Franchisor resources, spousal resources, entrepreneurial orientation, and performance in a couple-owned franchise outlet

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Abstract

Purpose – Franchise outlets owned by entrepreneurial married couples are gradually increasing. Based upon prior research in resource-based view, entrepreneurial orientation (EO), franchising, and family business, the purpose of this paper is to analyze franchisor resources, spousal resources, and EO are critical to the development of franchisees' performance.

Design/methodology/approach – The author conducted a survey of 99 franchisees in couple-owned convenience store franchise outlets in Taiwan using the partial least squares technique.

Findings – It was found that franchisor resources, spousal resources, and EO directly affect franchisee performance. In addition, franchisor resources also have an indirect effect on performance through EO, but spousal resources do not have an indirect effect.

Practical implications – The franchisor should pay attention to the development of their resources and a franchisee's EO and the interaction between the franchisee and the spouse. Furthermore, a franchisee's EO facilitates the manipulation of the franchisor's resources.

Originality/value – This study highlights the possession of franchisor and spousal resources, and the importance of EO to foster and develop the franchisee performance in a couple-owned franchise outlet. These findings also suggest that franchisor resources have indirect effect on performance through EO.

Keywords Entrepreneurial orientation, Couple-owned franchise outlet, Franchisee performance, Franchisor resources, Spousal resources

Paper type Research paper

Introduction

The resource-based view (RBV) has been perceived as an influential theoretical framework for explaining the conditions under which a firm may gain a sustained competitive advantage. The RBV of a firm assumes that increased resources lead to a superior firm performance, providing the resources are valuable, rare, costly to imitate, and non-substitutable (Wernerfelt, 1984; Barney, 1991). Researchers have suggested theoretically and empirically that the competitive positions of firms are at least in part a function of the resources they possess (e.g. Eisenhardt and Martin, 2000; Newberta *et al.*, 2008).

However, even though firms have the ability to accumulate valuable resources, it does not guarantee that they will achieve a competitive advantage in volatile markets (Eisenhardt and Martin, 2000). Because the ability to recognize instant opportunities

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and their value is important in changing markets, the competitive advantage is created from the way firms effectively exploit their resources (Newberta *et al.*, 2008). Despite the substantial increase in RBV research, recent reviews of the literature on the RBV suggest that little is still known about how firms utilize their resources rather than possess them (e.g. Wiklund *et al.*, 2009). Prior research argued that because of the lack of consideration of the interface between the RBV and entrepreneurship, the current RBV largely fails to integrate creativity and the entrepreneurial act (Barney, 2001; Alvarez and Busenitz, 2001).

Entrepreneurial orientation (EO) has become a dominant concept in the area of entrepreneurship research. EO refers to a firm's strategic orientation based on its specific entrepreneurial processes and behaviors, and represents how firms discover and exploit new opportunities well ahead of their competitors (Lumpkin and Dess, 1996). Addressing the gap in the literature, this study intends to combine the RBV with EO to strengthen an understanding of how a firm organizes resources to seek opportunities, drawing on data collected from the franchisees.

In the context of franchising, franchising is an entrepreneurial activity that plays an important role in the creation of new jobs and economic development (Falbe *et al.*, 1998). Franchisees are often inexperienced in running a business but have the entrepreneurial traits to start a business. Franchisees buy a franchise with the rights to use a combination of resources of the franchisor (Hing, 1995).

Lately, franchise outlets owned by entrepreneurial married couples are gradually increasing (PR Newsire, 2007). When a couples' business and marriage relationships have blended, resulting in a couple-owned business, their spousal resources are considered unique. However, even though a married couple running a business together is a critical segment of a family business, there is scant empirical research available that focusses on spousal involvement.

Chirico *et al.* (2011) suggested that the RBV on running a franchised family business may mitigate the possibility of agency problems, because a family business franchise might pursue a more long-term oriented business strategy and behave in a less opportunistic manner. From a RBV, it is suggested that a couple-owned franchise outlet has a unique combination of franchisor's resources and spousal resources that constitutes their valuable, rare, costly to imitate, and non-substitutable resources.

Fostering an EO in franchise outlets may be viewed as a paradox (Dada *et al.*, 2012). Due to the standardized benefit of image uniformity, quality control, and cost minimization (Kaufmann and Eroglu, 1999), franchisors maintain a standardized system and minimize variance within their franchise system. Furthermore, increasing franchisees' potential for entrepreneurial behavior may allow them to increase their level of free-riding behavior (Dada *et al.*, 2012). However, in the increasingly competitive marketplace, it is important to adapt to different local market conditions (Sorenson and Sorensen, 2001). Because they have more intangible resources in the local market than the franchisor (Tuunanen and Hyrsky, 2001; Windsperger, 2004), franchisees with EO are likely to more rapidly seize an opportunity in the local market than the franchisor. Thus, it is critical to understand how franchisees employ entrepreneurial behavior without jeopardizing the standardization of the franchise system (Dada *et al.*, 2012).

This study concluded that the resources of the franchisees consist of both the resources of the franchisor and the spousal resources, allowing the franchisees to create and apply value-enhancing strategies. Based on the literature, this study proposed an integrative model for superior franchisee performance. It simultaneously considers the role of resources and EO, by linking EO (e.g. Wiklund and Shepherd, 2003), the RBV (e.g. Wernerfelt, 1984; Barney, 1991), and the literature on family business (e.g. Chirico *et al.*, 2011; Van Auken and Werbel, 2006). The model proposes both franchisor and spousal resources as an antecedent of a franchisee's EO in a franchised outlet. The model assumes that franchisor resources, spousal resources, and EO will lead to a superior performance by the franchisee (see Figure 1). Data for this study were collected from franchisees operating a convenience store franchise with their spouses in Taiwan. The hypotheses were tested on a sample of 99 franchisees of a convenience chain store. The remainder of this study is organized as follows. First, we developed the theoretical foundation for the hypotheses, then we described the study method and the results, followed by a discussion of the findings.

The conceptual model and hypotheses

Franchisor resource and performance

The franchisor, as a resource provider, provides at least two important resources: the training program and the brand name (Michael and Combs, 2008; Windsperger, 2004). According to the survey of Peterson and Dant (1990), "training provided" is the first reason and "established brand" is the second reason for franchisees to choose the franchise route. Both these resources are viewed as the franchisor's intangible assets (Windsperger, 2004), and the source of the franchisor's competitive advantage (Michael and Combs, 2008).

Training is the most important part of human resource management and is also viewed as an instrument to build human capital to affect performance (Crook *et al.*, 2011). The lack of knowledge and experience tends to be a barrier to becoming an independent operator. By means of training programs provided by the franchisor, inexperienced franchisees can acquire the necessary expertise to start up and better run a business. Franchise training provides franchisees with a better level of business management skills to contribute to more productive and efficient activities (Litz and Stewart, 2000; Davidsson and Honig, 2003). Learning valuable know-how from a franchisor may enhance the firm-specific human capital of the franchisees (Michael and Combs, 2008). Franchisees with greater human capital are knowledgeable, with excellent problem-solving skills and the ability to make effective decisions, and they ultimately improve franchise store performance (Hsu and Wang, 2012).

In a franchise chain, all franchisees operate their businesses at different sites, but under a shared brand name. The brand name makes customers perceive that they will receive the same quality of goods and services at the different locations of the franchise

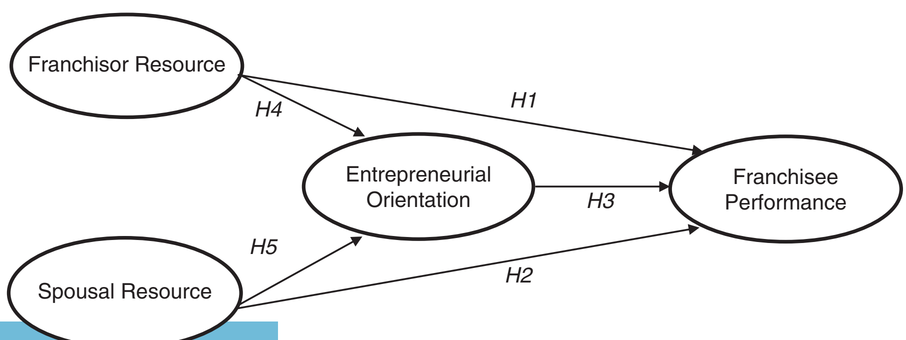


Figure 1.
Conceptual model

system (Michael, 1996). Michael and Combs (2008) found that franchisors that invest in the development of their brand name experience fewer failures among their franchisees. Franchisees with a strong brand may configure customer needs to capture market opportunities and may be able to differentiate their products and services from those of competitors and deliver superior value to customers (Srivastava *et al.*, 2001). When the franchisor's brand name has become firmly established in the minds of the consumers, it may be easier for a franchisee to develop a customer relationship in a local market (Watson *et al.*, 2005). Prior research suggested that customer relationship leads to superior firm performance (Keh *et al.*, 2007; O'Cass and Weerawardena, 2010); thus franchisees with a successful brand will create more stability, in terms of performance, in this marketplace.

Based on the RBV, the accumulation of valuable and inimitable resources is the fundamental source of competitive advantage. Considering the tendency for franchisees with little experience to require franchisor support, the resources of the franchisor are likely to be a major source of rare and specialized resources for a franchisee. Applied to this paper, this means that the performance of a franchisee is depends on the resources of the franchisor. Because both the training program and brand name provided by the franchisor are valuable, these resources should have a positive effect on franchisee performance. Therefore, a franchisor's resources will enhance the performance of the franchisee. Hence, this study postulated the following hypothesis:

H1. A franchisor's resources are positively associated with a franchisee's performance.

Spousal resources and performance

Family firms have a large amount of unique resources as a result of the interaction between family members and the business (Tokarzxyk *et al.*, 2007). The combination of several unique resources in a family business may lead to a competitive advantage (Sirmon and Hitt, 2003). The RBV helps to explain how family resources are a way to achieve a competitive advantage, and how these resources can be obtained through family involvement (Chrisman *et al.*, 2005; Tokarzxyk *et al.*, 2007). Knight (1986) found that in franchising 80 percent of the responding franchisees considered "support from the family" an important factor for achieving success in their business.

Family resources, especially spousal resources play a critical role in the couple-owned family business. In fact, it has been argued that spousal resources are very unique resources that serve as a source of sustainable differentiation based on the economic bonds of their marriage (Van Auken and Werbel, 2006). For franchisees, a spouse is both a marital partner and a business partner in the couple-owned franchise outlet. They share a common vision for their business, have strong family values, have a relationship that is based on equality, and they have a bond of love (Marshack, 1993; Fitzgerald and Muske, 2002). Spousal resources are difficult to formalize and transfer between organizational contexts, and thus they meet the RBV's requirements of being rare and inimitable.

According to the social support theory, family support consists of instrumental support and emotional support (Pierce *et al.*, 1996). Support is defined as "the act of providing an entrepreneur with access to a valued resource" (Hanlon and Saunders, 2007, p.620). Following the social support theory, this study considers spousal resources as a bundle of spousal instrumental resources and spousal emotional resources. Spousal instrumental resources, such as human resources and financial resources are defined as supportive behaviors that provide assistance in task-directed coping efforts (Pierce *et al.*, 1996; Van Auken and Werbel, 2006). Spousal instrument resources are vital to family business performance (Van Auken and Werbel, 2006; Kirkwood, 2009). For example, spouses are willing to provide financial resources to support the business and have knowledge and skill that are relevant to the success of the business (Dyer and Handler, 1994; Van Auken and Werbel, 2006). Spousal emotional resources are defined as behaviors that provide care and sympathy for the franchisee in his/her business work. (Van Auken and Werbel, 2006), and are considered intangible resources (Hanlon and Saunders, 2007). Spousal emotional resources contribute to increased feelings of self-efficacy and self-confidence to help owners deal with stress (Van Auken and Werbel, 2006). Thus, spouses have the ability to provide emotional resources to help the business succeed (Van Auken and Werbel, 2006).

Van Auken and Werbel (2006) indicated that spousal instrumental and emotional support for a new business influence a firm's financial performance. Bosma *et al.* (2004) found that small business owners who have access to spousal emotional resources perform better than small business owners who do not have this resource available to them. From the above, this study argues that spousal instrumental resources and spousal emotional resources, taken together, represent important resources that can be applied to increase a franchisee's ability to enhance performance in the couple-owned franchise outlet. This study therefore proposed the following hypothesis:

H2. Spousal resources are positively associated with a franchisee's performance.

EO and performance

Prior research has stated that entrepreneurship is viewed as a process of discovering and exploiting business opportunities (Shane and Venkataraman, 2000). Organizational entrepreneurship has been discussed from the perspective of EO (Lumpkin and Dess, 1996; Wiklund and Shepherd, 2003). EO describes how a firm operates and competes with respect to its bias for pursuing opportunities, rather than what it does (Lumpkin and Dess, 1996).

The overall EO construct is most frequently comprised of innovativeness, risk taking, and proactiveness (e.g. Lumpkin and Dess, 1996; Wiklund and Shepherd, 2003). Innovation is characterized by a tendency to support new ideas, to experiment and use creative processes (Miller, 1983). Risk taking is associated with a willingness to move into unfamiliar new markets and commit resources whose expected results are uncertain (Lumpkin and Dess, 2001; Dada and Watson, 2013). Proactiveness refers to a forward-looking outlook where firms actively seek out and exploit opportunities ahead of the competition (Lumpkin and Dess, 1996). Prior research considers EO a single unidimensional concept that occurs along a continuum (Wiklund and Shepherd, 2003).

Prior research has mainly employed the financial measures of performance to examine the relationship between EO and performance (Rauch *et al.*, 2009). Because respondents may be reluctant to provide objective information relating to their firm's performance, objective financial measures are necessary but not sufficient to completely evaluate a firm's performance (Walter *et al.*, 2006; Dada and Watson, 2013). Some research has suggested that non-financial measures should be included in the measurement of a firm's performance (Lumpkin and Dess, 1996; Dada *et al.*, 2012). Thus, this study combines financial and non-financial measures to capture franchisee performance.

The theoretical and empirical linkage between EO and performance has long been implied in the entrepreneurship literature (e.g. Lumpkin and Dess, 2001; Wiklund and Shepherd, 2003, 2005; Rauch *et al.*, 2009). Entrepreneurship focusses on the discovery and exploitation of profitable opportunities (Shane and Venkataraman, 2000). In the rapidly changing marketplace, "the future profit streams from existing operations and businesses need to constantly seek out new opportunities" (Wiklund and Shepherd, 2005, p. 75). Firms with EO have the ability to pursue new market opportunities to respond to the changing environment, gain greater competitive advantage ahead of other competitors, and then lead to superior performance.

Despite there has been skepticism about the EO of franchisees (Grewal *et al.*, 2011; Maritz and Nieman, 2008; Ketchen *et al.*, 2011), a number of authors have suggested that EO is critical for franchisee performance (Dada *et al.*, 2012; Dada and Watson, 2013; Falbe *et al.*, 1998; Grewal *et al.*, 2011). For example, a franchisee may tend to provide new ideas to the franchisor (Bradach, 1997), take a risk of devoting their resources to local markets for introducing a franchisor's business concept to new market (Kaufmann and Dant, 1998); and utilize local market information to anticipate future customer demand ahead of competing firms in the local market (Windsperger, 2004), leading to superior performance. Accordingly, if a franchisee has more the EO, they will gain greater competitive advantage and higher franchisee performance. This study therefore postulated the following hypothesis:

H3. A franchisee's EO is positively associated with a franchisee's performance.

Franchisor resources, spousal resources, and EO

Entrepreneurs coordinate specific resources necessary to recognize opportunities (Alvarez and Busenitz, 2001; Wiklund *et al.*, 2009). Eisenhardt and Martin (2000) indicated that the strategic and organizational process plays an important role in facilitating the manipulation of resources into value-creating strategies. By utilizing EO, which is an entrepreneurial process, resources can be engaged in creative ways (Wiklund *et al.*, 2009). EO focusses on pursuing new opportunities and making resource commitments to the increase of competitive advantages (Lumpkin and Dess, 1996), thus, it leads to superior decisions concerning the allocation of resources (Grewal *et al.*, 2011). The more resources possessed by a firm, the greater the EO of pursuing opportunities for the exploitation of its resources.

As noted previously, for franchisees, the franchisor's resources involve training programs and brand name that can be a source of competitive advantage. Through the training programs provided by the franchisor, franchisees acquire the human capital of the franchise system. Human capital is important in the identification of entrepreneurial opportunities and in evaluating their potential value (Alvarez and Busenitz, 2001; Wiklund *et al.*, 2009; Ireland *et al.*, 2003). Franchisees with strong human capital can bundle the most appropriate resources to create capabilities, and to design effective leveraging strategies that exploit identified opportunities (Alvarez and Busenitz, 2001; Wiklund *et al.*, 2009).

Moreover, according to Doyle (1989), successful brands reflect "getting there first" innovations in many ways: develop new positioning concepts, develop new distribution channels, develop new market segments, and exploit gaps created by sudden environmental changes. Being the first mover, often referred to as being proactive (Lumpkin and Dess, 1996), is critical in getting get a head start on establishing brand recognition (Wiklund and Shepherd, 2003). Franchisees with a strong brand name can make strategic moves that anticipate future demand and introduce new products and services ahead of competing firms. Thus, franchisees together with the considerable resources from their franchisor can find out where to seize opportunities, identify the value of potential opportunities, and exploit these opportunities ahead of the competition. Dada and Watson (2013) found that franchisor support has a positive effect on EO in franchise systems. This study therefore postulated the following hypothesis:

H4. The resources of the franchisor are positively associated with the EO of the franchisee.

Prior studies have argued that spousal resources have been found to be important in both the start-up stage (Kirkwood, 2009) as well as the later stages of a business (Poza and Messer, 2001). Spousal resources play an important role in the motivation for becoming an entrepreneur in a couple-owned business (Kirkwood, 2009). Spousal instrumental resources may be especially critical during the start-up phase of a new business when franchisees are subjected to the financial pressures from starting a new venture (Van Auken and Werbel, 2006; Kirkwood, 2009). Also, when a new franchisee is worried because of unexpected problems, spousal emotional resources (e.g. caring) may be important by encouraging, advising, and helping the new entrepreneur. Moreover, spousal resources also play critical roles in an established business. In the couple-owned business a spouse as a partner provides instrumental resources (e.g. labor) for running a business. Van Auken and Werbel (2006) noted that the emotional resource of a spouse (e.g. caring) may affect the quality of the decision making by the business owner. Thus, because of spousal emotional resources, franchisees may be more self-confident and make effective decisions when pursuing opportunities (Van Auken and Werbel, 2006). Spousal resources contribute to the motivation of a franchisee to become an entrepreneur and exploit opportunities. Thus, franchisees with spousal resources can effectively pursue opportunities. This study therefore postulated the following hypothesis:

H5. Spousal resources are positively associated with a franchisee's EO.

Methodology

Taiwan has the highest density of convenience stores in the world, with one store per 2,500 people (Cheng *et al.*, 2009). Lately the franchising of convenience stores has become increasingly competitive. EO is more positively associated with performance in a hostile than in a benign environment (Zahra and Covin, 1995). With the assistance of the franchisor (the largest franchisor of convenience stores in Taiwan), I conducted a questionnaire survey for their franchisees. The questionnaire was mailed to the 691 franchisees in the convenience store system. The participants were guaranteed that all answers were anonymous.

Of the 691 subjects, 99 questionnaires were usable, resulting in a 14.3 percent response rate. This compares favorable with other surveys of a franchisee business (e.g. Dickey *et al.*, 2007) that reported a similar response rate (13 percent). The participants were 53 percent male and 48 percent female, 42 percent had a high school and 58 percent a college education. The average franchisee had a median of 7.7 years experience in operating their franchised convenience store outlet, and employed six full-time employees and four part-time employees. The franchisees were on average 39 years of age.

A test for non-response bias was conducted in accordance with standard practices (Armstrong and Overton, 1977), comparing early with late responses using a one-way ANOVA. Late and early respondents were found not to be significantly different in any of the variables.

Measures

All measures were adopted from prior research and were assessed using a five-point Likert-type scale. Franchisor resources were measured by four items adopted from Windsperger (2004). The dimensions of the resources of the franchisor included their training program and brand name. The training program construct and the brand name construct were both measured by two items. The training program construct was measured by the initial and by the annual training program, and the brand name construct was measured by the franchisor's advertising and promotion. Spousal resources were measured by four items derived from Van Auken and Werbel (2006). The dimensions of the spousal resources included instrumental as well as emotional resources. The spousal instrumental resource construct was measured by two items including: spousal labor and financial resources. The spousal emotional resource construct was measured by two items derived from Van Auken and Werbel (2006) and Kadis and McClendon (1991). It was measured by the response to the following statements: "When I feel discouraged about business management, my spouse always comforts me," and "My spouse understands the difficulty of managing this business."

EO referred to an entrepreneur's innovativeness, risk taking, and proactiveness. The scale was measured by five items derived from Matsuno *et al.* (2002), Venkatraman (1989), and Dess *et al.* (1997). Performance was measured by four-items adopted from Griffith *et al.* (2006) and Megicks and Warnaby (2008). The dimensions of performance included objective performance and subjective performance. The objective performance construct was measured by two items including: revenue growth and net income growth. According to Haber and Reichel (2005) and Keh *et al.* (2007), for small business owners, "generating jobs for employment and family members" is considered subjective performance because it enriches social life. Furthermore, prior research indicated that in the service industry, because customer satisfaction is critical in enhancing long-term survival, it is also considered subjective performance (e.g. Haber and Reichel, 2005). Thus, in this study, the subjective performance construct was measured by two items. It was measured by the response to the following statements: "Running a business allows us to satisfy our customers." and "Running a business provides a source of gainful employment to our employees and ourselves.

Construct validity

To test the model, this study employed a non-parametric approach to structural equation modeling: partial least squares (PLS) modeling. The estimations were carried out by using the software SmartPLS 2.0 (Ringle *et al.*, 2005). PLS provides an iterative combination of principal components analysis that relates measures to constructs and path analysis that captures the structural model of constructs. The structural model represents the direct and indirect unobservable relationships among constructs.

PLS places less stringent demands on sample size, and the recommendation for the sample size is 30-100 cases (Chin and Newsted, 1999; Chin *et al.*, 2003). Because the sample size was fairly small ($n = 99$), PLS, therefore, was an appropriate choice. As PLS is based on a nonparametric estimation procedure we used a bootstrapping procedure with 500 resamples for significance testing.

We accessed the reliability and validity by means of composite scale reliability (CR) and average variance extracted (AVE). Table I shows loadings, CR, and AVE. All the latent variables show statistically significant loadings ranging from 0.60 to 0.95. The CR of all the constructs exceeded the 0.60 threshold, and the AVE ranged from 0.49 for EO to 0.71 for franchisor resources. Together, these findings indicate acceptable levels of internal consistency (Bagozzi and Yi, 1988). The next step of the measurement model assessment evaluates discriminant validity. All the square roots of each construct's AVE are greater than the variable correlations thus discriminant validity exists (Fornell and Larcker, 1981) (see Table II). Overall, these results showed that our proposed measures possessed adequate reliability and validity.

Construct	Item	SL	CR	AVE
Franchisor resource			0.91	0.71
	The franchisor's advertising is a great help to me in managing my business	0.75		
	The franchisor provides a lot of promotion that facilitate my business resources	0.88		
	When I started up the business, I received a lot of help from the franchisor's initial training	0.86		
	I get a lot of benefit from the franchisor's annual training program	0.87		
Spousal resources			0.74	0.49
	My spouse provides a lot of labor to the business	0.87		
	My spouse provides a lot of money to the business	0.90		
	When I feel discouraged about managing the business, my spouse always comforts me	0.94		
	My spouse understands the difficulties of managing this business	0.94		
Entrepreneurial orientation			0.66	0.49
	I prefer the strategy of innovation, and know that some attempts will fail	0.80		
	I value creative new solutions more than solutions based on conventional wisdom	0.68		
	I seem to adopt a rather conservative view when making major decisions (rev)	0.95		
	In order to achieve success, I am willing to take risks	0.60		
	I firmly believe that a change in the market can create a positive opportunity for me	0.71		
Franchisee performance			0.88	0.65
	Our firm is better than my competitors when it comes to revenue growth	0.82		
	Our firm is better than my competitors when it comes to net income growth	0.85		
	Running a business allows us to satisfy our customers	0.85		
	Running a business provides a source of gainful employment to our employees and ourselves	0.72		

Notes: SL, standardized loadings; CR, composite reliability; AVE, average variance extracted

Table I.
Measures of variables

Results

Table II provides descriptive information concerning the means, standard deviations, and correlation of the variables used in this study.

Analysis of the path model

This study analyzes a path model, examining individual paths, calculating direct effects and their significance. Figure 2 illustrates the PLS results for direct effects. The model accounts for 48 percent of the variance in franchisee performance and 11 percent of the variance in EO.

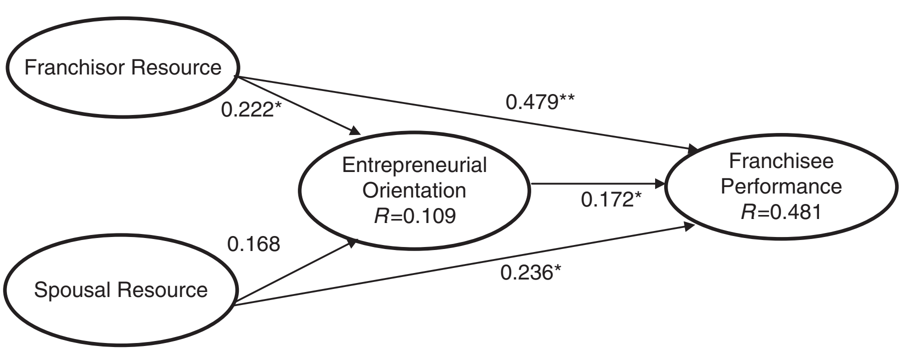
This study examines the path coefficients and their significance. These results confirm that the franchisor resources have a strong positive effect on franchisee performance ($\beta = 0.479$, $p < 0.01$). Consequently, *H1* was supported. *H2* predicted that spousal resources would improve franchisee performance. This hypothesis was supported ($\beta = 0.236$, $p < 0.05$). This study also proposed that EO would lead to better franchisee performance (*H3*). This hypothesis was supported ($\beta = 0.172$, $p < 0.05$). *H4* proposed the effect between franchisor resources and EO. Franchisor resources show a positive effect on EO ($\beta = 0.222$, $p < 0.05$) thus *H4* was supported. *H5* proposed the effects between spousal resources and EO. This hypothesis was not supported ($\beta = 0.168$, ns).

Next, Table III conveys information regarding the independent variables and dependent variable that shows that path analysis, which this study adopts to explore the causal relationships among the franchisor resources, spousal resources, EO, and franchisee performance, is ideal and can effectively explain the data for the sample franchisee. Franchisor resources have positively significant and direct effects on EO (0.22). Meanwhile, they also have positively direct effects (0.479) and positively indirect effects

	Mean	SD	1	2	3	4
1 Franchisor resource	4.30	0.59	*0.84*			
2 Spousal resource	4.15	0.54	0.42**	*0.70*		
3 Entrepreneurial orientation	3.76	0.42	0.25*	0.12	*0.70*	
4 Franchisee performance	3.85	0.59	0.57**	0.23*	0.31**	*0.81*

Notes: The square root of the AVE is provided in the diagonal (in italic). *$p < 0.05$; **$p < 0.01$

Table II.
Descriptive statistics and correlations



Notes: *p<0.05; **p<0.01

Figure 2.
The empirical model

Table III.
The results of the direct and indirect effect of individual factors

Independent variable	Dependent variable EO	Performance
Franchisor resource		
Direct	0.222*	0.479**
Indirect	–	0.038
Total		0.517
Spousal resource		
Direct	0.222	0.236*
Indirect	0.168	0.029
Total	–	0.265
EO		
Direct	0.168	0.172*
Indirect		–
Total		0.172

Notes: *$p < 0.05$; **$p < 0.01$

(0.038) on franchisee performance. Spousal resources have positively significant and direct effects on franchisee performance (0.236). However, they do not have positively significant and direct effects on EO. Moreover, the ranking order of the total effect on franchisee performance was franchisor resources (0.517), spousal resources (0.265), and EO (0.172). Overall, franchisor resources not only directly facilitate franchisee performance, but also indirectly improve the performance through EO.

Conclusion

In the present study, the main objective of this paper was to empirically examine the RBV, family business argument, and the entrepreneurial argument for the franchising theory for understanding the behavior of franchisees. This study also makes a contribution by exploring the boundaries of the RBV and EO by focussing attention on the utilization of resources to discover and exploit opportunities. This study conceptualized and empirically tested the relationships between franchisor resources, spousal resources, EO, and performance in the couple-owned franchise outlets. This study highlights the possession of franchisor and spousal resources, and the importance of EO to foster and develop the franchisee performance in a couple-owned franchise outlet. These results also suggest that a franchisee's EO is an intervening variable for the relationship between franchisor resources and performance. These findings are consistent with the spirit of the RBV and EO in a family business.

Overall, this study makes the following contributions to the existing literature. First, in terms of the effects of a firm's resources on performance, the franchisor resources appear to be the most important ones for being associated with performance. As noted previously, past studies have indicated that training and brand names are considered a franchisor's intangible assets (Windsperger, 2004). The training program and brand name are important resources that take time to build and can be difficult to copy. Franchisees may utilize these resources to enhance their firm's performance.

Prior studies have drawn on the RBV discussing franchisor resources from the franchisor side (e.g. Combs *et al.*, 2004; Mariz-Perez and Garcia-Alvarez, 2009; Michael and Combs, 2008). The finding expands upon the prior research from the franchisee side. This study lends empirical support to the RBV in franchising, which asserts that franchisor resources play an important role in facilitating franchisee performance.

Second, as proposed by the hypotheses, spousal resources are also an important determinant of a franchisee's performance. This finding is consistent with prior research (e.g. Van Auken and Werbel, 2006). Due to the economic bonds of marriage, an owner' spouse may provide both instrumental as well as emotional resources. Spousal involvement provides unique resources to facilitate a franchisee's performance. The results of this study facilitate a better understanding of the involvement of the spouse in a couple-owned business and contribute to the literature on the role of the spouse in small business management (Van Auken and Werbel, 2006). Furthermore, these findings extend the work of Chirico *et al.* (2011), who draw on the RBV to complement agency theory in a franchise context. Their study asserted that family involvement in franchising activities within both family-firm franchisors and franchisee may mitigate the possibility of agency problems because a family business might pursue a more long-term business strategy and behave in a less opportunistic manner. These findings show that franchisees' spousal resources are a critical prerequisite for improving performance in a couple-owned franchisee store.

Third, the findings of the study contribute to the debate on the role of EO on franchisee performance. As noted at the beginning, although there is an emerging consensus among researchers that franchisees' EO facilitates the franchisee store performance, little research provides empirical evidence to support this (Dada and Watson, 2013). This study reveals that EO is significantly and positively associated with a firm's performance shows that such orientation of franchisees allows them to seize opportunities and facilitate superior performance. This result further supports those researchers (e.g. Wiklund and Shepherd, 2003; Lumpkin and Dess, 2001), that noted that EO has a positive effect on firm performance. Franchisees with EO have the ability to pursue opportunities in today's increasingly competitive market. This study further reinforces the proposition that a franchisees' EO is a critical antecedence of franchisee performance.

Fourth, focussing on the interface between the RBV and the EO has been to highlight the importance of the need for a more fine-grained analysis of resource-competitive advantage connections. This study's introduction of EO into the RBV is intended to examine the entrepreneurial process of exploit the resources. In this study, franchisor resources have a direct positive effect on franchisee performance and also have an indirect positive effect on franchisee performance through EO. However, spousal resources have only a direct positive effect on franchisee performance, but do not have an indirect effect on franchisee performance through EO. Further, in the total effect, the ranking order of influences to franchisee performance was franchisor resources, spousal resources, and EO. Thus, compared with spousal resources, franchisees possessing greater franchisor's resources tend to exploit superior opportunities that in turn enable them to build superior franchisee performance. An important implication of the findings is that EO is an important intervening variable in the relationship between franchisor resources and performance. This result addresses the suggestion of prior research that posited that future research should be conducted to understand how entrepreneurs utilize their unique resources effectively to pursue opportunities (e.g. Alvarez and Busenitz, 2001; Wiklund *et al.*, 2009).

On the other hand, spousal resources have a direct positive effect on a franchisee's performance, and not an indirect positive effect on a franchisee's performance. The reason for this might be a trait of the franchise system: an inexperienced franchisee pays a fee to obtain the right to use the brand name and the business model provided by the franchisor. The franchise system mitigates the market risk of the venture.

Moreover, the franchisor uses a business format franchise system that allows all franchisees to replicate the business concept and employ the standardized business format of that chain. The franchisee has to maintain the franchisor's overall strategy. Thus, although the franchisee may have an EO, the role of spousal resources is replaced with the franchisor's resources in the couple-owned franchise outlet.

Managerial implications
The findings of this study have important managerial implications for practitioners. The study provides support for the idea that the resources of the franchisor are strongly associated with the performance of the franchisee. The franchisors should invest as much time, money, and effort as possible in the development of their training program and brand names, in order to support their franchisees.

The results of this study illustrate that spousal resources, including instrumental resources and emotional resources, have an effect on firm performance. The franchisees should seek instrumental and emotional resources from their spouses to develop couple-based competitive advantages. The franchisors must ensure that they have an in-depth understanding of the role of the franchisee's spouse, and pay sufficient attention to the interaction between the franchisee and the spouse.

Finally, it is of great importance to the franchisees that their EO not only leads to increased performance of their firm, but also that it facilitates the manipulation of the franchisor's resources. Taking into account the increased competitive environment of the market place, EO allows franchisees to discover new opportunities that can differentiate them from other franchisees (Wiklund and Shepherd, 2005). Thus, in order to foster a franchisee's EO without jeopardizing the standardization of the franchise, the franchisor should carefully design and cultivate an entrepreneurial culture for their franchise chain stores.

Directions for future research
Despite the significant and interesting findings, as with any study, this research has some limitations that point to directions for future research. First, this study only included the possession of franchisor and spousal resources. A further improvement would be to focus on how other specific resources affect EO. For example, Dada and Watson (2013) found that entrepreneurial behavior among franchisees may be fostered through the formal exploitation of the franchisees' network resources, such as forums, regional meetings, etc. Second, due to focus on instrumental and emotional spousal resources, this study fails to include other factors affecting franchisees' EO. For example, spousal commitment (Van Auken and Werbel, 2006; Werbel and Danes, 2010) would also be incorporated in a comprehensive conceptual model. A third limitation was due to the use of only franchisees with respect to couple-owned businesses. Analysis could be enriched by distinguishing among franchised family businesses, independent family businesses, and spousal businesses. Fourth, different types of franchisors, such as master franchising and subsidiaries, provide different levels of resources to their franchisees. Future research can probe deeper into the relationship between franchisor resources and franchisee performance by distinguishing the attributes of franchisors' organizations. Fifth, the relatively small sample and the industry-specific nature of the study suggest that further research on a larger scale should be undertaken to determine if the results of the present study hold up for larger samples.

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