Hope Among Franchise Leaders: Why Hope has Practical Relevance to Franchising – An Exploratory Study

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Abstract:

Using a sample of members of the International Franchising Association, we examined the relationship of future hope to a variety of variables of interest in the franchising context. Though future hope was not significantly related to entrepreneurial leadership, it was positively related to affective organizational commitment. Franchisees and franchisors did not differ in future hope, though the latter group scored higher on entrepreneurial leadership. The position held in the firm was positively associated with having a controlling interest. Contrary to expectations, neither executive level membership nor having a controlling interest was positively related to entrepreneurial leadership or to organizational commitment. Copyright © 2011 ASAC. Published by John Wiley & Sons, Ltd.

Keywords: hope | franchising | leadership | positive organizational behavior | leadership | entrepreneurship

Article:

Many concepts from psychology have been applied to business to help us better understand the role that human resources play in the success of a business enterprise. While the financials have often been the major focus in business schools and the marketplace, it has also been argued that employees are an important potential source of sustained competitive advantage (Wright, McMahan, & McWilliams, 1994). Though the contribution of people to a business has been emphasized in psychology since the 1950s (e.g., Herzberg, 1966; Maslow, 1954; McGregor, 1960), a relatively recent development has been the increased emphasis some have placed on
positive organizational behaviour, which Luthans (2002, p. 59) defined as, “the study and application of positively oriented human resource strengths and psychological capacities that can be measured, developed, and effectively managed for performance improvement.” This approach, which encourages managers to build on the positive strengths of their employees as opposed to focusing on the negative, has been associated with improved performance and productivity (Nelson & Cooper, 2007; Turner, Barling & Zachartos, 2002; Welsh, Luthans, & Sommer, 1993a, 1993b; Wright, 2003).

One of the positive psychological constructs that contributes to the psychological capital of an individual is hope (Snyder 1996, 2002). While hope has been studied in relation to athletic success and education, few studies have applied it to business settings. As detailed below, the major objective of this study was to examine the relevance of hope in the context of one of the most powerful economic engines of the North American economy: the franchise system. Specifically, we investigated whether there are systematic differences between franchisors and franchisees in their level of hope about the future and evaluated the role of some variables that could give rise to such differences.

**Franchising**

A franchise relationship involves an ongoing relationship where the franchisor provides an opportunity to do business under a legal agreement and also provides supplemental services that may include assistance in organization, information technology services, training, management, and other services to start a franchise. In return, the franchisee pays a fee for this ongoing relationship and services (Beshel, 2010). Franchising can be broadly categorized into two types: Product and Trade Franchising, which focuses on what is sold (i.e., Chevrolet, Honda, Shell) and Business Format Franchising, which focuses on how the business is run (i.e., Kentucky Fried Chicken, Midas, H&R Block) (Walker, 1991). While both types have grown, business format franchising has had the most dramatic growth. Indeed, franchising has been one of the fastest growing methods of doing business in the US and abroad for the last half century. Franchising in the US alone is so widespread that one of every 12 retail businesses is a franchised business and more than 8 million people are employed in these businesses (International Franchise Association, 2006a). According to the International Franchising Association, franchising accounts for more than 40% of all retail sales and totals more than 1.5 trillion dollars per year in revenue throughout the world (International Franchise Association, 2006a).

**Franchising, Entrepreneurship, and Economic Development**

Entrepreneurship is integral to economic development (Alon & Welsh, 2001; Welsh & Alon, 2001, 2002). Schumpeter (1934) established that new firms are essential to a revitalized economic order. The franchisor, or founder of the unique business format system, falls within the realm of entrepreneurship (cf. Low & MacMillan, 1988) by virtue of the creation of new combinations (Schumpeter, 1934), drive based on the perception of opportunity (Stevenson,
Roberts, & Grousbeck, 1989), and the creation of new ventures (Gartner, 1985). Franchising often involves the introduction of new products and services that are subject to rapid growth, and is characterized by the use of innovative marketing, an openness to change, and an emphasis on outrunning the competition (Aldrich & Auster, 1986; Gartner, 1985).

The major reviews of franchising research (Elango & Fried 1997; Young et al., 2000) reveal very few studies involving psychological constructs despite the inherent complexities of a system in which franchisors, franchisees, and franchise managers must work together to make the business(es) successful.

Hope Theory
Hope theory was introduced by C.R. Snyder and his colleagues (Snyder et al., 1996; Snyder, 2000). Hope is defined as a “positive motivational state based on an interactively derived sense of successful (a) agency (goal directed energy) and (b) identification of pathways (waypower, planning to meet goals)” (Snyder, Harris et al., 1991a, p. 287). From this perspective, hope consists of three major conceptual foundations: agency, pathways, and goals. As such, the hope construct includes elements of both self-efficacy and optimism (DiPietro, Welsh, Raven, & Severt, 2007). As conceptualized by Snyder, there is both a relatively stable trait component (trait hope; Snyder et al., 1996) as well as a more situational facet—future hope (the future scale; Snyder, Harris et al., 1991a)—which can be developed in individuals (Snyder, 2000).

Hope in Academics, Athletics, and Physical and Mental Health
Since the 1990s, empirical research on hope has been conducted in the areas of academics, athletics, and physical and mental health and has been shown to relate positively to performance outcomes (cf. Snyder, 2002). For example, hope correlates with academic performance in grade school, high school, and college (Snyder, Cheavens, & Michael, 1999a; Snyder, Michael, & Cheavens, 1999b), and those teachers who had higher hope for their students were found to be more encouraging (Culver, 1992).

In athletics, high-hope athletes are more successful than low-hope athletes, especially in situations involving high stress (Brown, Curry, Hagstrom, & Sandstedt, 1999; Curry, Snyder, Cook, Ruby, & Rehm, 1997). Teaching college athletes the application of hope to various aspects of life also significantly improves their confidence in their athletic capabilities (Curry, Maniar, Sondag, & Sandstedt, 1999; Curry & Snyder, 2000).

Higher hope levels also make a significant difference in health psychology: promoting and maintaining good health and preventing, detecting, and treating illnesses (Irving, Snyder & Crowson, 1998; Matarazzo, 1982; Sciolli et al., 1997; Snyder, 1996, 1998; Snyder, Irving & Anderson, 1991b). Hope positively relates to overall adjustment (Kwon, 2000, 2002). Moreover,
facilitating hopefulness among college students increases survival and coping beliefs and diminishes actions or thoughts of suicide (Range & Penton, 1994). More generally, hope has been successfully used as a guiding framework in psychotherapy (Frank 1968, 1973, 1975; Snyder, Ilardi, Cheavens et al., 2000a; Snyder, Ilardi, Michael, & Cheavens, 2000b; Snyder, Michael, & Cheavens, 1999b; Snyder & Taylor, 2000).

**Hope in Business Settings**
Peterson and Luthans (2003) found that the state of hope of managers of fast food restaurants was positively associated with restaurant performance and employee retention rates. Moreover, among the 125 US companies sampled, the 10 having the highest levels of future hope among their middle managers and lower level employees were characterized by profitability, concrete goals, participative management, innovation, and strong communication (Adams et al., 2002). Hope was also positively associated with individual performance and job satisfaction among engineers and technicians (Luthans, Avolio, Avey, & Norman, 2007).

**Entrepreneurial Leadership, Hope, and Franchising**
While leadership has long been an important topic in the general business literature, there has also been interest in identifying specific capabilities that are especially important to entrepreneurial success. For example, in the context of franchising, Welsh, Adler, Falbe, Gardner, and Rennick (2001) highlighted the importance of innovation, a willingness to compete, and a capacity to respond effectively to rapid change. We propose that future hope could also be an especially relevant personal characteristic in entrepreneurial environments given the multiple challenges associated with making a franchise system work long term (cf. Holmberg & Morgan, 2007) and the high rate of failures in entrepreneurial efforts in general (Strotmann, 2007). As explained earlier, hopeful individuals process more goal-directed energy and are more likely to engage in efforts to identify pathways to enable goal attainment—all qualities that should be positively related to both entrepreneurial leadership and the capacity to survive long term as a participant in the franchise system. The state of hope is positively related to business ownership satisfaction among those who founded and/or owned a business (Jensen & Luthans, 2006). Furthermore, to the extent that future hope enables individuals to stay in franchising, both variables should also be positively related to commitment (cf. Meyer, Stanley, Herscovitch, & Topolnytsky, 2002) to the franchising organization and to indicators of career success such as the level of position held in the firm, and ultimately a controlling interest. Organizational commitment relates positively to personal initiative (Den Hartog & Belschak, 2007), employee retention, and to organizational performance in the franchising context (Morrison, 1997). As for its relationship to future hope, the particular form of organizational commitment involved might be important. For example, affective commitment (AC) is emotion-based such that the employee “wants to” be part of the enterprise, whereas continuance commitment (CC) is based more on the
benefits of continued membership such as longevity-based compensation and the establishment of friendships wherein the employee “has to” stay (cf. Allen & Meyer, 1990; Meyer & Allen, 1991). Thus, hope and AC might share an emotion-based link, whereas the CC relationship might reflect the degree to which the organization is the source of pathways the employee sees as being important to goal achievement. In light of the above:

H1: Future Hope will relate positively to:
entrepreneurial leadership
organizational commitment, both AC and CC
length of time in position
controlling interest in the firm

When the various roles in the franchise system are examined, one of the obvious differences is that the franchisee gains access to a business concept from the originator, usually the franchisor, who is also often credited as being the most entrepreneurial (DiPietro et al., 2007). Indeed, in comparing the two roles, Welsh et al. (2001) found significant differences in their self-perceptions of entrepreneurial leadership. Relative to franchisees, franchisors saw themselves as being more innovative, more focused on research and development, more long term in their thinking, and more likely to recognize rapid change in the industry and the company. Given these results, we also expected franchisors to score higher in future hope than franchisees. Indeed, DiPietro et al. (2007) found such a pattern with regard to trait (current) hope. Finally, analogous to findings in the context of family businesses (Raven & Welsh, 2004), the originators of the business concept—that is, the franchisors—should be more committed to the organization than franchisees, especially at an emotional level (i.e., AC) but also in terms of CC. Thus:

H2: Franchisees will score lower than franchisors on:
entrepreneurial leadership
future hope
organizational commitment, both AC and CC

In the franchise system as in many other types of businesses, a distinction can be made between executive and nonexecutive level participants. As in other business contexts, we expected franchise executives to exhibit higher levels of entrepreneurial leadership relative to nonexecutives (cf. Welsh et al., 2001). Moreover, their elevated roles should also be reflected in higher levels of AC and CC and in a higher probability of having a controlling interest in the firm. As noted earlier, other studies have related organizational commitment to personal
initiative (Den Hartog & Belschak, 2007) and to job satisfaction, turnover, and intention to remain in the franchise (Morrison, 1997).

H3: Executive status in the firm positively predicts:
entrepreneurial leadership
organizational commitment, both AC and CC
controlling interest in the firm
future hope

Finally, as implied above, participants in a franchising system can also be differentiated in terms of whether or not they hold a controlling interest in the franchise. With regard to this variable and for reasons analogous to those associated with H3, one would expect that those with superior entrepreneurial leadership capabilities (cf. Welsh et al., 2001) are more likely to thrive in a franchise system long term, which ultimately would be associated not only with a greater probability of holding a controlling interest, but also with the position held and the level of commitment to the organization.

H4: Controlling interest in a franchise positively predicts:
entrepreneurial leadership
position in the company (e.g., employees vs. headquarters staff vs. executives)
organizational commitment, both AC and CC

Method
Sample
The survey was sent electronically to all 1042 members on the executive mailing list of the International Franchising Association in June 2007. Survey responses were also collected electronically; 81 usable responses were obtained for a response rate of 7.8%. The low response rate is not surprising since the franchise community is less likely to participate in research relative to those from other types of businesses (Young et al., 2000), and the content may not have been relevant to all members of the organization. Also, we did not send reminders. The 32 franchisors in the study represented the owners and/or developers of the original franchise concept and headquarters staff. Forty-nine franchisees responded to the survey. There were no
significant differences between early and later respondents (based on returned survey postmark dates) on demographic variables such as age and gender, suggesting little response bias.

Measures

Entrepreneurial leadership
Thirteen items from Welsh et al. (2001) were employed using a 1–8 Likert scale (1 = Strongly Agree, 8 = Strongly Disagree). The items were divided into five sections dealing with franchise headquarters (1 question), risk aversion (4 questions), competitors (1 question), marketing and adaptability (4 questions), development of new products or services (2 questions), and decision making (1 question). As described later, based on a factor analysis, only seven of the items were ultimately used in this study.

Future hope
The Snyder (2002) 6-item hope scale was used. Alphas range from .74 to .88 for the overall scale, and test-retest reliabilities are typically .80 or better. The scale has agency and pathways factors and an overarching hope factor (Babyak, Snyder, & Yoshinobu, 1993). Hope has discriminant validity in relation to similar constructs in positive psychology. Items include, “I can think of many ways to get out of a jam”; “I am energetically pursuing my goals”; “there are lots of ways around any problem”; “my past experiences have prepared me well for my future”.

Organizational commitment
The Allen and Meyer (1990) scales of AC and CC were used. As noted earlier, AC involves emotion-based commitment (e.g., I do not feel a strong sense of belonging to my organization; reverse coded) whereas CC addresses difficulties associated with leaving such as cost, disruption, and available options (e.g., I feel I have too few options to consider leaving this organization) (Meyer & Allen, 1991). Each scale consists of eight items (1 = strongly agree; 8 = strongly disagree) and both have been used extensively (Allen & Meyer). In our sample, however, one of the CC items was inadvertently omitted (i.e., one of the few serious consequences of leaving this organization would be the scarcity of available alternatives).

Demographic variables
Respondents were asked to provide background information concerning their age, gender, current position with the company, whether they had a controlling interest, and a description of the products and/or services sold.
Analysis
The Welsh et al. (2001) Entrepreneurial Leadership scale scores were factor analyzed. Analyses of correlations and analysis of variance were used to test the hypotheses. All analyses were conducted using SPSS version 17.0 (2009).

Results
A profile of the respondents is provided in Table 1. Respondents identified themselves as a franchisee or franchisor and by their position in a franchise. Most (60%) were franchisees and male (78%). The average time spent with the franchise was eight years. Many (44%) had both a controlling interest as well as family members (43%) in their franchise. Consistent with our focus on executives, most (52%) had at least a college level education. Age was more evenly distributed though more than half were 45 or older.

Table 1. Respondents Profile

<table>
<thead>
<tr>
<th>Parameters</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total responses</td>
<td>81</td>
</tr>
<tr>
<td>Males</td>
<td>78%</td>
</tr>
<tr>
<td>Age:</td>
<td></td>
</tr>
<tr>
<td>Under 35</td>
<td>20%</td>
</tr>
<tr>
<td>36–45</td>
<td>22%</td>
</tr>
<tr>
<td>46–55</td>
<td>28%</td>
</tr>
<tr>
<td>56 and older</td>
<td>30%</td>
</tr>
<tr>
<td>Education:</td>
<td></td>
</tr>
<tr>
<td>Some college</td>
<td>14%</td>
</tr>
<tr>
<td>Graduated college</td>
<td>52%</td>
</tr>
</tbody>
</table>
Parameters

Graduate school (MBA, etc.) 34%
Years company in operation (average) 17
Years with franchise (average) 8.1
Years in present position (average) 7.6
Franchisee 60%
Franchisor 40%
Own controlling interest 44%
Family in franchise 43%

Of franchises with family members:
First generation 76%
Second generation 20%
Third generation 4%

The means, standard deviations, and correlations among the major study variables are shown in Table 2. Cronbach alphas also shown in the diagonal when applicable, and were all .70 or higher.

Table 2. Correlations, Means of Composite Variables (Reliabilities in Bold on Diagonal) N = 81

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Future hope</td>
<td>.96</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Entrepreneur initiator</td>
<td>-.03</td>
<td>.70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
The entrepreneur leadership scale (cf. Welsh et al., 2001) was subjected to a factor analysis with varimax rotation. Two factors with eigenvalues greater than 1 were uncovered. The first consisted of three items and accounted for 48% of the common variance. We labelled it Entrepreneur Initiator, as it reflected an opportunistic perspective. The second, consisting of four items was labelled Entrepreneur Competitor as it focused on monitoring and reacting to competition. It accounted for 16% of the common variance.

**Hypotheses Testing**

Our first hypothesis was that future hope would be positively related to entrepreneurial leadership, AC, CC, length of time in the position, and controlling interest in the firm. Contrary to expectations, Table 2 shows that the only positive association involving Future Hope was with AC (r = .69, p < .01). The relationship to CC was also significant (r = -.48, p < .01), but the direction was negative.

The second hypothesis was that franchisees would score lower than franchisors on entrepreneurial leadership, future hope, AC, and CC. The hypothesis was supported for both components of entrepreneurial leadership, initiator and competitor; (r = -.31, p < .01 in both cases), and for AC (r = -.20, p < .01), but not for future hope or CC.
The third hypothesis was that executive level membership in the firm would be positively associated with entrepreneurial leadership, AC, CC, having a controlling interest, and future hope. Table 2 shows the hypothesis was supported for controlling interest ($r = .22, p < .05$) only. Significant relationships were also observed with both initiator ($r = -.25, p < .05$) and competitor ($r = -.20, p < .05$) entrepreneurial leadership, but they were in the direction opposite to the hypothesis, indicating that nonexecutives scored higher on both variables.

Our last hypothesis was that owning a controlling interest in the firm would be positively associated with entrepreneur leadership, position in the company (employees, executives, headquarters staff/management), AC, and CC. Contrary to expectations, those without a controlling interest scored higher in competitor entrepreneurial leadership ($r = -.23, p < .05$), and neither relationship involving commitment was significant (see Table 2). On the other hand, consistent with H4b, Table 3 shows that having a controlling interest does tend to be associated with positions of greater responsibility.

### Table 3. Position in the Firm by Controlling Interest

<table>
<thead>
<tr>
<th>Position</th>
<th>Own controlling interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Employees</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Executives</td>
<td>26</td>
<td>20</td>
</tr>
<tr>
<td>Headquarters staff/management</td>
<td>8</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>44</td>
</tr>
</tbody>
</table>

1. Chi Square $= 10.81, p < .01$.

### Discussion

**Summary**

Contrary to expectations, the only positive association involving future hope in this study was with AC. Consistent with expectations, franchisors scored higher on both facets of entrepreneurial leadership relative to franchisees. Also, as anticipated, executive level membership in the firm was positively associated with owning a controlling interest. Nonetheless, contrary to expectations, neither executive level membership nor a controlling interest was positively related to entrepreneurial leadership or to organizational commitment.
Contribution to Scholarship

As far as we know, this is the first study to examine future hope in the context of franchising. Though it was not associated with entrepreneurial leadership, future hope was positively associated with AC—that is, having an emotion-based connection with the organization and a negative association with CC, (i.e., being connected with the organization because of the costs associated with leaving). Since AC tends to be correlated with other positive organizational outcomes such as job performance and organizational citizenship behaviour (Meyer et al., 2002), the discovery of a positive and fairly strong future hope-AC relationship is important. Having individuals predisposed to engage in organizational citizenship might be especially valuable in the early stages of a franchise where inexperienced employees might need to cover for each other to ensure a positive first impression from customers. Such speculation is supported by Youssef and Luthans (2007) who found that hope, optimism, and resilience had a positive effect on the overall workplace and human performance and by Avey, Wernsing, and Luthans (2008) who reported that positive employees are an asset during organizational change. Finally, the negative future hope-CC relationship might actually be viewed as a positive since CC tends to have modestly negative relationships with job performance and citizenship (cf. Meyer et al., 2002).

Contrary to expectations, franchisees and franchisors did not differ with regard to future hope. This was surprising since DiPietro et al. (2007) found that franchisors had significantly higher trait hope than franchisees. They attributed this to the fact that the franchisors are the true entrepreneurs in the system because they typically take the most risk. Perhaps trait hope is the more relevant construct in the franchising context than is future hope. On the other hand, just because franchisors may take higher initial risk does not mean that franchisees do not take any. At a minimum, the capital associated with obtaining the franchise is at risk, not to mention the time and energy that must be put into building the business. Thus, our finding of no differences in future hope between franchisees and franchisors is perhaps not especially surprising. Along these lines, DiPietro, Severt, Welsh and Raven (2008) also failed to uncover differences in hope between franchisees and the managers of franchisee operations. Perhaps only relatively hopeful people are attracted to positions of responsibility in the franchise system.

As expected, franchisors scored significantly higher than franchisees on initiator and competitor entrepreneurial leadership. This is expected based on the DiPietro et al. (2007) assertion that franchisors are the most entrepreneurial members of the system. It is also consistent with Welsh et al. (2001) who, as noted earlier, found that franchisors saw themselves as being more entrepreneurial in a number of respects relative to franchisees.

As hypothesized, executive level membership in the firm was positively associated with owning a controlling interest. On the other hand, contrary to expectations, it was negatively related to both forms of entrepreneurial leadership and unrelated to either AC or CC. The lack of association involving position and AC (Meyer et al., 2002), and to a lesser extent, CC, is
surprising since tenure and AC are typically related. Perhaps tenure and position held were not strongly associated in our sample. A similar pattern was found with regard to controlling interest in that it was negatively related to competitor entrepreneurial leadership and unrelated to either AC or CC. In all, the executives and those with a controlling interest in this study appear to be relatively complacent as reflected by their leadership and their commitment to their enterprises.

Applied Implications
The most important applied implication of our findings involves the relatively strong future hope-AC relationship. As noted earlier, AC is associated with a range of outcomes that are positive for the organization (Meyer et al., 2002). To the extent that our finding is generalizable, the future hope of potential franchisees should be considered part of the selection process given that careful franchisee selection is one approach to lowering franchise failure rates (Holmberg & Morgan, 2007). Moreover, since people can be trained to think in a more hopeful manner (cf. Luthans, Avey, & Patera, 2008), it might be of benefit for the enterprise to attempt to enhance future hope among their existing employees as well.

Limitations and Future Research Directions
The sample used in this study may not have been completely representative given the low response rate and because not all franchise operations belong to the International Franchising Association. Low sample size was an issue in the DiPietro et al. (2008) study of trait hope as well.

Since there have only been a handful of studies involving hope and franchising, the possibilities for future research are many. For example, country-based differences have been found to influence the operation of franchise systems leaving open the possibility that trait and future hope may operate differently outside North America as well. For example, relative to North America, Raven and Welsh (2004) found differences in the management of small and medium sized enterprises in the Middle East, which they attributed largely to differences in culture. Unlike other areas of entrepreneurship where the role of a variety of variables has been evaluated using global samples (e.g., cognitive complexity and polychronicity; Carraher, Scott, & Carraher, 2004; entrepreneurial orientation, Carraher, 2005; and locus of control; Kauffman, Welsh, & Bushmarin, 1995), the franchising literature to this point has largely been limited to a North American context.

References


SPSS Statistics 17.0 (2009), IBM SPSS, IBM Corporation, Route 100, Somers, NY 10589.


