

# The Room for Franchisees' Entrepreneurial Behaviour In a Standardized Business Format Franchise

~A case study of Make Up Store~

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## **Abstract:**

This thesis analyzes the room for exerting entrepreneurial behavior in a standardized business format franchise. It aims to answer the research question: "In business format franchising, is there room for exerting entrepreneurial behavior of a franchisee and in which non-standardized components of the business format can it be exerted?". The chosen definition of entrepreneurial behavior involves weighing of *proactiveness* and *innovation*. The approach applied is qualitative, with a single-case research design, consisting of ten interviews with representatives from the franchisor organization and franchisees in the Swedish beauty and cosmetics company *Make Up Store*. Our analysis is conducted by applying the "Conceptual Framework of Format Franchise Components" developed by Kaufmann and Eroglu (1999) where we identified and analyzed standardized core and peripheral elements in terms of standardization's centrality in *Make Up Store*'s business format. Our findings indicate room for franchisee entrepreneurial behavior in the peripheral format areas. However, only the peripheral element *Group and Event Content* within the *Product/Service Deliverables* limited proved to fulfill our definition of franchisees' entrepreneurial behavior; which is defined as weighing of *proactiveness* and *innovation*. The conclusions moreover indicate that there are other peripheral areas where franchisees can exert entrepreneurial behavior in more limited ways. Our managerial implications for *Make Up Store* propose introducing of a reward system that facilitates entrepreneurial encouragement for franchisees' *proactiveness* and *innovation*. By utilizing the franchisees local knowledge and ideas, *Make Up Store* could be provided with new ideas and solutions to system wide which may reinforce the competitive advantage for the entire franchise network.

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## 1. Introduction

Business format franchising comprises two independent types of companies: the *franchisor* who is the creator and owner of the intangibles associated with the business (trademark, product and/or service); and *franchisees* which as sole proprietors do not only acquire franchisor's trademark, product and/or service, but do it in accordance with a detailed set of procedures or "*format*" (Rubin, 1978, p. 225; Felstead, 1993, p.47). Most business format franchising definitions refer to the support and control employed by the franchisor to the franchisee to clone or duplicate franchisor's success, (Felstead 1993, p.134). Because franchisors have spent years in developing their business, it is irrational that a franchisee should acquire the license to use the business format, and thereafter decide to change everything (Scarborough & Zimmerer 1996 p. 167, sourced from Strozier 1991, p.141). As a consequence, it is incorporated in the mechanics of business format franchising that since the franchisor is the sole owner of a brand/idea/format the business will be shaped according to his accumulated experience (Felstead 1993 p. 76, 84, Sagell & Carlsson 2005 p.32), narrowing the scope for franchisee's entrepreneurial performance.

Mika Liias is the founder and the CEO of Make Up Store, a globally present Swedish company in the beauty and cosmetics industry that is widely recognized by the media as a franchising success (DI, 2011a). He explains that an entrepreneur should never take things for granted, but should instead constantly strive to move forward and reach new heights (MM, 2011a). However, while the franchisor's role of an entrepreneur is generally assumed, the entrepreneurial role of the franchisee is to a certain extent viewed as a paradox (Fable, Dandridge & Kumar, 1999, p.126, 127). This paradox rests on the all-enduring challenge of franchise management which involves on one hand reconciliation of: (1) the franchisor's desire for standardization, control and consistency for the preservation of good will and brand equity; and (2) the franchisees' quest for autonomy (Dant & Gundlach, 1999 p.35). Moreover, franchisors themselves often state that they essentially prefer hiring managers to entrepreneurs as franchisees in order to preserve their business format and protect it from unauthorized change (Falbe, Dandridge & Kumar, 1999, p.126, 127).

However, as the environment becomes more competitive, the importance of entrepreneurial activity in all levels of franchising is to increase dramatically (Falbe, Dandridge & Kumar, 1999 p.137). While entrepreneurial activity by the franchisor provides the franchising organization with its competitive advantage, franchisees' entrepreneurial activities imply a partnership of adapting to the environment (ibid p.137). Excluding the franchisees from the innovation processes can introduce a serious inertia into the franchising organization, which may endanger the networks ability to function in a changing ambiance (Kaufmann and Eroglu, 1999 p.69-70). Therefore, the main challenge for the franchisors will be to manage new ideas from the field, while at the same time preserving the integrity of the franchising system (Falbe, Dandridge & Kumar, 1999 p.137).

## 1.1. Purpose and Research Question

While examining the literature concerning franchising what caught our attention were the influences of the power distribution and dependence patterns between the franchise parties. For sole proprietors engaged in franchising, conducting the business as a franchisee means entering an interdependence co-agency with the franchisor with uncertain scope for entrepreneurial behaviour.

By combining previous research on entrepreneurship with franchising literature, we will conduct this study by examining the case of Make Up Store (MUS) with the aim to explore and identify franchisees' entrepreneurial opportunities within the business format elements embodied in Make Up Store's franchising organization. The study will adopt Kaufmann's and Eroglu's (1999) conceptual framework of the format franchise components in order to provide an insight on the allowed degrees of franchisees' entrepreneurial behaviour. Thus, the research question we aim to answer is as follows:

*In business format franchising, is there room for exerting entrepreneurial behaviour of a franchisee and in which non-standardized components of the business format can it be exerted?*

## 1.2. Delimitations

The following study will only treat business format franchising, not product and trade name franchising. The following study is geographically limited *only* to the metropolitan area of Stockholm, Sweden. This decision was influenced by the author's will to maintain a coherent sample of the interviewed franchisees. This decision also implies that master franchise agreements and sub franchisees will not be treated in this study, as they refer to international franchising (Mendelsohn, 1992, p.207). Moreover, multi-unit franchising is demarcated from the study, as it involves different franchisees' strategies and entrepreneurial challenges in comparison to single-unit franchising.

The main challenge encountered while conducting this research was the complicatedness of isolating and demarcating the relationships comprised in the Kaufmann and Eroglu's (1999) conceptual model of business format components, where the authors needed to incorporate their personal interpretation in order to as accurately as possible adapt the observed format components to the chosen framework. In addition, the notion of entrepreneurship in general, and especially in the context of franchising, is a matter pervaded with as many different viewpoints as researchers engaged in entrepreneurship research. The study therefore comprises an overview of previous research of entrepreneurship before it elaborates the chosen definition of an entrepreneurial franchisee. However, we stress that the chosen definition is not the only definition applicable; however, the author's considered it most appropriate for the studied setting of Make Up Store.

### 1.3. Previous Research

*In this section we will explore previous research which regards whether/how a franchisee could be perceived as an entrepreneur and the common paradoxes associated with franchisees' entrepreneurial position in a franchising organization.*

#### 1.3.1 Franchisees in the Previous Research of Entrepreneurship

Earlier literature considered entrepreneurship to be a trait possessed by the *individual* entrepreneur (Gartner, 1989 p.47-48; Miller, 1983 p.771). However, entrepreneurship observed through an individual's profile neglects the entrepreneur's organizational role and possibility to exert his entrepreneurial qualities. In the view of this, according to William Gartner (1989 p.64) the question "who is an entrepreneur" is unfeasible, and he therefore suggests shifting the focus to the roles an entrepreneur undertakes to create an organization. Schumpeter (1947 p.152) likewise focuses on the roles of an entrepreneur; yet, he offers a plausible argument that an entrepreneur needs not to be a creator or a first-mover who produces new ideas, but needs to be an *innovator* instead that gets things done which does not necessarily need to embody something scientifically new. In this context of entrepreneurship (ibid), franchisees might also be perceived as entrepreneurs, that is, if they are able to put into practise innovation in predetermined surroundings. Kaufmann and Dant (1999 p.7-10) categorize definitions of entrepreneurship applicable on franchisors and franchisees into three categories: personal traits perspective, process perspective and activities perspectives and adapt them to the franchising perspective. Venkataraman (1997 p.120-121) argues that in order to understand entrepreneurship, researchers should combine all three categories of entrepreneurship: traits, actions and processes.

Entrepreneurship can also be observed at the *level of a firm* (Gartner, 1989 p.770; Covin & Slevin, 1991 p.7-8; Miller, 1983 p.771). The construct of corporate entrepreneurship captures entrepreneur-like activities or traits of on-going firms, such as: aggressive pursuit of opportunities; capacity for renewal; change through flexibility and adaption; promotion of innovation and creativity; and risk-taking propensity (Kaufmann & Dant, 1999 p.7). Company-level entrepreneurship involves "*extending the firm's domain of competence and corresponding opportunity set through internally generated new resource combinations*" (Jennings & Lumpkin, quoted in Covin & Slevin, 1991 p.7). Covin and Slevin (1991 p.8) argue that by focusing on the company-level of entrepreneurship through analysing *actions* rather than traits of entrepreneurs, researches are able to cover both individual and company levels of entrepreneurship, while they approach the entrepreneurial behaviour of a company in an overt and demonstrable manner (ibid p.7-8). Accordingly, they define entrepreneurial behaviour of a company as its behaviour in terms of *risk taking, innovativeness* and *pro-activeness* (ibid; Miller, 1983 p.771). Miller (1983 p.771) perceives entrepreneurship as weighing of these three variables and defines entrepreneurial firms as those engaged in risky ventures, product-market and "proactive" innovations that strive to beat the competitors "*to the punch*". Consequently, Miller defines non-entrepreneurial companies as those with little innovation, high risk aversion and engagement in imitating competitors instead of "*leading the way*" (ibid). Stopford and Baden-Fuller (1994 p.4)

criticize Miller's view on pro-activeness and argue that renewal may include borrowing other's ideas as a means of breaking from past behaviours.

### 1.3.2. The Paradox of Franchisees' Entrepreneurship

In the eyes of law franchisees are regarded as independent legal entities, separate from franchisors in terms of their proprietary business ownership (SFA, 2011a). Yet, despite their legal independence, in economic terms franchisees' independence is less apparent (Rubin, 1978 p.225). The effects of standardization in business format franchising imposed on franchisees have been a source of many paradoxes in the franchising literature. It is an arena of great discussion whether franchisees should be regarded as independent entrepreneurs or as employee managers of the franchise system. Mika Tuunanen and Kimmo Hyrsky (2001 p.52) compile previous literature on the most common paradoxes imposed by business format franchising on franchisees' entrepreneurial freedom, and summarize the previous research by explaining that there is a tendency of positioning franchisees between employee managers and independent small company-owners in terms of strategic decision-making, independence and operational authority. Hence, the paradoxes around franchisees' acting freedom in terms of sole proprietorship are grounded on the relative strength of independence or autonomy that franchisees hold in their entrepreneurial position (Tuunanen & Hyrsky, 2001 p.51-52). For this reason; for franchisees, the standardization of the business format is a key dimension which decides whether and/or to what degree their entrepreneurial activity is promoted or not.

Scarborough & Zimmerer (1996 p.177) argue that strict uniformity in business format franchising is more a rule than an exception and stress their argument by quoting Gregory Matusky (1994 p.90) who states that "*There is no independence. Successful franchisees are happy prisoners*". The franchisee must trade-off his desire to 'be his own boss' for being controlled by a set of contractual rules and regulations by the franchisor (Scarborough & Zimmerer, 1996 p.177; Felstead, 1993 p.76; 84). However, Dant and Kaufmann (1999 p.12-13) state that there is no doubt that franchisees are constrained, but then no entrepreneur is unconstrained. They go against previous research that compares franchisees to employees by arguing that pro-activeness is expected from franchisees in taking advantage of their local opportunities, whereas employee store managers with similar market expertise face considerably more severe hierarchical constraints on their activities (ibid). According to Dant and Kaufmann (ibid), franchising is an entrepreneurial partnership that suggests complex entrepreneurial roles of both franchisor and franchisees.

While previous literature mainly observes franchisees' entrepreneurship as a paradox (Tuunanen & Hyrsky, 2001 p.52), Kaufmann and Dant (1999 p.12) argue that in business format franchising there is indeed room for franchisees' entrepreneurial behaviour because the franchisees often have a wide latitude in developing unique ways of in adapting the franchisor's concept to their particular location.

## 1.4. Initial Clarifications

- In this study we will refer to *Make Up Store* as *MUS*.

- The terms *establishment*, *boutique* and *store* will be used interchangeably
- The franchisees will be referred to in the female gender, as our franchisee sample exclusively consists of females.

#### 1.4.1. Terminology Glossary and the Definitions Used in the Study

##### *Franchise terminology used:*

- *Franchisee*: is defined as the person or *company* that gets the right from the franchisor to do business under the franchisor's trademark or trade name (IFA, 2011a).
- *Franchisor*: is defined as the person or *company* that grants the franchisee the right to do business under their trademark or trade name (IFA, 2011a).
- *Franchise*: is defined as the license that describes the relationship between the franchisor and franchisee including use of trademarks, fees, support and control (IFA, 2011a).
- *Franchising*: refers to "*the contractual process used to develop and maintain such a network.*" (Castrogiovanni & Juisis, 1998 p.171).
- *Franchise organization*: is defined as a network composed of the franchisor, the parent company, including his proprietary units; and its franchisees, the sole proprietors including their proprietary units (Castrogiovanni & Juisis, 1998 p.171).
- *Know-how* denotes the package of non-patented practical information, which derives from franchisor's experimenting and testing, which is secret, substantial and identified (Mendelsohn 1992 p.13).

##### *Entrepreneurship terminology used:*

- Our definition of *acting space* refers to the non-standardized business format components where the franchisees have the possibility to conduct their businesses outside the domains of uniformity.
- *Entrepreneurial behaviour* denotes comprising of *both* pro-activeness and innovativeness within franchisee's available acting space. This view comprises the firm-level perspective of entrepreneurship, as our study aims to focus on franchisees' entrepreneurial opportunities within their on-going businesses.
- *Pro-activeness* is defined as experimentation and renewal by expanding the definition with Stopford and Baden-Fuller's (1994 p.4) argument that it may include borrowing other's ideas as a means of breaking from past habits;
- *Innovativeness* is defined according to Schumpeter's argument in terms doing things which are already being done in new ways; by making a strict distinction between inventions and innovation (Schumpeter, 1947 p.149-152); where invention is e.g. the explosion motor; and innovation is, e.g. new recipe in form of Egg McMuffin.
- We chose to exclude Miller's (1983, p. 771) *risk-taking* as a feature of franchisees' entrepreneurial behaviour due to the highly regulated nature of business format franchising in terms of contracts and penalties if the contracts are not obliged.

## 2. Method

*In this section we will explain our research/ method/case approach, along with the reasons for choosing them for conducting our research. Alternative research/ method/case approaches, potential drawbacks and practical implications will also be reflected upon where applicable.*

### 2.1 Scientific approach

#### 2.1.1 Qualitative or Quantitative?

Qualitative research allows us researchers to experience and understand how meanings are shaped by interviewing or observing participants in a real life context, with the possibility to discover variables rather than to test them (Corbin & Strauss, 2008 p.12). A quantitative research would have implied a collection of numerical data in order to answer our research question, while disregarding important details and nuances captured by a qualitative approach. Based on our research question, *is there room for exerting entrepreneurial behaviour of a franchisee and in which non-standardized components of business format can it be exercised* and the reasoning from Corbin and Strauss (ibid) we have evaluated and chosen to conduct a qualitative research method. The main drawback with qualitative research is its inability to generalize main findings, compared to a quantitative one. A solution to this would be the use of a *triangulation* strategy, were a collection of quantitative data is made and analyzed to complement the qualitative findings, but due to time constraints and the lack and access of ideal data, this option was discharged.

#### 2.1.2 Deductive, Inductive or Abductive?

In our qualitative investigation we laid emphasis on the *abductive* approach which is considered to be highly suitable for case studies, because it aims to provide *understanding* of the underlying patterns in a specific setting that targets a particular phenomenon (Alvesson & Sköldbberg, 2008). As the study seeks to comprehend the room for franchisee's exertion of their entrepreneurial behaviour, within the specific setting and phenomena of the studied franchising organization, we find the abduction approach to be in line with our thesis objective.

While induction begins with empirics and deduction derives from theory, abduction starts off by processing empirical facts, as induction does, but does not neglect theoretical frameworks and is therefore also related to deduction (Alvesson & Sköldbberg, 2008). Our study is grounded on the acquired empirical data; where we apply the available theory to broaden our perspective on the investigated phenomenon. The analysis of the empirical material will not only be refined and adjusted by implementing the abductive approach, but will moreover include and be combined with theory and previous research in order to provide a foundation for understanding the underlying patterns which will lead to answering our research question.

## 2.2 Case study selection

### 2.2.1 The choice of a case study

The suitability of a case study for our research derives from two parameters identified by Yin (2009 p.2): when the investigator has (1) little or no control over events; and (2) the focus is on a contemporary phenomenon within a

real life context. Because our study focuses on the entrepreneurial behaviour of a franchisee in a real life context, where we have no control over the events and elements in the studied setting, we have selected a case study design.

The nature of case studies can be explanatory, exploratory or descriptive. This study we define as exploratory, as we aim to depict franchisee's entrepreneurial behaviour in our chosen case study company and form a foundation for further research.

### 2.2.2 The choice of a *single case study*

The basic case study entails the detailed and intensive analysis of a single case. Yin (2009 p.47-49) identifies five conditions that justify the choice of a single case study. These include first the *critical* case that tests a well formulated theory. The single case can confirm, challenge or extend the theory. Second, the *extreme* or *unique* case often occurs within clinical psychology. Third, the *representative* or *typical* case aims to capture the conditions and circumstances of commonplace or everyday life situations. Fourth, the *revelatory* case is the situation where researchers have the opportunity to observe and analyse a phenomenon. Fifth, the *longitudinal* case studies a case at different point in time. Our case represents the *revelatory* case, as our objective is to study to what extent franchisees are able to exert entrepreneurial behaviour within a business format franchise.

#### 2.2.2.1 Implications

There are indeed benefits and drawbacks with choosing single and multiple cases. The evidence from multiple cases are often considered to be more robust and convincing, whereas the main drawback of conducting multiple cases is that it can require extensive time and resources beyond the means of us researchers (Yin, 2009 p.53). Choosing a multiple case design would however increase the possibilities of generalization, but the pressure of finding appropriate cases increases, as the cases must either represent contrasts or similarities (Yin, 2009 p.60). The trade-off between gaining deep understanding of the studied phenomenon and the width in terms of broader conclusions is always a researcher's dilemma. Preferably, one would like to have both the deep understanding of a particular social setting and the ability to generalize main findings. However, due to practical limitations within the scope of a bachelor thesis we choose to conduct a single case study in order to reach an *in-depth* elucidation of the studied phenomenon rather than being able to draw broader conclusions across settings.

## 2.3 Data collection and Sample objects

### 2.3.1 Data Collection

The primary data collected in our study stems from the conducted interviews. The interviews contained questions based on different perspectives of our research question and were performed with representatives from both the franchisor's and the franchisees' companies. The results of the interviews have afterwards been analysed with respect to the research question in order to enable us to draw conclusions on the studied matter. Primary data was used to reach depth in the study and to ensure high quality of the data. Secondary data has been used as supportive data to our primary data. The primary data collection was conducted with one or two interview objects at a time,

with both researchers present, at the workplace of the interviewed for their convenience reasons and for enabling us to absorb the setting where our interviewee's conducts his/her business. The interviews had an approximate duration of one hour.

Secondary data has been collected from the material provided by the case study company, articles from online databases, literature from the Stockholm School of Economics Library, the Internet, newspapers, media and magazines. The search for articles was conducted in the following databases: ABI/INFORM Global, Business Source Premier, Cambridge Journals, Elsevier SD Business Management and Accounting, JSTOR and Google Scholar; where some of the key words used included: franchising, franchisor, franchisee, entrepreneurship and entrepreneurial behaviour.

A number of the data collected has been written in Swedish, which made the research bi-lingual where some of the material was translated from Swedish to English. We are aware of the risks associated with translating from one language to another, but by paying attention to the language quality and by careful proofreading we hope to have minimized the potential risks of our data getting "lost in translation".

### 2.3.2 Sample objects

The sample objects for our interviews were chosen based on their positions within the organization. The reason for this was to obtain as many views and opinions as possible about the perception on the franchisees' entrepreneurial behaviour which is why we included both franchisor's and franchisees' points of view. One person with experience from another franchise organization was also consulted in order to get an outside perspective on entrepreneurial possibilities within a franchise organization. However, this interviewee will not be mentioned further in the study, as he is not part of the organization we are investigating and thus his experience might not be representative for the case study company.

Employees at the case study company's headquarters were interviewed, in order to grasp the role of the franchisor in a franchise network. Moreover, franchisees' geographically located in the metropolitan area of Stockholm were also interviewed as they are the prime focus of this study. The interviews were thereafter transcribed and analyzed with respect to the research question. A compiled presentation of the interview objects follows below:

	<b>Interview object</b>	<b>Position</b>	<b>Location</b>	<b>Date</b>
<b>1</b>	Charlotte Erdös	Head responsible franchising, outside Sweden	HQ, Kungsgatan 5, Stockholm	2011-04-11
<b>2</b>	Anders Vesterlund	Head responsible franchising, Sweden	HQ, Kungsgatan 5, Stockholm	2011-04-11
<b>3</b>	Lina Ekh	Store Manager, Flagship boutique	Norrtullsgatan 11, Stockholm	2011-04-15

4	Stefan Einarsson	Ph.D Student	SSE, Sveavägen 65	2011-04-15
5	Sofia Ljunggren	Franchisee, Fältöversten, Karlaplan	Karlaplan 13, Stockholm	2011-04-28, 2011-05-18
6	Hilda Markouss	Employee, Skärholmen Centrum	Byholmsgången 1-3, Skärholmen	2011-05-12
7	William Värnild	Responsible Press/Marketing	HQ, Kungsgatan 5, Stockholm	2011-05-17
8	Therese Nilsson	Education Officer	Telephone	2011-05-17
9	Rita Khano	Franchisee, Skärholmen Centrum	Telephone	2011-05-19
10	Sofie Bergsman	Franchisee, Täby Centrum	Telephone	2011-05-19

## 2.4 Primary Data

We have conducted ten interviews in total: seven face to face interviews and three telephone interviews. Moreover, we used e-mail for posing follow up questions in two of the interviews. Our primary aim was to conduct personal interviews face to face, and where it proved unfeasible, we used alternative interview channels such as telephone and e-mail.

### 2.4.1 Interview Design

The employed interview technique was semi-structured. A semi-structured interview technique allows for discovery (Gillham, 2005 p.70), as its open-questions element allowed us to follow up the interesting side tracks which derived from interviewees' statements. We used Gillham's (2005 p.76) five stages as guidelines for the overall process of conducting interviews.

In the first *preparation* phase we informed the interview object with the aim of our thesis and our objectives with the interview. The locations for the interviews have been at the headquarters as well as in the different boutiques for the convenience of the interview objects. The locations were suggested by the interviewees and the setting was favourable for us researchers as well as it allowed us to conduct the interviews in the setting of our research focus.

The second, *initial contact* phase suggested by Gillham (2005 p.77-78), involves starting the interview with small talk or social questions to open up for the interview. We initiated our interviews by asking the interviewees to introduce themselves, their background and how long they have been working for the company as well as their current undertakings. In this phase we also asked for permission to record the interviews and offered interviewee anonymisation, which none of the interview objects found necessary.

Afterwards we moved on to what Gillham (2005 p.78) calls the *orientation* phase, where we started off by asking questions that pointed in the direction more relevant to our research question, for example “*Do you feel that you in any areas of your work have room for entrepreneurial behaviour?*”. This phase somewhat overlapped with the next phase, which Gillham (2005) calls the *substantive* phase, as the previously asked open questions led us to posing follow-up questions to certain statements that would eventually contribute to our main empirical focus for the analysis, for example: *Is there something beyond your areas of work where you wish you could exert entrepreneurial behaviour but in the present cannot?* Follow-up questions were an important tool which enabled us to reach further depth in our study, by examining central themes or events, or asking for elaboration of core interviewee’s statements.

We concluded the interviews with Gillham's (2005 p.78-79) *closure* phase where we made sure to summarize the main points of important discussions regarding the entrepreneurial behaviour and to double-check any hesitations, both from our point of view and if the interview objects had any questions. By ending the interviews with asking questions of the character “*Do you think there is anything else we need to know or anything we have missed out?*” or “*Do you have any other comments you would like to add?*” we reassured that we did not miss out on any valuable material.

#### **2.4.2 Interviews: Face to face**

We interviewed Charlotte Erdös, currently responsible for all overseas establishments of MUS worldwide and formerly responsible for all the boutique establishments in Sweden. Moreover, we interviewed Anders Vesterlund, who is responsible for all new and old establishments in the Nordic region. Charlotte and Anders were interviewed together in a single face to face interview which focused on the role of MUS as a franchisor, and its relationship to its franchisees. Since both Charlotte and Anders were familiar with the franchisee establishments in Sweden, they provided us with expert knowledge and viewpoints on the entrepreneurial behaviour which MUS provides their franchisees with. Because certain questions were of sensitive nature and could be potentially wrongly interpreted, we chose to receive spontaneous answers, rather than well prepared in advance, and accordingly decided not to distribute interview questions in advance. Moreover, we aspired to schedule an interview with the company’s CEO Mika Liias, however this proved to be unfeasible.

The store manager Lina Ekh at MUS flagship boutique was also interviewed face to face. Here the objective with the interview was to grasp the picture of entrepreneurial behaviour from a proprietary store manager’s point of view, in order to observe whether the degree of entrepreneurial freedom is greater, less or equivalent from a franchisee; and to acquire her viewpoint on MUS as an employee that closely works with the franchisor.

Two franchisees within the region of Stockholm were interviewed. Sofia Ljunggren (Fältöversten, Karlaplan) and Hilda Markouss (representing Rita Khano, Skärholmen Centrum) have been franchisees for approximately three years and were able to provide us with valuable comments and varying perceptions on the entrepreneurial behaviour. However, from the interviews with the franchisees we were able to observe recurring answer patterns

and discrepancies which we afterwards analyzed. The results of our findings consequently enabled us to draw conclusions about the franchisees' entrepreneurial behaviour.

### *2.4.3 Interview Experience*

To summarize the interview experience, we would say that the main benefit was the use of the semi-structured interview technique and the open-questions that provided us with a balance between openness and structure. The flexibility of the interview design also allowed us to adjust questions to different interviewees, instead of being locked to a single set of questions. This way we were able to pose questions within their area of practice and expertise.

The interviews were furthermore costly in terms of time, measured in the time set aside for the interview, the formulation of questions and the transcription of the recorded material. Despite the drawbacks, we do not believe that any other interview technique or method would have provided us with as adequate empirical material we needed for answering our research question.

### *2.4.4 Source critic: Primary data*

Often in case studies, the interviews are the researchers' primary source of data. Interviewees' statements are often accepted without criticism, as they are used as the only source of evidence (Alvesson & Sköldbberg, 2008). The use of a multi method approach when collecting data would support the evidence of the interviews and allow the researchers to address a broader range of historical and behavioural issues (Yin, 2009 p. 115). Thus, any findings or conclusions from the case study are more likely to be convincing and solid if based on multiple sources. However, even if our study is primarily based on interview data, the interview objects did not want to be anonymised and spoke quite freely about potentially sensitive matters. They seemed to have no secrets, and we did not get the impression that they were reluctant about answering our questions truthfully.

Moreover, we acknowledge the fact that our study would have benefited from more franchisee interviewees. On one hand, we chose to focus on a compact research locus, Stockholm, where only four MUS's franchisees were established, whereas one franchisee was unavailable to participate in our study. On the other hand, the three interviews we had with Stockholm's franchisees provided us with varying and valuable perspectives on the studied matter. Furthermore we chose to complete our limited source of interviewed franchisees with other members within the organization, in order to absorb several viewpoints that would later enable us to reach a broader perspective on the studied phenomena.

### *2.4.5 Telephone*

Therese Nilsson (Education Officer), Rita Khano (Franchisee for three years, Skärholmen Centrum) and Sofie Bergsman (Franchisee for five years, Täby Centrum) were interviewed by telephone. The main reason for conducting case interviews was that the franchisees themselves preferred to engage in a telephone interview since they found it more convenient and compatible to their work schedules. The primary advantage of a telephone

interview over other distance methods is that it allows for the interviewer to be *reactive*, as you are talking 'live' to the respondent (Gillham, 2005 s.102). During the telephone interview, we were also able to clarify misunderstandings and pick up cues from the tone of voice of the respondent. Moreover, we recorded and transcribed all telephone interviews. The disadvantage of this interview channel is the opposite of its main advantage. Even if the interview is live, we are still not able to see the other person. This leads to missing out on the visual cues of what the interviewee is saying (Gillham, 2005 p.103).

#### 2.4.6 E-mail

E-mail is a fast and flexible medium of communication. An e-mail interview provides access to people that feel too busy to set time aside for an interview (Gillham, 2005 p.108). We have used the e-mail method to clarify minor factual details or for follow-up questions based on our previous proactive interviews. The advantage with this medium is that the response rate is fast and indeed proved fast from the interview objects. However, the interview object is remote and has time to reflect on the potential *appropriateness* of answers, which could potentially endanger the trustworthiness of the answers to more sensitive questions posed.

## 2.5 Reliability och Validity in Qualitative Research

### 2.5.1 External reliability

An important challenge when presenting a study is to provide the audience with reliability and transparency. We perceived **external reliability** referring to the degree to which a study can be replicated as very important. We wished to ensure that the presented research procedures are described in detail in order to enable later researchers to conduct the same study again and to arrive at the same findings and conclusions. Since this study's research process and methods used have been well documented, we believe that external reliability and transparency will provide future research replication with satisfactory high-quality material.

### 2.5.2 Internal reliability

**Internal reliability** refers to whether the researchers agree on what they see and hear (Flick, 2009 p.387). In order to increase the internal reliability, Flick (2009 p.386) suggests that the researchers engage in some interview training, use interview guides or conduct test interviews. We have used Gillham's (2005 p.76) interview design when performing our interviews and therefore consider our internal reliability to be high. By discussing and afterwards transcribing the interviews, we shared views and interpretations in order to minimize the internal bias and ensure that there is mutual coherence of the interview material.

### 2.5.3. Internal Validity

**Internal validity** refers to whether there is a good match between researchers' observations and the theoretical ideas. A key tactic for achieving internal validity is to have a draft of the case study report handed over to *key informants*. We used one of our interview objects as a key informant who was handed a draft of the report in order to comment on the content. Through this action we believe to have increased the internal validity for our study.

#### 2.5.4. External Validity

**External validity** is the degree to which findings can be generalized across social settings. The general problem with case studies is the external validity problem. Critics typically say that single case studies are insufficient for generalization. We are fully aware and encourage future research to prove whether our study has external validity by examining whether our conclusions hold true for other businesses within the franchising industry. Hence, we state that our generalization of the main findings is low, as the research design of the study is not suitable for generalization across social settings.

#### 2.6. Some Additional Views on Quality

Some scientists declare their inconvenience of the use of the terms “validity and “reliability”. Corbin (2008) depreciates the use of the terms when discussing qualitative research, as she feels that the terms are more associated with quantitative research. She suggests the use of the term “credibility” instead. “Credibility”, should indicate that the findings are trustworthy and believable, in the sense that they reflect the researchers’, interview objects’ and reader’s experiences and objectives with a phenomena, while at the same time the explanation and findings put forward by the researchers, are only one of many possible interpretations from data. An example can be illustrated by considering the quality of answers to interview questions: they are most likely to vary on interviewee’s mood, personal and work situation, the time of the day, etc. In other words, the quality as well the content of answers is impossible to replicate in detail. Therefore, researchers like Rubin and Rubin (1995 p.85) propose that credibility of qualitative work should be judged through its *transparency, consistency-coherence* and *communicability*.

##### 2.6.1. Transparency

Transparency refers to the process of data collection. We consider our study to be transparent, as we have documented our methodological research approach, data collection process, transcribed our interviews and finally analysed the interviews and presented them in detail in our study. This should allow the reader to see the intellectual strengths and weaknesses, biases and conscientiousness of the researchers (Rubin & Rubin, 1995 p.85-97).

##### 2.6.2. Consistency

The goal with a qualitative research is not to eliminate any eventual inconsistencies, but rather to present contradictory responses and gain understanding on why they occurred and seek to provide explanation of why the inconsistencies occurred. The credibility of the report increases when one can provide elaboration on the inconsistencies (Rubin & Rubin, 1995 p.87-91). As we also have received in our research contradictory answers from several respondents, we chose to return to our collected empirical material and theory in order to provide clarification for the discrepancies in the analysis.

### **2.6.3. Communicability**

If a report communicates well, people reading the report should feel comfortable in the research setting the researchers are describing. By understanding the descriptions provided through the richness of details, we help the readers gain confidence about our text, and make them feel as if they were present in the research arena (Rubin & Rubin, 1995 p.91). We hope that the readers of our report will find it comprehensive and well communicated, as we have tried to be as vivid in our descriptions as possible. We motivate our choice of including quotations in our research as providing the reader with the feeling of the setting and the emotions involved in the perception of franchisees' entrepreneurial behaviour.

### **2.7. Approach to analysis**

Since business format franchising involves a large degree of standardization, we initiated the approach to our analysis of the empirical material by identifying the different core and peripheral areas in terms centrality of standardization in Make Up Store's business format. From the interviews we looked for recurring patterns or recurring differences in order to sort the material. After reviewing the transcribed interviews individually, we discussed our interpretations in order to utilize our joint conclusions and minimize personal bias. Thereafter we mapped the different repetitive elements we identified from the interview answers into the model developed by Kaufmann and Eroglu (1999). When we identified the different core and peripheral elements we took our analysis further by examining both core and peripheral elements and whether within those areas there exist opportunities for franchisees' entrepreneurial behaviour. By reading beforehand the relevant literature which we complemented with our obtained knowledge from the interviews, we were able to grasp the elements of the franchisees' entrepreneurial behaviour we were aiming to explore which is the main focus in our analysis.

### 3. Theoretical Framework

*In this section we will explain in which ways the standardization and control of the business format affects franchisees' acting space. Finally, we will present Kaufmann and Eroglu's (1999) conceptual model of business format components. The model consists of four main variables which are divided into two levels in terms of standardization's strategic centrality where one of them offers franchisees degree broader scope of acting-space and will serve as the framework for our empirical material.*

#### 3.1. Standardization and Control in the Business Format Franchise

A fundamental feature of organizational design is allocation of authority. Literature in general tends to address the issues of delegation and allocation of authority within a hierarchy, whereas it is just as important to characterize hybrid forms in general, especially franchising (Azervedo, 2009 p.31-32). Standardization in franchising facilitates introduction of new products and services since the franchisor is able to obtain an accurate assessment of the success of changes to the system (Kaufmann & Eroglu, 1999 p.77). The franchisor will seek to impose standardization in the franchise system in order to preserve and administrate the franchise organization's most valuable asset, the mutually used and solely owned proven business concept (Axberg, 1993 p.67; Felstead, 1993 p.129). As a consequence, business format franchising involves not only the exploitation of goods or services identified by a trademark, but the preparation of the franchise blueprint in form of operation manuals which govern successful ways of carrying out the business in all aspects (Mendelsohn, 1992 p.63). The operational manual is a tool used by the franchisor to transfer his know-how to the franchisee concerning how to conduct a franchised business (ibid).

Due to the role specificity of franchisors and franchisees, agent-principal theory has earned valuable attention in the franchising literature (Rubin, 1978 p.226-233; Barthélemy, 2011 p.93-94). In business format franchising, franchisors as chain operators (principals), delegate authority to two types of agents: employee managers and franchisees. In comparison to employee managers, franchisees are residual claimants of the profits of their outlets, and will hence have stronger incentives to perform (Barthélemy, 2011 p.94). Because fees and royalties are usually connected to franchisees' sales, the franchisor has strong incentives to monitor franchisees' performance and ensure that the profit targets are met. Moreover, incorporating standardization into the format minimizes the monitoring costs of franchisees performance quality because it provides the franchisor with the opportunity to quantify an otherwise subjective property, such as quality (Kaufmann & Eroglu, 1999 p.74). In addition, standardization is considered to positively impact input-cost minimization, where franchisors by selling the same products to all the franchisees, achieve reduced costs of production and distribution, which in turn enables them to offer lower prices to their franchisees. Therefore, the franchisees are provided with the opportunity to serve end-customers with products/services at a lower cost than if they were non-affiliated businesses (Kaufmann & Eroglu, 1999 p.73-74). Moreover, the franchisor would preferably maintain a uniform price-setting throughout the franchised chain which would enhance system-wide coherency and preclude customer confusion in terms of different product prices in the

same franchising chain. A standardized price-setting could also be valuable when launching advertising campaigns where regular prices could be used for promotional purposes (Lafontaine 1999 p.18-19).

In reality franchisors tolerate few departures from the standard franchise contracts, despite the fact that franchisees are frequently promoted on the “being your own boss” platform by the franchisors (Dant & Gundlach, 1998 p.36). Franchisors seek to impose standardization because excessive autonomy of franchisees undermines franchisor’s authority and control, and can result in serious systematic crises of the business format, stemming from its loss of corporate identity and/or the dilution of its brand equity (ibid, p.36-37). Axberg (1993 p.67) argues that one of the biggest control challenges for the franchisor is to ensure that the uniform business profile is conveyed in all franchisee units, which he calls franchisor’s main *police work*. If the franchisees fail to comply with the uniformity rules, the franchisor can almost at will terminate the franchise contract (Rubin, 1978 p.2). The risk of endangering the brand by incorporating insufficient standardization addressing image consistency into the business format will however depend on the degree of sensitivity of the end-customers to variation in quality standards (Azervedo, 2009 p. 33).

### **3.2. The Conceptual Framework of Franchise Format Components**

Kaufmann and Eroglu (1999, p.69-83) argue that the main challenge of a franchisor, as an entrepreneur, creator, builder and guardian of the business format, is to responsively manage a complex system of independent company owners. As the essence of franchising is capitalizing on both the economies of scale associated with large systems; and the benefits derived from small, localized operations, it is important to incorporate appropriate boundaries of standardization in the franchisor’s business format (ibid). The main challenge of business format franchising is according to the authors (ibid) finding the balance between *standardization*, defined as the required level of uniformity for the organization to obtain economies of scale by being cohesively perceived by the end-customers; and *adaptation*, where franchisees should be allowed to pursue local adaption which would provide the franchising organization as a whole with new offerings, upgrades of the existing ones and solutions to system-wide problems (ibid).

### **3.2.1. Four Main Components**

Kaufmann and Eroglu (1999 p.70-73) analyse domestic format franchising and provide a useful framework for identifying format's standardization strategy components where a distinction can be observed between those that are strictly centralized which the franchisor considers to be essential for format's survival; and those that are available for franchisees to employ their personal initiative when conducting a business.

#### **3.2.1.1 Product/Service Deliverables**

The franchisor acts as the creator and provider of the proven business concept who offers the prospective franchisees with a business opportunity which has survived the high-risk phase of its life-cycle: the cost and high failure risk of establishing a sustainable and recognized business concept (Mendelsohn, 1992 p.57; 105-117). According to Kaufman and Eroglu (1999 p.70-71), product/service deliverables are those elements of business format franchising that collectively refer to the franchisor's business concept and reflect its unique features that express the franchise organization's competitive niche. An example of product/service deliverables that distinguish one proven business concept from another are unique menus and the quality of food in a restaurant franchise (ibid). The established product and trade name provide franchisees with the opportunity to reach break-even point faster than an independent business would (Scarborough & Zimmerer, 1996 p.167). By purchasing the right of identifying their business with a widely recognized brand name whose reputation is based around franchisor's products and services, the franchisees are provided with a great drawing power that positions their products/services in the customers' mind-set and provides them with the confidence of associating their quality and content of product/services with a concept which the customers already recognize (ibid).

However, although product/service deliverables imply significant benefits for the franchisees, their potential limitative effects have also been noted in the previous literature (c.f Tuunanen & Hyrsky, 2001). Scarborough and Zimmerer (1996 p.178) state that franchisees are stipulated by the franchise agreement to narrow their supply sources by only purchasing products from the franchisor and to limit their product line by only selling those products/services that are approved by the franchisor in order to prevent putting at risk their franchise licence. A franchisee may thus be required to carry an unpopular product or be prevented from introducing a desirable one. Therefore a franchisees' freedom to adapt the product-line to local market conditions will depend on the franchisor and his decision whether or not to solicit product suggestions from their franchisees (ibid).

#### **3.2.1.2. Benefit Communicators**

The intangible and unobservable benefits provided to the customers are labelled as the benefit communicators (Kaufmann & Eroglu, 1999 p.71). These involve the elements that convert intangible cues into tangible ones. They are difficult to objectively measure and serve as subtle indications of intangible attributes such as quality, durability and elegance taking form of for example clean uniforms or a mint on the hotel pillow. Benefit communicators serve as enforcers of confidence in the product/service that the franchisee provides his customers with.

### **3.2.1.3. System identifiers**

These are the visual and auditory elements that link a certain outlet with the franchise chain. They include the use of the trademark or logo, colour schemes, architectural features, characters, uniforms, music and others (Kaufmann & Eroglu, 1999 p.71). Standardization of these identifiers allows for the image of the company to be uniform and coherent across all operational units (Kaufmann & Eroglu, 1999 p.75).

### **3.2.1.4. Format Facilitators**

Format facilitators are invisible to the end-customers and serve as enablers of integration of the previously explained three business format components: product/service deliverables; benefit communicators; and system identifiers (Kaufmann & Eroglu, 1999 p.71). They comprise managerial and operational infrastructure for the entire franchise organization which outlines the organization, operation and governance of the franchise system. Kaufmann and Eroglu (ibid) explain that format facilitators involve two levels of elements: store-elements, such as specification of equipment, layout and design, and price setting (comprised in previous three business format components); as well as system-wide elements such as financial reporting requirements, research and development, marketing, training and monitoring and control. However, because store-level elements are to a large degree included in the previous three components, we will treat format facilitators as one entity in order to prevent repetition.

### **3.2.2. Core and Peripheral Elements**

According to the conceptual model of business format franchising, the four format components will differ in terms of their centrality, where some will be more crucial than others. Kaufmann and Eroglu (1999 p.72) define core elements as those whose *“standardization must be enforced across all franchisees without exceptions since they are deemed indispensable for the system’s survival”*. This implies that, these elements are essential for a franchise organization to successfully operate and to be perceived in a certain manner, and thus require standardization regardless of the potential benefits from their flexibility. In contrast, peripheral elements are those where franchisors choose to provide their franchisees with flexible possibilities of conducting their business, because their empowerment outweighs the benefits of standardization.

The identification of core and peripheral strategies will have important implications for understanding franchisor’s standardization of the business format, where on one hand standardization benefits the entire system; and while on the other hand, rigid standardization precludes the close connection between product and market which are necessary for customer satisfaction, and thus, franchisee’s success (Kaufmann & Eroglu, 1999 p.71-72). However, as the authors (ibid) stress, sometimes a core element of one format might be regarded as peripheral of another, which implies that standardization of the business format and the positioning of its components vary between different types of franchising organizations. It is our intention to use Kaufmann & Eroglu’s (1999) conceptual framework for business format franchising to identify the more “loose” areas of standardization in MUS’s format (peripheral elements), in order to approach franchisees’ acting freedom, and consequently their entrepreneurship.

## 4. Empirical Material

*In this section we will present our collected empirical material through a presentation of the case study company in terms of the four business format components identified by Kaufmann and Eroglu (1999). The empirical findings will incorporate franchisor's and franchisees' observations of the business format and its implications on how the franchisees conduct their businesses.*

### 4.1. Introduction to Make Up Store AB®

Anders Vesterlund (April, 2011) works at the franchisor's headquarters and is in charge of MUS's establishments within the Nordic region. Anders describes MUS's franchising concept as a living, learning and innovative process where MUS constantly gains experience and evolves. He explains that today, MUS offers its franchisees a strong proven business concept which rests on four core values: *product, quality, service and knowledge sharing*. According to him, these four values incorporate the main characteristics of MUS and impregnate their entire business concept. William Värnild (May, 2011), press and marketing responsible for the Nordic region, explicates that MUS's competitive niche is based on their unique combination of high quality products and their intangibles: service and knowledge sharing. He (May, 2011) explains that MUS's customers do not merely purchase a high-quality product at a reasonable price, but additionally receive information concerning the application and the use of the product.

### 4.2. Product/Service Deliverables

The product deliverables induce that all boutiques have the **complete product range** from **exclusively franchisor's portfolio** represented in their boutiques. *"The customer should be able to find the same products in all the boutiques"*, explains Charlotte Erdös (April, 2011), chief responsible for MUS's establishments outside Sweden. These product deliverables are not to be disobeyed according to franchisee Sofia Ljunggren (April, 2011) and franchisee representative Hilda Markouss (May, 2011). From a franchisee's perspective, the main drawback associated with MUS's highly standardized product deliverables were according to Sofia (April, 2011): *"now I am governed by a certain range of products, and although there is plenty of everything and nothing particular is missing, it would have been fun to try out a new product and see if it works"*. However, she is not allowed to undertake any experimentation with product mix and range, as it goes against franchisor's pursuance of uniformity and coherence within the company's franchising network.

The service deliverables account for **individual makeup courses, group courses** and **events**. By offering these different types of courses, MUS communicates their amplified knowledge of the product usage to the end-customers. Franchisee Sofie Bergsman (May, 2011) stresses that it is within the franchisees' interests to pursue course offerings and events to their customers, as the courses have a positive impact on sale volumes. She observes that by owning a makeup artist education, all franchisees are capable of offering all types of courses, where the content is mainly shaped and characterized by the personality and creativity of the franchisee. The franchisees: Rita Khano (May, 2011), Sofia Ljunggren (April, 2011) and Sofie Bergsman (May, 2011); confirmed that they all offer individual make-

up courses to their customers (including different themes such as e.g. day, night, bridal etc.) which they explain is compulsory within MUS's four core values.

	PRODUCT/SERVICE DELIVERABLES
CORE	<ul style="list-style-type: none"> <li>• Product Mix (only franchisor's products and entire product portfolio)</li> <li>• Individual makeup courses</li> </ul>
PERIPHERAL	<ul style="list-style-type: none"> <li>• Group course and Event content</li> </ul>

### 4.3. Benefit communicators

The main criteria for entering MUS's network as a franchisee, is that the individual must possess a **makeup artist certification**. Additional prerequisites are not required, such as previous experience of running a business or demonstrated entrepreneurship (Charlotte, April 2011). The reason for this stipulation is based on the previously mentioned two intangible core values, service and knowledge sharing, primarily due to the course-offering component which in order to be carried successfully, requests an individual with professional makeup artist skills. This unobservable and intangible requirement serves as a signal of Make Up Store's professionalism to the end-customers and increases their customers' confidence for product and service offerings in MUS's boutiques. The interviewed franchisees confirm that they are professionally certified makeup artists, however, Sofia (April, 2011) points out that franchisees in general are not allowed to display their professional certificates in their boutiques in order to demonstrate in a more explicit manner their proficiency to the customer. *"If it is not proposed by the headquarters or in the operations manual, I believe we are not allowed to hang up or display our makeup artist diplomas in the interior of the boutique"*, states Sofia (April, 2011). Hence, although it might be potentially beneficial for the franchisees to display their professional skills in their boutique premises, this benefit communicator is outside their managerial domain.

	BENEFIT COMMUNICATORS
CORE	<ul style="list-style-type: none"> <li>• Professional makeup artist certification</li> </ul>
PERIPHERAL	

#### 4.4. System identifiers

Charlotte (April, 2011) states that common factors for all of MUS boutiques are: recognizable business operations<sup>1</sup>. *“As a customer you should know that when you enter a Make Up Store boutique, you enter a Make Up Store”*. She explains that it is MUS’s goal to be perceived as a young, fresh and coherent brand, which the company achieves by providing recognizable business operations. The franchisor company therefore insists that the **trade name, trademark, logo, interior design and decoration**, along with the **placement of the products** on the shelves are identical in all boutiques. In the view of that, William (May, 2011) adds that all boutiques receive selected music compilations from the headquarters to carefully match the current makeup look for the season, whereas the boutiques are also equipped with digital monitors that provide visual marketing by displaying the up-to-date promotional material which is also identical in all MUS’s stores. Hilda (May, 2011) exemplifies realization of the auditory elements imposed by the franchisor company by explaining that the music in the franchisee boutiques: *“...should only be the music they send to us, it should be turned on, with a volume not too high and not too low”*.

Picture 1: Sofia’s franchisee boutique in Karlaplan



Picture 2: Rita’s franchisee boutique in Skärholmen

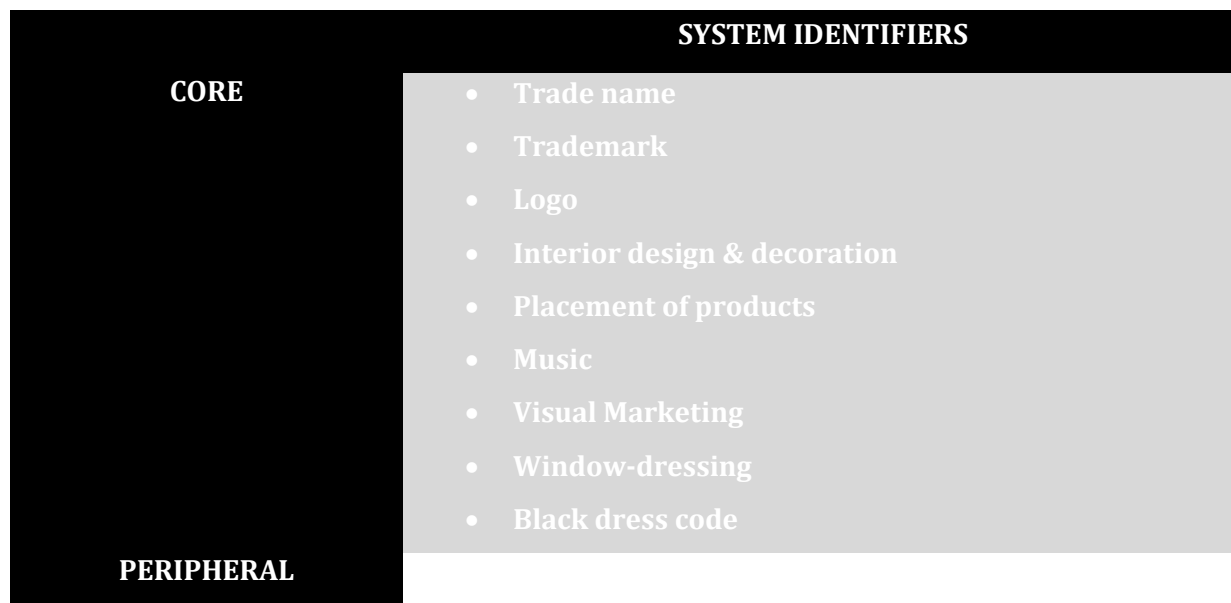


The franchisor organization necessitates that all individual boutiques engaged in MUS’s network need to implement uniform **window dressing** which is undistinguishable across all units, and is changed twice to four times a month at the same dates as communicated in the operation manual. *“We [MUS] are building on some thought of innovation with our boutiques, with our products, the window-dressing and how the products are exposed”*, states Charlotte (April, 2011). For a franchisee, MUS’s format identifiers to a large degree prearrange the business practices of the boutiques (Sofia, April, 2011; Hilda, May, 2011).

Moreover, a strict **black dress code** is demanded from all employees within the organization which reinforces their identity as members of MUS. *“Mika [the CEO] wants it that way, in order not to steal attention from the colours”* says Anders (April, 2011) and Charlotte (April, 2011), also dressed in black, when they were asked why MUS has a uniform dress code. Hilda (May, 2011) explained that the uniform dress code demanded by the franchisor does not only involves black garments but moreover strictly forbids even black-coloured jeans materials, since the franchisor

<sup>1</sup> Picture 1 and Picture 2, sourced from: [www.makeupstore.se](http://www.makeupstore.se)

wishes the boutique personnel to be perceived as coherent and proper. According to Hilda (May, 2011), “the concept must be followed to the point”.



## 4.5. Format facilitators

### 4.5.1. System-Wide Level Elements

The majority of franchising organizations demands certain types of royalties or fixed fees for renting the business format. However, conducting a business within MUS as a franchisee involves only paying one initial fee. Charlotte (April, 2011) and Anders (April, 2011) explain the reasons for royalties’ absence in their network by clarifying that they as franchisor company are still able to earn their profits through franchisees’ orders and sales.

*“We make money on our products. That’s it. We do not demand any royalties, good will, service fees or similar. We make our money if the franchisee sells our products, we will make money as they have to buy more products from us. Therefore we have to make sure that they sell as much as possible, since the more they sell; the more we earn”. (Charlotte, April 2011)*

Charlotte (April, 2011) elaborates the standard operations which MUS centrally conduct as the network coordinator and which affect both their proprietary boutiques and franchisees: as **nation-wide marketing; research and development; training and support** (Charlotte, April, 2011). The franchisees are provided with a personal support contact at the headquarters, to whom the franchisees place weekly product orders, complaints, improvement suggestions, ideas and various questions regarding purchases, shopping mall events etc. Moreover, field-support staff from franchisor’s company may on franchisees’ requests pay visits to the boutiques and assist in daily operations, give advice, propose ideas or improvement suggestions. This function can be used twice a year, free of charge. What is more, the franchisor as the network coordinator provides its franchisees with territorial protection, in terms of preventing MUS’ proprietary and franchisee units from competing with each other.

Hilda (May, 2011) pointed out that the practice of **control mechanisms** such as *mystery shoppers*, may visit the franchisees' boutiques in order to inspect performance quality and level of compliance. She tells that this occurs once in approximately two months. Hence, Hilda continues to explain that the personnel and franchisees are for the most part not aware of when they are subject for investigation from mystery shoppers. According to Sofia (April, 2011), within her three years of conducting the business as a franchisee, a mystery shopper visited the store only once. Sofia (April, 2011) states that if a boutique fails to comply the rules, the franchisee would probably need to engage in a discussion with the franchisor about alternating the identified noncompliant behaviour. Accordingly, every registered disregard of the directives would earn the franchisee a penalty point, whereas a certain amount of penalty points would eventually lead to contract termination, (Hilda, May, 2011). Sofie (May, 2011) states that she personally uses "mystery shoppers" to monitor performance of her employees when she is absent from the boutique.

According to the franchisor organization, MUS use sublime methods to enforce their franchisees to appropriately implement the business format since they consider that preserving the uniform image of the network as a whole is of highest priority. The primary and most important means for achieving this is through the use of the *Season Guide*, MUS's **operations manual**. In the Season Guide, which is six months valid at a time, the franchisees are given directives regarding window-dressing, product display, cleaning schedules, sales competitions as well as inspiration for the coming looks. All interviewed franchisees confirmed that the operation manual has a significant role in conducting their day-to-day business and is generally positively perceived. When we asked Sofia (April, 2011) whether operation manuals are optional or not; she explains that window-dressing is compulsory while sale competitions of the boutiques are elective; however strongly promoted by the franchisor. Additionally, she stresses that for the most part, the directives in the Season Guide are to be followed.

#### 4.5.2. Store Level Elements

Furthermore, MUS recently changed the rules for setting the product end-**prices**. All three franchisees explained that until recently end-prices were determined by the franchisor. However, according to the new franchise law (SFA, 2011a) a franchisor is not allowed to command his franchisees which end-prices to set (Charlotte, April, 2011). William (May, 2011) adds that MUS *wishes* that the franchisees would continue to implement uniform prices across all units, however MUS has no legal power of demanding affiliation from their franchisees. However, while on one hand, Sofia (April, 2011) and Sofie (May, 2011) explain that they currently set product prices according to their professional judgment by making minor alternations to the recommended prices, Hilda (May, 2011) states that in her boutique the franchisee chose to stick with the recommended prices because "*it was easier that way*".

As for the possibilities for **local advertising**, both Sofia (April, 2011) and Hilda (May, 2011) are in accordance that all nation-wide advertising campaigns are performed by the franchisor; as are the individual boutiques' window-dressing plans which the headquarters stipulates and the franchisees implement. However, while on one hand, Sofia (April, 2011) claims that she does not have the possibility to interfere with the window dressing aspect of

promotion; on the other hand, Hilda (May, 2011) states that during certain events in the franchisees' boutique locations, franchisees are free to come with suggestions to the franchisor's headquarters concerning their local advertising campaigns. This possibility is confirmed by the franchisor company, which claims that franchisees' local advertising is possible, however, is the expense of the franchisee. The advertising propositions submitted by the franchisees should be in accordance with advertising guidelines provided by the franchisor, where certain criteria concerning the commercial layout and the use of Make Up Store's logotype, needs to be met. Consequently, these propositions can be approved, disapproved or alternated by the franchising head-office (William May, 2011). Sofie (May, 2011) exploits the possibility to locally advertise, more than the other two franchisees, by continuously making advertisements in the local press, engaging in co-operations with hair salons and thereby capitalizes on her recently acquired freedom to set her own prices by e.g. providing discounts to certain more prominent individuals "who speak well of the brand" and indirectly promote it (e.g. providing greater discounts to bloggers).

The franchisor does not control franchisees' **personnel practices**. Staff recruitment and training in terms of boutique's sales operations, scheduling, allocation of tasks and responsibilities are conducted by the individual franchisees (Lina, April 2011; Therese Nilsson, May 2011; Rita, May 2011). However MUS requires that educated makeup artists work in MUS boutiques, in order to appropriately deliver the four core values (Charlotte, April 2011). As a consequence, the franchisees usually recruit their staff from MUS's proprietary makeup school, International Make Up Center (IMC), although they are also allowed to recruit professional makeup artists from other institutions.



## 4.6. Franchisees' Acting Freedom and Perceptions on Entrepreneurship

### 4.6.1. The Freedom of Actions as a Franchisee

The freedom of actions which the interviewed franchisees claimed to enjoy was in accordance with their perception of what makes a franchisee a sole proprietor. These actions which the respondents associated with their sole proprietorship involved responsibilities in terms of the personnel, order planning and purchases, scheduling and timetabling (Lina, April 2011; Sofia, May 2011; Rita, May 2011). Another freedom commonly identified by the interviewees was the way they interact with their customers and provide them with make-up advices. Individual and group courses, as well as events; were also considered to be allocated within the scope of franchisee's acting freedom where they could decide by themselves which makeup theme to offer, and which advice to give to their customers (Hilda, May 2011).

Nonetheless, Sofia (April, 2011) states that it is sometimes useful to have directives from the franchisor. *"When you feel tired and uninspired, it is nice to have a predetermined setup to follow. The directives and standardization imposed by the franchisor are not all bad; they serve as assistance as well"* (Sofia, April 2011). All three franchisees stress that conducting the business as a franchisee offers great benefits associated with the business concept which provides them with all the support they need accompanied by the well-known image of the franchise organization. Hilda (May, 2011) explains the effects of the wide recognition of the franchisor's image by stating: *"We do nothing to attract our customers, we simply rent them, and that is great!"*

### 4.6.2. Entrepreneurship in the Eyes of Franchisees

When asked whether they perceived themselves as entrepreneurs, the three franchisee respondents answered differently. Sofie (May, 2011) strongly identifies herself as an entrepreneur; while Sofia (April, 2011) and Rita (May, 2011) do not feel like entrepreneurs, but more like sole proprietors. Sofia (April, 2011) and Rita (May, 2011) do not feel like entrepreneurs because of their inability to make adjustments in the product mix variation and because of the concept's inhibiting effect on innovation, in example the boutiques layout. Sofie's (May, 2011) primary associations with why she perceives herself as an entrepreneur, included salesmanship, local marketing and her responsibility for the personnel.

Moreover all franchisee respondents explained that if a franchisee obtained an idea on how to improve the current business operations, they would first need to contact the support function at the headquarters, and thereafter if their request was approved, were allowed to implement it. None of the franchisees mentioned any reward or award system for new ideas or improvements. Twice a year MUS holds so called "kick-off" events for all their franchisees and proprietary boutiques, where the franchisor presents the coming trends for the following six months together with the new Season Guide. On these events rewards and awards are also handed out for the boutique with the best turnover as well as for individual winners of different sales competitions. These events also function as a forum for exchanging ideas and experiences, feedback and suggestions on improvements between the franchisees and the franchisor (Lina, flagship store manager April, 2011).

## 5. Analysis

The analysis begins by distinguishing and explaining the elements that are core and thus standardized and those that are peripheral which are supposed provide franchisees with more acting space. The analysis further elaborates whether the provided acting space within the peripheral elements is entrepreneurial or not.

### 5.1. Monitoring and Control of the Core Elements

	PRODUCT/SERVICE DELIVERABLES	BENEFIT COMMUNICATORS	SYSTEM IDENTIFIERS	FORMAT FACILITATORS
<b>CORE</b>	<ul style="list-style-type: none"> <li>Product mix (only franchisor's products and entire product portfolio)</li> <li>Individual makeup courses</li> </ul>	<ul style="list-style-type: none"> <li>Professional makeup artist certification</li> </ul>	<ul style="list-style-type: none"> <li>Trade name</li> <li>Trademark</li> <li>Logo</li> <li>Interior design &amp; decoration</li> <li>Placement of products</li> <li>Black dress code</li> <li>Music</li> <li>Visual Marketing</li> <li>Window dressing</li> </ul>	<ul style="list-style-type: none"> <li>Operations manuals</li> <li>Monitoring</li> <li>Nationwide marketing</li> <li>Research and Development</li> <li>Support</li> </ul>
<b>PERIPHERAL</b>	<ul style="list-style-type: none"> <li>Group course and Event content</li> </ul>			<ul style="list-style-type: none"> <li>Price</li> <li>Local advertising</li> <li>Staff practices</li> </ul>

#### 5.1.1. Franchisor's Control of the Core Elements

The core elements identified and positioned in Kaufmann and Eroglu's (1999 p.72) conceptual model of business format components, refer to the elements governed by a higher level of standardization's centrality, in comparison to the peripheral elements. The format facilitator constituents: **nationwide marketing, research and development** and **support**; are all operated by the franchisor from his headquarters and are thus in his full-control. Moreover, as the purchases are generated through the headquarters' support function where the franchisees make their orders from their appointed support contacts (Charlotte, April 2011); the franchisor is in turn provided with the insight on the product flow of each franchised operational unit. This, in combination with the franchise contracts which strictly stipulate a **uniform product mix** with no variation allowed (Sofia, April 2011); contributes to the fact

that the franchisees may suffer severe consequences if they were to disobey the product-mix directives (Rubin, 1978 p.2); which accordingly explains their choice of not having any intentions to interfere with the product-mix uniformity imposed by the franchisor (Sofia, April 2011; Hilda, May, 2011).

Furthermore, since a franchisee must own a **professional certification** in order to become a franchisee in the first place, the franchisor does not need to question franchisees' capability of providing the customer with **individual make-up services** in terms of professional knowledge-sharing and service (Sofie, May 2011). Moreover, it is within franchisees' interest to offer courses and good service in order to enhance their profits given that they are residual claimants of their sales (Rubin, 1978 p.226-233; Barthélemy, 2011 p.93-94).

Regarding the use of **monitoring** and mystery shoppers; we were provided with differing viewpoints; where on one hand, the Sofia (April, 2011) claims that mystery shoppers are very infrequent in MUS' business format because she received only one unannounced inspection of her boutique during her three years of franchising experience; while on the other hand Hilda (May, 2011) observed that unannounced visits may indeed be paid to the boutiques, moreover that she estimates that the boutique she works in is inspected approximately every second month. The discrepancy between the franchisees' statements can be explained by Hilda's clarification that franchisees are not always aware of mystery shoppers' supervision of the boutique practices. This supervision tends to target the implementation of the remaining format components: operational manuals and system identifiers.

We perceive the **Season Guide** as a core standardization mechanism based on the fact that we received statements that it involves directives along with recommendations that for the most part must be followed (Sofia, April, 2011). The franchisees (Sofia, April 2011; Hilda, May 2011) claim disregarding of operation manual's content would lead to *a talk with the franchisor concerning the in compliant behaviour* (Sofia, April 2011) and where consequently, a certain amount of registered misbehaviour would eventually lead to contract termination (Hilda, May 2011). Similarly, the franchisees' would suffer even more severe consequences if they were spotted to disregard implementing the uniform system identifiers: **trademark, trade name, logo, interior design and decoration, placement of products, music, visual marketing, window dressing** and the **strict black dress code** (Sofia, April, 2011; Hilda, May, 2011). This accords with Axberg's (1993, p.67) argument that franchisor's main *police work* is ensuring that the uniform business profile is conveyed across all operational units of the franchising network.

### 5.1.2. Implications of Franchisor's Monitoring and Control over the Core Elements

The mechanics of MUS's business format are stirred by the franchisor that coordinates and controls the implementation of the network's uniformity in terms of identified format core elements. In the business format setting, MUS's franchisees are transmitted contradictory signals; where on one hand they are legally labelled as sole proprietors and being their "own bosses" (Rubin 1978 p.225; Dant & Gundlach 1998 p.36); while on the other hand they are delimited the possibility of pursuing experimentation and renewal in terms of format's core elements (Stopford & Baden-Fuller, 1999, p.97). When a franchisee aspires to incorporate innovation and renewal in some of the centrally standardized elements, she can cause severe disturbances to the recognition of the franchisor's

concept and brand's integrity, and thus endanger the reputation of the whole franchising network (Dant & Gundlach 1998 p.36-37). Therefore, as Axberg (1993, p.67) argues, the franchisor's *main police work* includes monitoring franchisees' conducting of their business. Monitoring of franchisees' compliance regarding the core components within Make Up Store is exerted through the use of unannounced visits and the monitoring of the compliance level of the operations manuals and system identifiers. This is supported by Kaufmann & Eroglu's (1999 p. 70-73) argument in terms of franchisor's efforts for ensuring the format's integrity survival.

Franchisees have expressed an entrepreneurial desire to behave proactive and to be able to affect the product portfolio variation (Sofia, April 2011). However franchisees are aware of the contractual consequences of disobeying the product format that provides Make Up Store with its competitive edge, and therefore do not exert any particular entrepreneurial behaviour in terms of innovating, experimenting or renewing the standardized core elements within the format.

Despite the paradox of being a sole proprietor with "stronger incentives to perform" (Rubin, 1978 p.226; Barthélemy, 2011 p.94) compared to a manager or employee of a franchising company; MUS's franchisees' entrepreneurial efforts seem to be in accordance with Kaufmann and Eroglu's (1999 p.70-73) argument that core elements are subject of standardization across all units which can only be alternated and innovated by the franchisor himself.

## 5.2. Entrepreneurial Behaviour in Peripheral Elements

### 5.2.1. Peripheral Service Deliverables

In Make Up Store's identified peripheral service deliverables: group course offerings, events and their content; the franchisees are provided with the flexible acting space in terms of incorporating their own individual ways of conducting their business. The flexibility of the service deliverables, contributes to franchisees' stronger incentives to perform which pose no threat to the franchisor's business format. This is because allowing franchisees' incorporation of their personal ways of serving their customers through course offerings and events, as identified by Sofie Bergsman (May, 2011) is most likely to positively impact franchisees' sales, which in turn leads to more order purchases, contributing to the headquarters financial benefits as well (Charlotte Erdös, April 2011). MUS's approval of flexibility of the service deliverables is in line with Kaufmann and Dant's (1999 p.72) viewpoints on peripheral elements, who claim that franchisor's endorsement of flexibility of format components outweighs the benefits of their standardization.

Within peripheral service components, the franchisees are provided with the possibilities to perform *proactively* according to their customer's needs, and are moreover able to incorporate *innovativeness* through their own personal drive which they are allowed to integrate in the content of their service offerings (Rita Khano, May 2011; Sofia Ljunggren, April 2011; Sofie Bergsman, May 2011). By incorporating their own innovation through the usage of their professional-skills as they find fit, and the ability to be *proactive* in the experimentation of courses and

events offered; the franchisees may indeed be associated with entrepreneurial behaviour. Their pro-activeness stems from their financial benefits derived from course offerings and events, while their innovativeness is associated with their possibilities of incorporating creativeness and new elements to the content of their makeup courses and events.

**Conclusion 1: The peripheral service deliverable: course and event content; offer room for both acting space as well as entrepreneurial behaviour.**

## 5.2.2. Peripheral Format Facilitators

### 5.2.2.1. Price

According to the new franchising law in Sweden (1st October 2006), the franchisees are acquired with the legal right to set their own product end-prices (Charlotte April, 2011; RD, 2011a). As our interviewed franchisor and franchisee respondents explained, Make Up Store previously used to have uniform product-end prices determined by the company's headquarters; whereas today, the franchisees are provided with recommended prices which they can accordingly choose to accept or alternate (Charlotte, April 2011; Sofia, April 2011; Hilda, May 2011). Thus, this peripheral freedom which the franchisees endue seems not to be the franchisor's strategic choice, but rather their legal obligation (William, May 2011).

The acting space in terms of franchisees' freedom of setting their own prices reinforces the argument of their sole proprietorship (Lafontaine, 1999 p.18). Moreover, as we have identified *pro-activeness* as experimentation, renewal and borrowing other's ideas as a means of breaking from past habits (Miller 1983, p.771; Stopford & Baden-Fuller 1994, p.4), the franchisees' decisions to modify the recommended prices provided by the franchisor can be observed as proactive. However, as our definition of *innovativeness* refers to organizing resources in new ways (Schumpeter, 1947 p. 149-152), the franchisees' price decisions can hardly be perceived as innovative, since they for the main part include minor alternations of the recommended prices which *per se*, brings nothing new to the table. Hence, although franchisees are provided with flexible acting space within identified peripheral format facilitator in terms of price; their entrepreneurial behaviour remains unaffected, since it consists of weighing of both *pro-activeness* and *innovativeness*, whereas innovativeness is not satisfied.

**Conclusion 2: The peripheral format facilitator: price, provides the franchisees with higher degree of acting space; however does not have a strong effect on their entrepreneurial behaviour, since only the pro-activeness condition is satisfied, while innovation is not.**

### 5.2.2.2. Local Advertising

As explained in the empirical findings, MUS's headquarters generate all nation-wide advertising output, whereas franchisees' are free to apply for conducting their own local advertisements which need to be in accordance with the franchisor's system identifiers (William, May 2011). The franchisor can consequently decide to approve, change or

disapprove the received applications; whereas if they are permitted the franchisee would personally need to finance the promotional material (William, May 2011).

Although initiating local advertising is up to the franchisees to undertake, the franchisor will however have the final saying and will ensure to implement franchisees' local promotion on his own terms, as it is the franchisor's format reputation that stands on the line (Dant & Gundlach, 1998 p.36-37). For MUS's franchisees this implies a limitative advertising acting space in their local markets, since although proposed and instigated by them, the promotional tools applied will not be determined by them, but primarily by the franchisor. However, local advertising is strongly associated with franchisees' pro-activeness; since it represents their initiative of taking the national advertising core format component one step further and trying to reach the local customer segment (Kaufmann & Dant, 1999 p.12-13). A successful example of advertising pro-activeness was Sofie (May, 2011) who accommodated to her local surroundings and targeted local as well as emerging marketing media such as bloggers, to promote her boutique as well as Make Up Store's brand. Moreover, her approach to marketing incorporated the usage of the available standardized resources in a new way, which could be perceived as *innovative* according to Schumpeter's viewpoint of innovation (1947, p.152). Hence, although the room for acting space and entrepreneurial behaviour are limited by the promotional procedures imposed by the franchisor, it will depend on the individual franchisee's capabilities and vision, to exploit the available promotional resources.

***Conclusion 3: The peripheral format facilitator: local advertising, provides the franchisees with limited acting space and entrepreneurial behaviour, however does not hinder them for being exerted.***

### ***5.2.2.3. Personnel Practices***

Personnel practices include franchisees' recruitment and training of their staff, scheduling, allocation of tasks and responsibilities in the boutiques (Lina, April 2011; Rita, May 2011). The only precondition imposed by the franchisor is that franchisees' and their personnel obtain a professional certification in makeup skills (Charlotte, April 2011). Thereby, at first glance the franchisees are observed to have broad acting space in terms of operational decisions and routines. However, the personnel practices will be affected by franchisor's *Season Guide* which predetermines to large degree the boutique's daily routines (Sofia, April 2011; Sofie, May 2011; Rita, May 2011). As previously explained, operations manual serves as a facilitator of operations uniformity where its implementation may be inspected by the mystery shoppers (Sofia, April 2011; Hilda, May 2011). In the case of Make Up Store, control of franchisees' personnel practices in their boutiques, seem to speak in favour of the argument that franchisors prefer having managers to entrepreneurs operating their franchise establishments (Fable, Dandridge & Kumar, 1999, p.126, 127).

Hence, MUS's franchisees are provided with a formal decision making over their personnel, which is one of the main arguments of their personal perception that they are their own bosses and thus sole proprietors (Sofia, April 2011; Rita, May 2011). Nevertheless their acting space in practise is limited by the sublime methods of control in terms of imposed requirement for compliance of the operations manual. We therefore assume that since operational manuals

are followed to the point (Sofia, April, 2011; Hilda, May 2011), the degree of pro-activeness and innovation are limited as well. However, we do not exclude the possibility of their existence, since for example Sofie (May, 2011) incorporated the use of mystery shoppers on her own employees, which could indeed be regarded as proactive as well as innovative.

***Conclusion 4: The peripheral format facilitator: personnel practices; provides the franchisees with uncertain scope of acting freedom, and consequently leads to uncertain spill-over effect on their entrepreneurial behaviour.***

## 6. Conclusion

*In this section we present our answer to the posed research question, based on Kaufmann and Eroglu's (1999) theoretical framework and the empirical findings from the conducted interviews with Make Up Store's franchisor and franchisee representatives. We will thereafter present managerial implications of the main findings, a discussion of the paper, and suggest next steps for the future research.*

### 6.1. Answering the Research Question

The purpose with our study was to gain an understanding of the standardization of Make Up Store's business format and how it affects the franchisees' acting space in terms of how and where they are able to exert their entrepreneurial behaviour. The research question we aimed to answer was the following:

*In business format franchising, is there room for exerting entrepreneurial behaviour of a franchisee and in which non-standardized components of the business format can it be exerted?*

In this study, we have identified that franchisees are enabled to employ entrepreneurial behaviour in the peripheral service deliverable, in terms of their choices of group course and event offerings, as well as their content. This intangible peripheral element facilitates franchisees' proactiveness and innovativeness, and offers unlimited possibilities of entrepreneurial behaviour, since the only boundaries imposed on the franchisee is her own creativity.

The remaining three peripheral components do not facilitate the exertion of franchisees' entrepreneurial behaviour as does the service deliverable. First, we do not consider the franchisees' freedom of price setting to be entrepreneurial, since it only involves franchisees' potential proactiveness but does not convey anything intrinsically new. Second, as for the local advertising, the franchisees' entrepreneurial behaviour is stifled by franchisor's supervision of the promotional procedures. However, one of our respondents proved to strongly embody both innovativeness and proactiveness within the constraints of this component, which demonstrates that despite procedural restrictions, there is a possibility of a franchisee leaving her own stamp in the advertising aspect by behaving entrepreneurially. Finally, the franchisees' freedom of managing their boutique personnel and allocation of their tasks and schedules, although stated in the interviews as a great freedom of a franchisee, is considered differently given the level of compliance of the Season Guide. Yet, entrepreneurial behaviour is possible to a certain degree even within this peripheral component, as demonstrated by Sofie's (May, 2011) proactive and innovative approach of monitoring her employees.

In conclusion, we consider that entrepreneurial behaviour of a franchisee is reflected in their creativity and boldness in pursuing new opportunities. Although franchisor's business format limits the scope of franchisees' exertion of their entrepreneurial behaviour only to the peripheral format components, which per se vary regarding

entrepreneurial possibilities they offer; a visionary franchisee with a strong will might still find a way to introduce new development paths to her company.

## 6.2. Managerial Implications

Many researches in the field of firm-level entrepreneurship stress that as the environment becomes more competitive, the importance of leveraging entrepreneurship within all level of the organization, is to increase dramatically (c.f. Kaufmann and Eroglu, 1999, pp. 69-83; Falbe, Dandridge & Kumar, 1999 p.137). If the organization does not promote entrepreneurship but primarily focuses on the formal structures imposed by franchising contracts and regulations; neglecting the entrepreneurial leverage is likely to impose a future liability for organization's adaption to the changing environment.

Currently, Make Up Store collects franchisees' ideas through their support contacts and "kick-off" events. However, the organization holds no reward system for promoting innovation and new ideas. By targeting their reward system to the level of sales obtained by the boutiques instead of innovativeness that might benefit the network as a whole, Make Up Store promotes managerial rather than entrepreneurial efforts. By doing so, the network is likely to omit new development paths which could provide them with new offerings, upgrades of the existing ones and solutions to system-wide problems. By reserving the innovation processes only for the franchisor, and not stimulating franchisees in getting involved in these processes, compromises Make Up Store's future outlook to function in a changing environment.

## 6.3. Discussion

This thesis has presented the case study of Make Up Store, and the effects of standardization imposed by the franchisor on the franchisees and their entrepreneurial behaviour. We have delimited our research by only conducting one case study, whereas the investigated issue was a prosecution that could be perceived as hard to isolate. By using a specific definition of entrepreneurship which we considered suitable for the research setting, we tried to demarcate our findings from additional interpretations of entrepreneurship. Reflecting on these choices in retrospective one could claim that another definition of entrepreneurship would have been more suitable. However, this might have affected our research focus by leading to a change of focus. For example, if we had analysed franchisees and their personal traits, we would have preferably contributed in identifying *which* franchisees are more proactive and innovative than other in the elements of Kaufmann and Eroglu's (1999) framework. However, in this study, our focus was a broader one which targeted the *room* for franchisees' entrepreneurial behaviour.

It is important to note that the respondents' answers could have been biased by depicting the entrepreneurial freedom greater than it in reality is, or by providing reluctant answers based on their unexpressed fear of being exhibited in the final draft. In order to prevent this, we have offered all our interviewees the possibility of anonymizing their statements, which none of them found necessary.

Moreover, we are fully aware that the size of the sample group can be perceived as small and thus not sufficiently representative for all of the franchisees engaged in Make Up Store's network. One possibility of broadening the sample would have been to interview all franchisees within Sweden, or to make cross-country comparisons with Make Up Store's franchisees situated globally. A global comparison would have however changed the prerequisites of the research question as different conditions prevail in Make Up Store globally. However, these two alternative research paths could have potentially led to an increase in the ability to generalize our main findings, as the current study has very low external validity. We however chose to discharge these two options; due to the scope of the bachelor thesis as well as our personal aspiration to explore how franchisees within Stockholm manage their entrepreneurial behaviour.

#### **6.4. Future Research**

The findings of this study indicate that the entrepreneurial behaviour of franchisees in Make Up Store dominates more in some areas than in others. To conduct the business as a franchisee entails both the benefits in terms of support and recognition provided by the franchisor; and the drawbacks including the standardization and uniformity. Suggestions for further research within the entrepreneurial-franchisee context might include an extension of our study by supplementing it with quantitative data and expanding the sample objects. Another potential investigation we encourage would be to look at the franchisees personal traits, to see how the personal traits affect their pursuance of entrepreneurial activities. Moreover, the impression we received from our interviews with the franchisees at Make Up Store, was that they did not picture themselves as franchisees in the long run, and an interesting future research question could be whether standardization in a business format franchise has an effect on franchisees' motivation. The final and possibly most important path for future research is exploring communication and network channels which facilitate franchisees' innovation without endangering franchisor's business format integrity and their explicating their contributions to the franchising organization as a whole.

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