

Franchisees' and Independent Entrepreneurs' Skills: Policy and Strategy Implications

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ABSTRACT

The study is based on the premise that business success is determined largely by the level of entrepreneurial skills of the promoter. Perceived entrepreneurial skills of franchisees are compared to those of independent entrepreneurs in Botswana. Some performance variables, like level of employment and sales, are also compared. A questionnaire-guided interview of 96 business operators was conducted and results analysed using both descriptive and inferential statistics. Literature study assisted in deriving the findings. Franchisees rate their entrepreneurial skills lower than the level independent entrepreneurs rate their own skills, but franchisees perform better than independent entrepreneurs. Most franchisees are male with little business experience when compared to independent entrepreneurs. The study recommends that franchising be promoted as one of the solutions to developing countries' problem of generating enough business enterprises, which could assist in the diversification of the economy.

Key Terms: *Botswana, Franchisee, Skills, Independent Entrepreneur, Strategy.*

INTRODUCTION

Franchising, as a strategy for production and distribution, is not as widespread in the developing world as it is in the developed countries of the west. Franchisees, as agents of production and distribution, are different from other business operators. In particular, the level of entrepreneurial skills they need to possess to perform successfully need not be as high as those expected of independent entrepreneurs (Fenwick & Strombom, 1998). This aspect, if correct, is crucial in many developing countries whose rate of development is constrained due to lack of adequately skilled entrepreneurs. Promoting franchisees could boost the number of enterprises in such countries.

The objectives of this paper are as follows:

- 1 To establish the level of entrepreneurial skills of business operators, including franchisees;
- 2 To compare the skills of independent entrepreneurs with those of franchisees;
- 3 To compare performance levels between independent entrepreneurs and franchisees;
- 4 Determine whether skill levels and performance correlate;
- 5 Formulate policy and strategy implications.

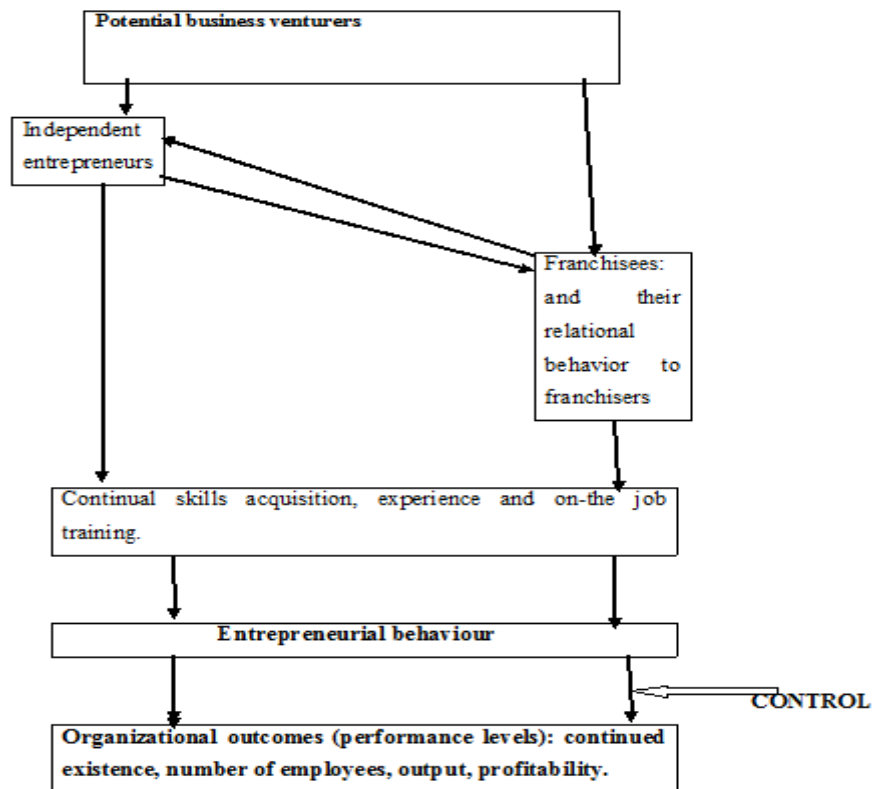
The motivation of the study is the inability of most developing economies to generate a sufficient number of entrepreneurs who can lead in development efforts. Efforts at promoting entrepreneurship in most of these countries have ended in massive failures of potential entrepreneurs, with the few who survive failing to grow (see Republic of Botswana, 1998b).

TOWARDS A THEORETICAL MODEL OF PROMOTING BUSINESS VENTURES

The model in Figure 1 summarizes the assumptions normally taken with respect enterprise development. Potential business persons (venturers) can choose to be either independent entrepreneurs (in all its forms; e.g. sole proprietor or in partnership, etc.) or franchisees. Movement between these is possible. As either, the business persons then embark on personal development, which should enhance their entrepreneurial skills. The more skilled they become, the more entrepreneurial they would behave, and the higher their enterprises' performance levels. More skilled entrepreneurs employ more people, produce higher levels of output, and enjoy more profits.

In most organizations, there is a control mechanism. In independent enterprises, managers have to ensure that plans and budgets are fulfilled, while in franchises, franchisors have contracts, targets, standards, that have to be met. So there are control mechanisms.

Figure 1: Model showing role of entrepreneurial skills in organizational outcomes



REVIEW OF LITERATURE

Entrepreneurial skill theories

It is important to define an entrepreneur. When it is said that businesspersons lack entrepreneurial skills, what skills are we talking about? Timmons (1999) defined what he termed “desirable attitudes and behaviours” of entrepreneurs. These are discussed under the headings “acquirable”, which include (1) commitment and determination, (2) leadership, (3) opportunity obsession, (4) tolerance of risk, ambiguity and uncertainty, (5) creativity, self-reliance and ability to adapt, (6) motivation to excel; and the “not so acquirable” attitudes and behaviours, which include (i) energy, health and emotional stability; (ii) creativity and innovativeness, (iii) intelligence, (iv) capacity to inspire, (v) values (Timmons, 1999:225).

These “not so acquirable” traits (attitudes and behaviours) are crucial in this paper. If businesspersons do not have them, there is no other way we can have them nurtured. An alternative way of creating ventures has to be found. There are communities that do not have a ‘nose for business’ (see Ronan, Chinyoka, Iwisi and Moeti, 1997). While it might be possible to teach such communities in the long run, it might be easier to find other alternative ways to make them participate in business faster.

An entrepreneur can be viewed from three perspectives (Viser et al., 2005). First the entrepreneur can be viewed from a socio-psychological perspective. This places the entrepreneur within the wider social environment, giving acknowledgement to factors such as family and social background, education, religion, culture, work and general life experiences as factors impacting on entrepreneurial effort.

Secondly, from a behavioural approach, the entrepreneur is viewed in terms of a set of activities associated with the venture. How well does the entrepreneur perform? How do attitudes, behaviours, management skills and experience combine in determining entrepreneurial success? The most common behaviours shared by entrepreneurs are hard-working, energetic, commitment and determination, ambition, competitiveness, excelling and winning.

Thirdly, from a psychological perspective, researchers have attempted to develop an understanding of the entrepreneur by focusing on a set of personality traits and characteristics. These have been highlighted above where six themes are discussed as constructs of entrepreneurship (Timmons, 1999; Timmons and Spinelli, 2004).

Some literature is cited to demonstrate the variety of definitions attached to entrepreneurship. Pittaway (2005) and Llewelyn & Wilson (2003) follow Schumpeter’s dictum that “entrepreneurship” involves the bringing together of all factors of production, hence anyone who initiates and manages a new venture is an entrepreneur.

Entrepreneurial phenomenon to franchisees

The fostering of entrepreneurial behaviors in franchised outlets run by franchisees is seen as contradictory to the franchisors’ requirements for standardization and uniformity (Cox & Mason, 2007). Franchisors would prefer to select a manager rather than an entrepreneur and an entrepreneurial franchisee is seen as a paradox (Falbe, Dandridge & Kumar, 1998). Clarkin and Rosa (2005:305) cited in Dada, Watson and Kirby (2011) state that ‘franchisees have been

characterized as merely purchasing the rights to implement a franchisor's concept, often in a predetermined area, in a highly prescribed manner, and only for a defined period of time'. Hence, for a franchisee, owning a franchise is seen as the antithesis of entrepreneurship.

While franchisors insist on standardization in the franchise context, franchise agreements are not that restrictive, and are not always rigorously imposed in most cases. This provides opportunities for franchisees to act entrepreneurially (Clarkin and Rosa, 2005). Hence a number of studies have shown that franchisees actually play an important role in innovation within the franchise system (see Dada, *et al*, 2011). Franchisees innovate ways of dealing with customers since they have the advantage of proximity to them (Burkle and Posselt, 2008).

Sorenson and Sorensen (2001), based on a survey of US restaurant chains, concluded that governance structures influence the process of organizational learning and types of effort expended by either managers or franchisees. Managers of company-owned outlets focus on exploitation learning (the refinement of existing routines). This is due to high levels of monitoring that discourages innovation while providing incentives for maintenance of established standards. Franchisees, on the other hand, tend to search more broadly through exploratory learning (the development of new routines) as they adapt the outlet to local conditions.

The above citations demonstrate that franchisees are not necessarily conformists, as would be expected of hired managers, but do have some measure of entrepreneurial behaviour. Since this behavior is obviously beneficial to the franchises, why do franchisors discourage it? Can franchisees' entrepreneurial behavior match that of independent entrepreneurs?

Franchisors always find entrepreneurial behavior on the part of franchisees problematic since increased autonomy can give rise to the free-riding problem (Cochet, Dormann and Ehrmann, 2008). Barthelemy (2009) noted that opportunistic franchisees could be tempted to increase their short-term profitability by free-riding on the brand name. The franchisor then limits this autonomy to protect the entire franchise system.

Levels of entrepreneurial skills and franchisee behaviours

Anil Saraogi (2009) concluded that there is empirical evidence that some franchisee behaviours can be managed by selecting franchisees with suitable traits and attitudes. He draws his arguments from conclusions reached by Fenwick & Strombom (1998) in New Zealand, which identified 'reduced conflict' as a performance parameter. Fenwick & Strombom (1998) concluded that franchisees with strong entrepreneurial tendencies and those with prior experience in managerial roles tend to perform poorly on the 'reduced conflict' parameter. Thus, potential franchisees with weaker entrepreneurial tendencies and little or no managerial background may be better suited to franchising and cause less conflict.

Taking Botswana as representation of developing countries, Ronan *et al.* (1997) seems to be the only study to have addressed the issue of whether or not Botswana business persons possess entrepreneurial skills. This study concluded that Botswana entrepreneurs rank lowly in entrepreneurship skills (Ronan *et al.*, 1997:43). The Delphi technique was used to collect the data and a high degree of consensus was reached among the selected experts in their ranking of Botswana entrepreneurs. The experts were given a list of traits, attitudes and business skills on which they had to rank the entrepreneurs on a Likert scale of 1 to 5, with 5 indicating the highest level of skills. The entrepreneurs were ranked highest with respect to optimism; and ranked lowest with respect to innovativeness and creativity, foresight and competitiveness.

The strength of this study is that it sought views of bankers and consultants, experts who deal with Batswana entrepreneurs on a daily basis. The weakness of the study lay in the fact that the views of the experts were merely on notional 'Batswana entrepreneurs' and not any specific selected group of individuals. Secondly the conclusions were drawn from a sample of only 28 experts whose representativeness was questionable as we were not given the total population of such experts in Botswana.

Performance of franchisees and independent entrepreneurs

Bronson & Morgan (1998) tried to answer two questions related to performance:-

- Is there a systematic performance differential between franchise outlets and similar independent businesses?
- If franchise outlets outperform independent businesses, is that differential in performance the result of franchises' economies of scale?

Bronson & Morgan (1998) concluded that that the four popular explanations for the growth of the franchise form of organization, that is, raising capital, monitoring managers, achieving optimal market coverage, and attaining economies of scale, are intertwined and complementary aspects of the same phenomenon. They are a result of the competitive drive to achieve economies of scale.

Bronson & Morgan (1998), hence, suggest at least three reasons why a franchise location should be more efficient than a comparable independent business:-

- i. Reduction of transaction costs. Independent businesses have higher transaction costs than franchisees since packages are designed and provided for each unit's needs while such a package can serve a number of franchise locations.
- ii. Franchise locations are more efficient than independent businesses due to the presence of countervailing forces.
- iii. In franchising, economies of scale arise as a proportional reduction in fixed costs occurs when they are amortized across multiple franchise locations, and as the increase in bargaining power arises from large purchases.

Tikoo (1996) noted that franchising, which then constituted 40% of all US retail trade, was supplanting independent businesses in that economy. When some researchers employed Darwinian logic to this phenomenon, they deduced that the relative decline in independent businesses is the result of some performance advantage held by franchise outlets.

In summary to this section reviewing literature on entrepreneurship and skills, literature has shown that there are several approaches to the study of entrepreneurship. The skills themselves have various categories with Timmons (1999) providing two broad categories, the acquirable and not-so-acquirable traits. While this topic is full of controversy, it might be asked what a country could do if it has a group of business operators facing not-so-acquirable traits. The gap that seems apparent in literature is whether such skills or traits exist in franchisees in developing countries. This study proposes to fill this gap using Botswana data. What are the entrepreneurial skill levels of franchisees, besides other categories of business operators?

Citation has been made of Fenwick and Strombom (1998), who identified 'reduced conflict' as a determinant of franchisee performance. They related 'reduced conflict' to numerous independent variables pertaining to franchisee characteristics and traits, and concluded that franchisees showing strong entrepreneurial tendencies and those with the prior experience in managerial roles tend to perform poorly on the 'reduced conflict' parameter. In other words,

entrepreneurial franchisees are likely to cause problems in the franchisee/franchiser partnership, thereby leading to reduced performance. Franchisees with lower entrepreneurial skills are more likely to be preferable as they will perform better. The review of literature, therefore attempted to enrich on the definition of entrepreneurship and factors that enhance entrepreneurship. There are also some factors that make franchising inherently more efficient than independent enterprising. US data demonstrates that franchising would soon be dominant in trade, which supports the view that franchising is more efficient.

Another citation made is one view from Ronan *et al.* (1997) which concluded that the entrepreneurial skills of Botswana business operators are quite low. The SMME Task Force of 1998 (Government of Botswana, 1998b) also concluded that entrepreneurial skills of Botswana business operators are the major cause of business failures.

METHODOLOGY

The study was designed as a survey of franchisees, and independent entrepreneurs. It was a cross-sectional survey. Since most variables that were needed to reach conclusions are qualitative, mainly people's impressions, subjectivity could be minimized by completing questionnaires in a face-to-face situation between interviewer and subjects. This assisted to enhance comparability of conclusions derived from such impressions.

The survey was in pursuance of the positivistic research paradigm used in previous researches (Ronan *et al.*, 1997; Louw *et al.*, 1997, Louw *et al.*, 2003). Since the central proposition is about entrepreneurial skills of individuals, the ways the study got data was to ask the subjects to assess themselves. The study dealt with ordinal data. This data was generated from statements or constructs linked to a Likert-type scale.

Thirty-two (32) franchisees and sixty-four (64) independent entrepreneurs were asked to rate their own skills (self-rate), so that the levels of entrepreneurial skills of franchisees and independent entrepreneurs are compared and contrasted. The franchisees are evenly distributed to Retail of automotive fuel; Retail of food, beverages and tobacco. Some sectors were not included. Purposive or Judgmental sampling was used to select independent entrepreneurs. This kind of sampling was found suitable to select cases that were to answer questions to meet specific objectives of the research, and it is used when working with small samples or when selecting cases that are particularly informative (Neuman, 1991).

The researcher discovered that the following sub-sectors are represented in the franchise sector of Botswana, in Gaborone:

(ISIC - International Standard Industrial Classification)

ISIC 5050 – Retail of automotive fuel;

ISIC 5220 – Retail of Food, beverages and tobacco;

ISIC 5520 – Restaurants, bars and canteens.

Questionnaires guided the interviews of both franchisees and independent entrepreneurs. Many of the questions to franchisees and independent entrepreneurs were similar, for ease of triangulation. Both franchisees and independent entrepreneurs were asked to rate their own entrepreneurial skill levels on a Likert scale (with 0 as the lowest and 5 as the highest). The data was analyzed, interpreted and presented using both descriptive and inferential statistics.

The population of franchisees in Botswana is low, and even then, lack of data leads people to guess-estimate the number of franchisees in the country. This means that there is a

problem with the sampling frame. It follows then that it is not possible to come up with a proper random sample. This might have implications on the reproducibility of conclusions. In Botswana, however, most (if not all) franchisees are in Gaborone and the strategy taken by the study of interviewing most franchisees in Gaborone would have ensured that a representative sample was used.

It should be borne in mind that the data at issue is qualitative. For ease of analysis, however, ordinal data is introduced through Likert scales. Ordinal variables, though statistically manipulable and superior to nominal data, are on an inferior level to, say, ratio or interval data. It is, however, easier to convert qualitative data to ordinal data by asking respondents to choose one of the ordinal numbers. This improves analysis.

The population of independent entrepreneurs in Botswana as a whole is large (at least 60000). The Small, Medium and Micro-enterprises study of 1998 estimated micro-enterprises at 50000, small enterprises at 6000, and medium enterprises at 300 (Republic of Botswana, 1998b). The economy of Botswana has been growing, hence our estimate. This necessitates the choice of a larger sample than the one used. Related to this is the way the sample was chosen, which is non-random. The sample and sampling technique chosen, took into account the additional benefits likely to be derived from a larger, more random sample against the cost incurred. Independent entrepreneurs, however, seem to be a homogeneous lot. Going by the Central Limit Theory, any set of entrepreneurs above thirty from any part of the country would be equally representative.

RESEARCH RESULTS

Franchisees and independent entrepreneurs were analyzed as a group and not in their ISIC categories since skill levels and views of individuals are unlikely to be affected by what sub-sector a franchisee or an independent entrepreneur belongs to. Botswana is a small economy and efforts to find more subsectors and their representation were futile. However, the numbers collected are adequate to enable reaching desired conclusions.

Table 1: Gender, Franchisees, Independent Entrepreneurs and Experience

Years	Male		Female		Total	
	Fran	Ind	Fran	Ind	Fran	Ind
<5 yrs.	9 (28%)	8 (13%)	9 (28%)	7 (11%)	18 (56%)	15 (24%)
5–10yrs	5 (16%)	3 (5%)	1 (3%)	6 (9%)	6 (19%)	9 (14%)
>10 yrs.	7 (22%)	24 (38%)	1 (3%)	16 (25%)	8 (25%)	40 (63%)
	21 (66%)	35 (55%)	11 (34%)	29 (45%)	32 (100%)	64 (100%)

Most franchisees in Botswana have little experience: 56% have less than 5 years' experience. This contrasts with 24% of independent entrepreneurs with similar experience. 63% of independent entrepreneurs have 10 or more years of experience. This is expected, as franchising is relatively new to Botswana. Experience should have an impact on the level of skills, particularly managerial skills.

The higher proportion of franchisees is a male (66%); that of independent entrepreneurs is 55%. The representation of females in franchising is lower than it is for independent

enterprising. This could be due to the high capital requirements at entry into franchising which disqualifies most women who either do not have capital to purchase a franchise outright or property to pledge as security to secure a bank loan.

Table 2: Gender, Franchisees, Independent Entrepreneurs and Industrial Classification

	Male		Female		Total	
	Fran	Ind	Fran	Ind	Fran	Ind
ISIC 5520	17 (53%)	2 (3%)	9 (28%)	3 (5%)	26 (81%)	5 (8%)
ISIC 5050	2 (6%)	0 (0%)	0 (0%)	1 (2%)	2 (6%)	1 (2%)
ISIC 5220	2 (6%)	32 (50%)	2 (6%)	23 (36%)	4 (13%)	55 (86%)
ISIC 1900	0 (0%)	1 (2%)	0 (0%)	2 (3%)	0 (0%)	3 (5%)
	21 (66%)	35 (55%)	11 (34%)	29 (45%)	32 (100%)	64 (100%)

Most of the franchisees are in the catering business (ISIC 5520) (81%), while most independent entrepreneurs (86%) are in the retail sector. Males dominate in both forms of operation (66% of franchisees and 55% of independent entrepreneurs).

Attitudes, Skills and Traits

Both franchisees and independent entrepreneurs were asked to rank themselves regarding attitudes, skills and traits on a Likert scale 1 to 5, with 1 representing the lowest levels (least desirable) and 5 representing the highest level (most desirable). Table 3 summarizes the responses.

Franchisees averaged 3.7 and independent entrepreneurs averaged 4.2 on 24 entrepreneurial attitudes, skills and traits. The standard deviation of independent entrepreneurs is lower, perhaps due to the larger sample. From the mean values, it appears that independent entrepreneurs view themselves as having higher entrepreneurial skills than franchisees.

For the individual skills, franchisees reported themselves as excelling in Need for Achievement (4.1), Competitiveness, Initiative, Self-confidence, Innovativeness and Creativity (all 4.0). They did not consider themselves to be Profit-oriented (3.2). Creativity and Innovativeness is one of the key skills of strong entrepreneurs, hence it is surprising that it is one of the leading skills of franchisees (4.0).

Independent entrepreneurs view themselves as excelling in Long-term Commitment (4.7), and they feel that they are less skilled in Risk-taking (3.7). Risk-taking distinguishes good entrepreneurs from the rest of societal members; hence we feel that this result is an indication of low entrepreneurial skills of Batswana. Independent entrepreneurs also indicated that they are not 'outgoing'.

To summarize this section, there is evidence that franchisees view themselves as possessing lower skill levels than the level independent entrepreneurs indicate they possess. While independent entrepreneurs, on average claim to possess a higher level of skills, they do not do so with respect to key skills like Risk-taking. This means that, compared to an ideal entrepreneur, Batswana business operators, have low skill levels.

Table 3: Attitudes, Skills and Traits of Franchisees and Independent Entrepreneurs

Variable	Mean		Standard Deviation	
	μ (Fran.)	μ (Ind.)	σ (Fran.)	σ (Ind.)
Perseverance	3.6	4.3	1.4	0.8
Long-term Commitment	3.4	4.7	1.6	0.6
Persistence	3.6	4.2	1.3	0.9
Risk-taking	3.4	3.7	1.5	1.2
Seeking help	3.3	4.1	1.6	1.0
Profit oriented	3.2	4.2	1.8	1.0
Decisiveness	3.6	3.9	1.3	1.1
Competitiveness	4.0	4.3	1.4	0.8
Determination	3.9	4.3	1.4	0.8
Initiative	4.0	4.2	1.2	0.9
Drive and energy	3.8	4.6	1.6	0.7
Self-confidence	4.0	4.5	1.5	0.8
Tolerance for uncertainty.	3.6	3.9	1.5	1.1
Optimism	3.7	4.2	1.5	0.9
Capability of dealing with fail	3.3	4.2	1.6	1.0
Need for achievement	4.1	4.5	1.4	0.7
Integrity	3.5	4.4	1.7	0.7
Goal-setting	3.9	4.0	1.2	0.9
Innovation and creativity	4.0	4.2	1.1	0.9
Opportunity obsession	3.7	4.0	1.5	0.9
Outgoing	3.3	3.6	1.6	1.1
Commonsense	3.8	4.1	1.5	1.0
Hard work	3.8	3.9	1.9	1.1
Enthusiasm for business	3.7	3.9	1.5	0.9
Overall mean(μ)/sd(σ)	3.7	4.2	1.5	0.9

Statistical Differences in Entrepreneurial Skills

The SPSS GLM (Tabachnick & Fidell, 2007) was used for the major analysis. Using Wilks' Lambda test statistic, the profiles deviated significantly from parallelism, that is, the profiles are not the same for the groups. For the level test, significant differences (at Sig = 0.00) were found among groups as indicated on the Multivariate Tests(c) (Table 4) for Exact Wilks' Lambda test statistic. The significance of this data is that franchisees are viewed, and they also view themselves, as significantly different from independent entrepreneurs with respect to entrepreneur skills.

Table 4: Multivariate Tests(c)

Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai's Trace	.972	192.350a	21.000	117.000	.000
	Wilks' Lambda	.028	192.350a	21.000	117.000	.000
	Hotelling's Trace	34.52	192.350a	21.000	117.000	.000
	Roy's Largest Root	34.524	192.350a	21.000	117.000	.000
Group	Pillai's Trace	.617	2.507	42.000	236.000	.000
	Wilks' Lambda	.469	2.563(a)	42.000	234.000	.000
	Hotelling's Trace	.948	2.618	42.000	232.000	.000
	Roy's Largest Root	.676	3.797(b)	21.000	118.000	.000

a Exact statistic

b The statistic is an upper bound on F that yields a lower bound on the significance level.

c Design: Intercept+Group

It is important to perform multivariate tests because our data, being ordinal, do not qualify to have parametric tests performed on them to reach specific conclusions.

Establishing the levels of performance for franchisees and independent entrepreneurs

In order to draw the implications of the differences in entrepreneurial skills levels between franchisees and independent entrepreneurs, data on the number of employees and sales were collected for both franchisees and independent entrepreneurs.

Table 5: Average employees for franchisees and independents

	Year 1	Year 2	Year 3	Year 4	Year 5
Franchisees	25 (10)	29 (10)	32 (10)	28 (10)	41 (13)
Independents	8 (7)	7 (8)	7 (12)	7 (14)	8 (19)*

*Figures in brackets represent number of respondents

Franchisees, on average, employ more workers than independent entrepreneurs. Table 5 shows that franchisees employ workers numbering from 25 to 41, while independent entrepreneurs employ within the range 7 to 8. These are significant differences, and in a country whose objectives include employment creation, promoting franchisees will be a preferable alternative.

Table 6: Average Sales Per Month (Pula)

	Year 1	Year 2	Year 3	Year 4	Year 5
Franchisees	152 944 (10)	194 725 (10)	247 329 (10)	314 259 (10)	465 931(13)
Independents	65 657 (7)	69 873 (8)	99 965 (12)	96 486 (14)	100 206 (19)*

*Figures in brackets represent number of respondents.

Similarly, average sales per month for franchisees are much higher than those for independent entrepreneurs. The range for franchisees is between P152 944 and P465 931, while that of independent entrepreneurs is between P65 657 and P100 206. Performance is higher for franchisees, therefore. Any individual seeking to run a business should prefer to take up franchising for this reason, *ceteris paribus*.

Table 7: Average sales per employee per month (Pula)

	Year 1	Year 2	Year 3	Year 4	Year 5	Average
Franchisees	6 118	6 715	7 729	11 224	23 170	10 991
Independents	8 207	9 982	14 281	13 784	12 526	11 756

Table 7 gives a summary of average sales per employee per month. From Year 1 to year 5, franchisees averages range from P6 118 to P23 170; while the averages for independent entrepreneurs range from P8 207 to P14 281. Looking at these ranges, it is clear that franchisees perform better than independent entrepreneurs. As a matter of fact, the averages calculated do franchisees a lot of injustice. We can state that performance as measured by sales per employee per month for franchisees is as good as that of independent entrepreneurs, despite the fact that the franchisees' level of entrepreneurial skills could be lower than that of the independent entrepreneurs (see also Table 3).

DISCUSSION

Research findings were based on views of franchisees and independent entrepreneurs surveyed in Gaborone. The majority of franchisees were in the food industry, while the majority of independent entrepreneurs were in the retail sector.

Independent entrepreneurs rated themselves higher in entrepreneurial skills than franchisees rated themselves. These results led the study to conclude that franchisees rated themselves lowly in entrepreneurial skills. Wilks' Lambda criterion demonstrates that the profiles deviated significantly from parallelism, i.e. the profiles for franchisees, and independent entrepreneurs are not the same. Significant differences were found between the two groups as indicated on the Multivariate Tests (c) table for Exact Wilks' Lambda test statistic. Independent entrepreneurs rate themselves as different from franchisees in entrepreneurial skills, and franchisees rate themselves lower than independent entrepreneurs in these skills.

From the Review of Literature, both independent entrepreneurs and franchisees from Botswana would lack innovativeness and creativity (Ronan, *et al.*, 1997). They are also intolerant of uncertainty favoring structured situations (Tolerance of Uncertainty – 3.9, 3.6, Risk-Taking – 3.7, 3.4), which, according to Morrison (2000) is typical of business persons with low skill levels. Morrison would, in the case of franchisees, conclude that Hofstede's dimensions of power distance, individualism, masculinity, uncertainty avoidance, and long-term orientation are less clear cut just like in less developed and transitional societies. According to Hannu Littunen (2000), both independent entrepreneurs and franchisees in Botswana would be classified as lacking entrepreneurship skills since their characteristics do not include Innovativeness and the will to act. The self-assessment on Risk-taking by Botswana independent entrepreneurs agrees with the finding in South Africa by Louw *et al.* (2003), where 75% of respondents obtained low scores for Risk-taking.

Hing (1995) tested four entrepreneurial personality traits: need for achievement (nAch), internal locus control (ILC), ambiguity tolerance, and role perceptions. Only nAch was found to be statistically associated with franchisee satisfaction (proxy for growth and development of the enterprise). The conclusion was that while ILC, ambiguity tolerance, and accurate role perception might be necessary to operate an independent (non-franchised) business, they might not be necessary for franchising. Franchisees with high ILC, for example, might be dissatisfied with their lack of autonomy in franchising. Also, since the franchising concept has gone through pre-testing, ambiguity tolerance might not have to be high. Similarly, Hing (1995) found that prior experience in business is negated in franchising since there are significant inputs by the franchiser. Less experienced business people will do well as franchisees, not experienced business people. This is consistent with the study's findings. Franchisees, which have lower entrepreneurial skill levels, are prepared to take instructions, while non-franchised, independent business people would not take instructions. This is why most franchisees happen to be business operators with lower entrepreneurial skill levels.

When the study examined individual skills, it revealed that independent entrepreneurs considered themselves as excelling in Long-term Commitment, while they felt that they were not good at risk-taking. These seem consistent with expectations from literature. However, franchisees reported themselves as excelling in Creativity and Innovativeness and Opportunity Obsession, while they felt that they were not outgoing personalities. Franchisees that are weak in entrepreneurship cannot be innovative and creative. Innovativeness and Creativity is viewed as one of the skills demonstrating strong entrepreneurship. So, this score of franchisees is 'somewhat' misleading. However, the overall conclusion that franchisees have low entrepreneurial skills can be viewed as a correct reflection of the Botswana situation. This seems to confirm the above statement. The objective has also been accomplished where Botswana business operators have been shown to possess low entrepreneurial skills, in general, with independent entrepreneurs possessing slightly higher levels of skills than franchisees.

An examination of employees and sales of both franchisees and independent entrepreneurs shows that franchisees employ more people and are more productive, despite the fact that they have lower levels of skills. The implications of this are that, in a country like Botswana, where most business operators lack entrepreneurial skills, creation of business enterprises can be optimized by encouraging the setting up of franchisees. As it is, this will also optimize employment generation and productivity.

CONCLUSIONS

The overriding objective of this study was to demonstrate that franchisees perform well despite having low skill levels. This is contrary to what is generally accepted of business operators.

Most franchisees in Botswana are less experienced than independent entrepreneurs. The well-known profiles of business operators are confirmed through the sampled businesses: - most franchisees are food take-aways, and males are dominant in numbers. Franchisees skill levels averaged only 3.7, while independent entrepreneurs' skills averaged 4.2 on 24 traits. Franchisees consider themselves excelling in Need for Achievement (4.1), while independent entrepreneurs view themselves as excelling in Long-Term Commitment (4.7).

Combined views of both franchisees and independent entrepreneurs were analyzed using non-parametric statistics. In particular, the Profile Method was used and proved that the levels of entrepreneurial skills of independent entrepreneurs are significantly different from those of franchisees, and that franchisees' entrepreneurial skills are significantly lower than those of independent entrepreneurs. The study's findings led to the conclusion that the level of skills of franchisees in Botswana is lower than that of independent entrepreneurs. This confirms conclusions reached by researchers elsewhere.

The study also examined employment and sales data of both franchisees and independent entrepreneurs leading to the conclusion that franchisees, though lacking entrepreneurial skills, employ more people and are more productive, hence should be promoted as a priority in countries that lack entrepreneurial skills.

IMPLICATIONS FOR POLICY AND RESEARCH

The lack of entrepreneurial skills is a serious constraint to enterprise-led development (Republic of Botswana, 1998b).

The main recommendations of the study are as follows:

Botswana, and other countries facing challenges in the creation and development of new enterprises, should note that running franchisees does not require extremely high entrepreneurial skill levels. Botswana franchisees have low skill levels. These countries can save some resources they normally would use to develop entrepreneurial skills by deploying their citizens as franchisees, even though they lack the high level of entrepreneurial skills.

The attitude of franchisees, of following instructions without question, is instructive. Business operators could be more successful if they operate like employee-managers, particularly in countries that lack true entrepreneurs. Institutions that develop business operators should emphasize this attitude of following instructions.

In assessing business operators, there should always be a bottom line: they should perform at desirable levels. Development programmes for business operators should teach operators to perform. Measures like sales per employee are useful since business operators can easily divulge such information as they do not consider them too confidential. At the same time, this information is easily understood even by the lowly educated.

Botswana, and countries that have a similar socio-economic situation, should look at alternative strategies in the promotion of, and development of, enterprises. In particular, the promotion of franchisees could be a useful alternative strategy. Franchising appears to be an

operating mode of the future, if trends in USA continue. Franchisees that acquire more entrepreneurial skills advance to be franchisers, or indeed independent entrepreneurs.

This study was conducted in Botswana, a small economy, by industrial standards. A more comprehensive study could be a Southern African Development Community study. Such a study could garner a relatively large number of franchisees. The study could also solicit other distribution channels and industries. At such regional level, it is even possible to embark on an industry-specific study.

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