly in terms of dependence and autonomy ignores the multivariate aspects of these twin sentiments. Admittedly, a reasonably complete assessment of franchising's behavioral context would require the inclusion of other behavioral constructs as well. However, the strong H1 and H2 results show that even the twin sentiments of dependence and autonomy are capable of generating rich contextual settings worth probing (especially the nonconventional ones represented in cells 1 and 4 of Figure 1). Unfortunately, to reiterate, the extant literature base did not permit the

explication of theory-driven hypotheses on these combinative contexts. Hence the empirical description of these combinative contexts using MANOVA, ANOVA, and Duncan's comparisons (presented earlier) is intended as an associative, exploratory exercise with the goal of to observe more richly the behavioral chemistry of combinative contexts represented in Figure 1. Table 3 and Figure 3 document these inferential results (i.e., the status of competition, success, experience, and multi-unit ownership within the four dependence-autonomy combinations).

Competition

The negative links between competition and desire for autonomy uncovered by regression analysis only partly emerged within the four-group analysis (Table 3 and Figure 3). Cell 4 (a low autonomy cell) reported the highest market-share based competition mean, and Duncan's comparison shows that this mean was not statistically different from that of the other low autonomy cell (i.e., cell 2). In effect, both low autonomy cells recorded high scores of market-share based competition. However, this pattern was not supported by the customer-driven competition measure, and the two low autonomy cells reported relatively low levels of customer-driven competition.

A somewhat similar pattern of outcomes was found in the links between competition and dependence. The inverse relationship between competition and dependence (revealed by regression) is observed in cell 3 and cell 4 (both low-dependence cells), using the four-group analysis, but not by the same measures. In cell 3, franchisees report the highest levels of customer-driven competition, whereas cell 4 franchisees do the same, but for market-share based competition.

Success

The inverse relationship between success and desire for autonomy generally supported by regression, was partially supported by these four-group exploratory analyses: cell 3 (a high autonomy cell) reported the lowest dollar sales and the lowest mean rating on the overall franchise success measure, whereas cell 2 (a low autonomy cell) boasted the highest scores for two out of three success measures. However, cell 1 score on mean dollar sales was not supportive, again hinting at the added complexity of combinative contexts. However, the positive links between success and dependence supported by regression were also supported by these exploratory analyses.

Experience

As with the regression analyses, experience effects were not statistically significant in the four-group exploratory assessment (Table 3). In terms of directional effects, higher levels of experience evoked higher desire for autonomy, and the inverse relationship between dependence and experience was manifested in cell 3 (a low dependence cell) in that this group was comprised of the most experienced franchisees. However, this latter pattern was not replicated in cell 4, the other low dependence cell, once again hinting at the greater complexity of the combinative contexts.

Multi-Unit Ownership

The four-group exploratory analysis revealed wide differences in the incidence of multi-unit ownership across the four cells (Table 3). Two clear groupings emerge: the high dependence cells (i.e., cells 1 and 2) exhibit very high proportions of multi-unit ownership (i.e., 54.4% and 63.6%, respectively; Table 3); in contrast, the low dependence cells (i.e., cells 3 and 4) report only 21.4% and 28.6% incidence of multi-unit ownership, an outcome consistent with the regression results. As regards multi-unit ownership and autonomy link, however, the evidence is more complicated for the combinative contexts: although cell 2 (a low autonomy cell) documented the highest level of multi-unit ownership (i.e., 63.6%), this pattern was not repeated for cell 4, the other low autonomy cell. Hence, the latter results diverge from the regression results reported in the context of hypothesis testing.

Summary

The exploratory effects uncovered by the four-group analysis and presented in Table 3 suggest the existence of complex forces at play. Unlike the consistent patterns of direct effects reported in Table 2 (i.e., regression results), the combinative contexts appear to exhibit a much greater complexity of thought (e.g., respondents clearly perceive customer-driven- and market-share-based competition as distinct concerns, because no franchisee group simultaneously agreed or disagreed with both aspects of competition), suggesting the need to identify or develop more inclusive theoretical frameworks for interpreting these observed effects. We describe such an attempt in the discussion section below.[7]

DISCUSSION

Both, the pattern of evidence on the hypotheses (Tables 1 and 2) and the subsequent four-group associative exploration (Table 3) demonstrate that the analytical elegance of single theories may not be sufficient to capture fully the rich behavioral dynamics

[7] An alternative approach to investigating these combinative effects was initially contemplated, but subsequently abandoned for interpretation reasons. Using regression again, this approach consisted of creating an interaction term from dependence and autonomy measures (as the criterion variable), and regressing the measures of competition, success, experience, and multi-unit ownership as predictor variables on to it (as in Table 2). Though easily executed, this approach suffers from three significant limitations. First, the substantive meaning of such a global interaction term (i.e., without separating the interaction term into different forms of interactions possible between these two constructs; Figure 1) is not clear because different theoretical bases conceive the combination of these two constructs differently (see our section on the derivation of H1 and H2). Hence, within the context of existing theoretical frameworks, such a global interaction term could not be justified on an a priori basis. Second, because our goal was to investigate various combinations of dependence and autonomy as shown in Figure 1, a single interaction term was deemed not sufficient for the purpose at hand (i.e., in addition to being potentially artifactual, such a global interaction term would have masked the different forms of interaction revealed in Table 1). Finally, the results of such a regression model themselves would have been impossible to interpret because the criterion variable (i.e., the interaction term) could take on different meanings (i.e., the four combinations; Figure 1).

Stated differently, the first task in the present investigation was to examine the criterion variable itself in an introspective manner. We attempted this using cluster analysis. Subsequently, following the hypothesis tests, we performed the exploratory subgroup analysis to richly understand and to better interpret the chemistry within the four combinative contexts revealed by cluster analysis. Note that our subgroup analysis is not based on arbitrarily created 2×2 groups, but on theoretically argued and inferentially supported and validated four-group cluster solution. Recall that various cluster solutions were initially attempted, and the four cluster solution emerged as the optimal solution.

of franchises. For instance, significant effects revealed by the data (Table 2) support deductions based on agency theory, the locus of control argument, and resource-dependence theory, and only the countervailing theory-based effects are definitively eliminated. Similarly, Table 3 underscores the theme of a complex pattern of effects. Unfortunately, individual theoretical frameworks are seldom able to accommodate effects based on variables outside their own native vernaculars. For example, complex interactions between variables derived from the language of agency-theory framework and attribution arguments are difficult to reconcile internally within the scope of either theory, because each theory envisions different variables and sees and interprets human behavior through different lenses. Our findings, therefore, appear to suggest that a phenomenological or gestalt approach of inquiry may be preferable (i.e., where phenomenon per se is the focal point of inquiry, and not the many individual theoretical frameworks adopted to explain the specific aspects of the phenomenon). The limitations of single theories are well recognized within the philosophy of science circles (cf. Chalmers 1976), and, in general, the maxim of theories underdetermining the phenomenon is widely accepted. Organizational research stream has also found that a multiplicity of variables and relationships need to be examined to capture appropriately the dynamics of organizational adaptation and that all of them can not be accommodated within single theories (e.g., Chandler 1962; Hendberg, Nystrom, and Starbuck 1976). Moreover, it is important to note that theories tend to be instrumental rather than real in that they can provide excellent, workable predictive models without necessarily achieving verisimilitude (i.e., a one to one correspondence with reality) (cf. Chalmers 1976).

The current scientific approach to investigating franchise dynamics can be described as the contingency approach where it is presumed that certain approaches are inherently superior to others for explaining organizational functioning or adaptation (Galbraith 1973). On the other hand, the phenomenological or the gestalt alternative (Miller and Friesen 1980; Miller and Mintzberg 1984; Schoonhoven 1981), not confined in scope to individual theories, accepts the multivariate nature of causation and seeks to more holistically identify a relatively large number of variables that "collectively define a meaningful and coherent slice of organizational reality" (Miller 1981, p. 8). The resultant rich descriptions or gestalts (not unlike grounded theory) frequently become the basis for future theoretical development.

Informed by this latter perspective, we recast the initial dependence-autonomy combinations presented in Figure 1 into a set of observed gestalts (Figure 4). These were developed by incorporating and interpreting the empirical effects previously presented in Tables 1 and 3. Brief thumbnail sketches of these observed gestalts are provided below in what we hope will be seen as an initial taxonomy of franchisee-types franchisors can expect to encounter in the course of doing business. We stress at the onset, however, that the gestalt descriptions are interpretive in nature, subject to judgment errors, and are offered in the spirit of exploratory analyses. We have labeled them as follows: cell 1 = vested achievers; cell 2 = resolute soldiers; cell 3 = mature disenchanteds; and cell 4 = young insecures (Figure 4).

Vested Achievers

Given to high desire for autonomy as well as high dependence on franchisors, these franchisees face the lowest levels of customer-driven competition (i.e., customer choice appears not be an issue) but are concerned about the marketplace turbulence. They

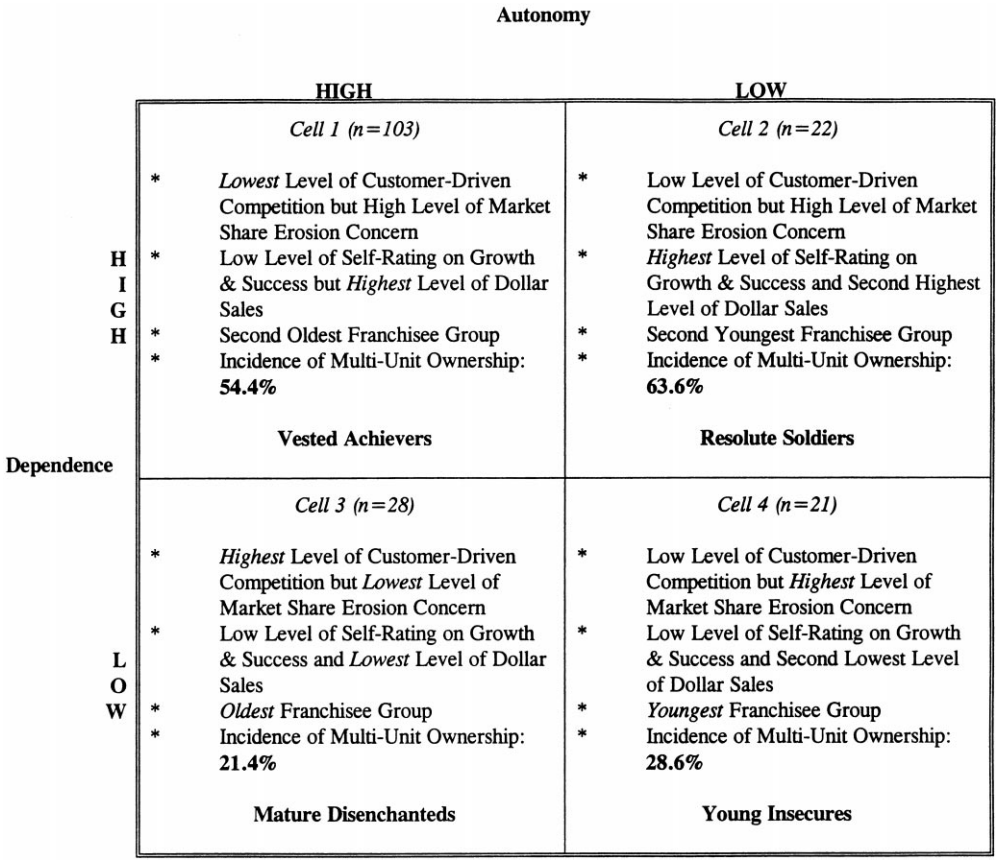


FIGURE 4 Dependence-autonomy combinations: Observed gestalts.

have been part of the franchise chain for a moderately long time, and report the highest levels of dollar sales; however, their self-appraisals on growth and success are low despite high sales arguably because of the high expectations and standards they bring to the business. This dissatisfaction could also be because they believe they are not adequately tapping the true potential of a growth stage business. High sales and the high incidence of multi-unit ownership aptly demonstrate their vestment, and their high level of motivation and involvement in the business. They appear entrepreneurial and hopeful, but seem to require franchisor help to manage growth. Despite their age in the system, though, they are not cynical.

This group should be highly desirable to franchisors: they are vested, they are achievers, they are not complacent, and they are willing to listen to their franchisors.

Resolute Soldiers

Perhaps because of the highest incidence of multi-units operations (which means a heavy burden of franchisor-like responsibilities, and a greater appreciation for goals

like standardization and consistency), these franchisees do not desire too much autonomy and report high dependence on their franchisors. Like vested achievers, they face low levels of customer-driven competition but high marketplace turbulence. They are a relatively younger group, but report the second highest level of dollar sales. Distinct from vested achievers, however, they rate their efforts toward growth and success at the highest levels, fairly in sync with their revenue streams. Perhaps their aspirations are a bit lower than vested achievers, but they certainly believe they try very hard. Given the sales and the high incidence of multi-unit ownership (which also signals growth stage of business), there is little doubt about their high level of motivation and involvement in the business. They are determined, but require franchisor help to guide them, especially in multi-unit operations.

This group should also be very attractive to franchisors: they are committed and determined, they work hard, they are relatively new to the system, and are willing to be molded by their franchisors. They may be a little less entrepreneurial and self-confident, but should make solid, reliable business partners.

Mature Disenchanteds

This oldest group of franchisees with a rich experiential base of learning is a highly autonomous group. They do not believe they need to depend on their franchisors for business planning and operations. They report the lowest levels of dollar sales, and commensurately, give their growth and success trajectories the lowest scores. Their poor revenue trends may be due to the highest level of customer-driven competition confronting them. However, the accompanying lowest rating on market share concerns may suggest either a reckless attitude or a lean market with low growth potential; alternatively, these ratings may signal the maturity stage of business cycle. A further explanation for poor performance may lie in the lowest incidence of multi-unit ownership under the assumption that the sales levels remained low because these franchisees did not participate in the latter program. However a rival explanation is also plausible: they may never have been impressed with their sales to invest in multi-unit operations. Whatever the explanation, they stoically accept the reality and are not given to delusions. They exhibit low involvement in their franchise business, because they are not impressed with the promise of franchising.

Franchisors may not wish to recruit proactively such franchisees anew, but may have little choice in this matter, because they may inherit such franchisees. Also, franchisors may have few alternatives to this profile in their marginal markets; hence, replacing these franchisees may not be a viable option. Chances are the only recourse open to them would be to ensure that these franchisees are not undercapitalized and their underperformance is not due to shirking.

Young Insecures

This youngest franchisee group, with its expected low desire for autonomy given its relative inexperience, simultaneously exhibits a lot of self-confidence by denying its dependence on the franchisors. Alternatively, their confidence in franchisors' abilities may have been undermined based on their modest sales and locus of control attributions. They seem to want to commit themselves to the system as evidenced by their willingness to participate in the multi-unit ownership program (i.e., their participation rate is rea-

sonably high given their age in the system), but are hesitant given the experience of low revenue streams. However, they are realistic and sensible enough to recognize that their sales are consistent with their low growth and success trajectories. Their insecurities are exacerbated by the highest level of market share erosion concerns voiced by them, suggesting intense interchain rivalries, although customer loyalty/patronage issues appear to be under check.

Franchisors will probably want to work with such franchisees even if they may not want to proactively recruit such a profile if they could be forewarned. Potentially, these young insecures could be converted into resolute soldiers by providing them with marketplace assistances to confront competition from the other chains.

The core lesson of the foregoing gestalt descriptions should be to shift the focus of franchisee recruitment away from the search for some mythical ideal franchisee and toward a more realistic and grounded one based on an acceptance and recognition of franchisee differences and their motivations. We carefully checked to see if these four groups were somehow dominated by particular fastfood restaurant chains, but were unable to find any systematic patterns. The implication is that most franchise chains can realistically expect some assortment of the above franchisee profiles, and the proportion of their mix becomes the critical concern. Normatively, we hope franchisors will adopt a portfolio perspective in approaching the mix issue. A high proportion of vested achievers and resolute soldiers may be desirable, but impossible to obtain. Young insecures may be inevitable as new franchisees are inducted and acculturated into the chains and should be welcomed in the hope that they will be converted to resolute soldiers, and ultimately, even vested achievers. Mature disenchanteds may also be inevitable, and even needed for marginal market coverage. The knowledge of such assortments, in turn, requires strategies for developing portfolios based on these franchisee archetypes, and we commend this enterprise to franchisors.

Finally, it is important to not think of these franchisee groups as permanent cohorts incapable of change; on the contrary, age and life-cycle effects (both of the franchised business entity as well as the individuals involved) should have a profound impact on franchisees (Oxenfeldt and Kelly 1969), causing franchisees to graduate up to or graduate down from different gestalts. Similarly, franchisors' own life-cycle changes would impact their strategies. Hence, franchisors would do well to anticipate such dynamics and craft resilient strategies; after all, in the words of Mintzberg (1979) "intended strategies evolve over time into emergent strategies."

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APPENDIX Measures

Construct	Number of Items	Item Descriptions
Dependence $\alpha = 0.65$	4	1 I could easily replace my present franchisors with another. (**R**) 2 If my relationship with the franchisors was terminated, I woud suffer a significant loss in income. 3 My franchisors value me as their franchisee. (**R**) ***Subsequently deleted*** 4 It would be difficult for me to generate my franchise income from other sources. 5 I could easily adapt to selling a different product line. (**R**)
Autonomy $\alpha = 0.69$	5	1 I prefer to be left on my own to do my work. 2 I prefer to receive a lot of guidance from my franchisors. (**R**) 3 I prefer to work independently of others. 4 I prefer to consult my franchisors in planning my operations. (**R**) 5 I prefer the opportunity for independent thought and action.
Competition	2	1 My customers have a number of other franchises to choose from. 2 My franchisors must constantly think of new ways of retaining their present market share.
Success	3	1 Overall, I would rate my franchise as unsuccessful. (**R**) 2 I am satisfied with my growth in revenue and profit. 3 Approximate annual sales per annum in dollars. (*not scaled*)
Experience	2	1 Age of the focal franchise outlet in years. (*not scaled*) 2 Respondent's experience in dealing with franchisor's representatives in years. (*not scaled*)
Multi-Unit Ownership	1	1 Do you own more than one outlet of this chain? (*not scaled*)

With the exception of formative measures flagged by the legend "not scaled," all other scales were anchored with 5-point Likert-type response categories of strongly agree (coded 1) to strongly disagree (coded 5) with a defined neutral point. (**R**) denotes reverse-coded scales; α values shown for autonomy and dependence refer to reliability coefficients.