

**Creating Franchised Businesses through Franchisee Training Program
– Empirical Evidence from a Follow-up Study**

Jenni Torikka
Researcher, Ph.D. Candidate (in Entrepreneurship), M.Sc.(Econ.)
University of Jyväskylä
School of Business and Economics
P.O. Box 35, FI-40351 Jyväskylä
Finland
Tel: +358-14-2602952; Fax: +358-14-2603331
E-mail: jenni.torikka@econ.jyu.fi

Mika Tuunanen
Lecturer, Ph.D.(Econ.)
University of Kuopio
Faculty of Business and Information Technology
Department of Business and Management
P.O.Box 1627, FI-70211 Kuopio
Finland
Tel: +358-17-163 941; Fax: +358-17-163967
E-mail: mika.tuunanen@uku.fi

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Abstract

The Finnish franchisee training program is a unique training since it is government financed and provided to prospective franchisees by a third party. The organizing parties are the Finnish Employment and Economic Development Centres and a private consultation company specialized in franchising. The training program aims to find people interested in becoming franchisees and to give them the essential skills and knowledge a franchisee needs.

The trainees of the franchisee training program were interested in making a career choice and wanted to explore the option of franchise entrepreneurship. The franchisee training program proved to be part of the trainees' decision-making process of becoming a franchisee or a stand-alone small business owner. Since the mid-90s the number of franchises operating in the Finnish markets has been growing around 15% early and the growth is expected to continue in future. Nevertheless, franchisors have indicated difficulties in finding and recruiting franchisees being the most significant obstacle to growth.

To make entrepreneurship a more attractive career alternative was one of the aims of the Finnish government when it set promotion of entrepreneurship as one of the top priorities in its program and a special Entrepreneurship Policy Programme was launched for the purpose. Even though the franchisee training program was not mentioned in the policy programme, it has been one of the government funded activities to foster entrepreneurship. Franchising is still rather poorly known method of business in Finland despite its strong growth. There are no franchise fairs or expositions and therefore, the franchisee training program has served as a get-together venue for franchisors and people interested in buying a franchise. Further, there are no franchise specific laws or regulations requiring franchisors to provide information for potential franchisees. The responsibility of the information search lies with the future franchisee and thus, the trainees of the franchisee training program learn how to evaluate various franchise offerings and gather the necessary information for deciding whether to buy a franchise or not.

In total, more than 200 trainees completed the first ten programs held in 1999-2001. Those trainees comprise the initial sample of this follow-up study. The follow-up study consists of two phases, the mail survey and the phone-interviews. The results of the second phase are reported here. The usable data consisted of 143 responses which is 70 percent of the initial sample. The purpose of the follow-up study is to analyze the effectiveness of the franchisee training program as a part of the career decision-making process of the trainees. The current study concentrates on those trainees who established a franchised business or started or bought a stand-alone business after the training program. The phone-interviews yielded 24 responses from franchisees and 22 from stand-alone small business owners. The results are interesting and encouraging – the impact of the training program was positively associated with becoming a franchisee or a stand-alone business owner. Moreover, a logistic regression analysis showed clearly that measures pertaining to effectiveness of the training program predicted becoming a franchisee.

Keywords entrepreneurship education, training, effectiveness, franchisees

Introduction

The need for new franchisees continues to be the most severe growth barrier for franchise chains in Finland. Franchisors face problems in finding and recruiting proper franchise owners for their expanding systems. Indeed, while entrepreneurship seems to be appreciated in the society, only few people will set up a business. The situation is the same in whole Europe except the southern parts of the continent, where entrepreneurial activity is higher (cf. Green Paper: Entrepreneurship in Europe). At the beginning of 2000, the Finnish Ministry of Trade and Industry launched an Entrepreneurship Project, which was included in the then government's programme. The objective of the Entrepreneurship Project was to promote

stable economic growth, employment and competitiveness by enhancing the establishment of new firms and the growth and development of existing companies. The current government continued the work and set promotion of entrepreneurship as one of the top priorities in its program in 2003. For this purpose, the Ministry of Trade and Industry launched an implementation plan for the Entrepreneurship Policy Programme which was a continuum for the Entrepreneurship Project. The programme's objectives are to ensure stable development of the business environment of enterprises and to raise Finland among Europe's leading countries in terms of the operating conditions for entrepreneurship.¹

In order to allocate the scarce public resources in a best possible way to promote entrepreneurship, the activities under the policy programme should be evaluated and their results disclosed. Even though not mentioned in the policy programme, the franchisee training program presented in this paper was one of the government funded activities to foster entrepreneurship. To assess the outputs of the training program, it is essential to gauge its effectiveness. Objective information on the outcomes of the training program is therefore valuable to numerous stakeholders such as the government, the Ministry of Trade and Industry and other small business policy makers as well as to franchisors and prospective franchisees.

To be able to evaluate the impact of public policies their objectives should be specified in a quantitative manner in the form of targets. However, many governments do not follow that (Storey 2000). The Finnish government is not an exception. Initially a concrete objective for the entrepreneurship policy programme was set². Nonetheless, the objective was rephrased afterwards and the programme does not include specified targets anymore. The set clear target would have enabled the impact of the policy to be evaluated and further, the successfulness of it to be judged (see Storey 2000). The current follow-up study aims to analyze the effectiveness of the franchisee training program and indirectly contribute to evaluating the impact of the entrepreneurship policy programme.

The study is related to 'creation of the franchising relationship', which is one of the three main streams of franchising research defined by Elango and Fried (1997). They suggested topics for future research and brought up a need for studies on training. Furthermore, this study adds to the discussion on a decision-making process of a person exploring franchisee career option. Research on the decision-making process of becoming an entrepreneur is diverse whereas studies on an equivalent process of a potential franchisee are scarce. For instance, Stanworth and Kaufmann (1996), Price (1997), Kaufmann and Dant (1999) and Stanworth and Curran (1999) have brought this out.

The paper begins with an introductory section that starts off with a brief overview of franchising in Finland. In addition, the franchisee training program is depicted. Following, discussion on the theoretical context for entrepreneurship education, evaluation of the impact of the education and franchisee career choice decision is portrayed. Then research design is described and the empirical results of the survey are presented. The paper concludes with a discussion, implications and recommendations for future research.

¹ The objectives of the policy programme coincide with what has been reported from other European countries, for example U.K. (see Curran 2000; Storey 2000, Laukkanen 2000; Henry, Hill & Leitch 2004).

² It was declared that there is a need for 90,000 new small business owners by the year 2010. The figure was based on two things. First, the government set an employment goal of 100,000 new jobs and 30,000 new enterprises were required to reach that goal. Second, it was predicted that 60,000 enterprises will undergo a transition of ownership from one generation or owner to other during this decade.

Background

Franchising in Finland

A breakthrough of business format franchising appeared in Finland in the late 1980s when a stream of franchises was founded and the national franchising association established. The first known business format franchise in Finland started its franchising operations in the late 1970s. (Tuunanen and Hyrsky 2001). Yet today franchising is rather novel and under-recognized form of entrepreneurship in Finland.

Since the mid-90s the number of franchises operating in Finnish markets has been growing nearly 15% yearly. The latest 2003 statistics indicate there being 177 franchises with more than 6,600 outlets. Two thirds (67%) of the units are franchisee-owned whereas one third is company-owned. Majority of the franchises are retailing (n=76) and service (n=71). In addition, 30 franchises operate in the fast food, café and restaurant sector. Three quarters of the franchises originate from Finland. According to 2003 statistics, franchising employs nearly 46,000 people and generates a gross annual turnover of 4.88 billion EUR. Franchising accounts for around 3.4% of the gross domestic product (GDP), and merely 1.7 % of all active and registered companies in Finland are franchised. The upward progress of Finnish franchising is expected to continue for several reasons. For instance, the growth continued despite the years of recession in the early 90's. Also, there is room for new franchises particularly in consumer and business-to-business services. In addition, one out of five (21%) franchises indicated being in the "market entry-phase" of their lifecycle. Franchisors operating in the market pointed out a need for several hundreds new franchisees in the year 2003 (Tuunanen 2005). Lack of proper candidates is perceived by the franchisors as the most severe factor restraining the growth of franchising (Macmillan 1996; Tuunanen 2003). If the growth of franchising has continued as estimated, the number of franchises in Finland in 2005 exceeds two hundred.

Franchisee Training Program

The franchisee training program was created in the late-90s. The program was developed to find people interested in franchising and to give them the essential skills and knowledge a potential franchisee needs. The organizing parties behind the training were the Finnish Employment and Economic Development Centres (T&E Centres)³ in the three major cities Helsinki, Turku and Tampere. A private company specialized in franchise consulting took responsibility for the implementation. The training programs were partly supported by the European Social Fund (ESF). The rest of the finance was provided by the T&E Centres. The programs were open to everyone interested in franchising. Moreover, there were no capital requirements for the applicants. Trainees were charged a nominal fee of 170 EUR to cover studying materials. The first two training programs were organized in 1999 in the capital city Helsinki. By the end of 2001, ten programs had been completed with close to 200 participants finishing the program. This study concentrates on the first three years when the ten programs were organized uniformly. From the beginning of 2002, the format of the training was changed considerably and therefore, the programs arranged subsequent to that were not

³ The Ministry of Trade and Industry, the Ministry of Labour, and the Ministry of Agriculture and Forestry supply their regional services from one office – the Employment and Economic Development Centres (T&E Centre). Fifteen centres across the country provide a comprehensive range of advisory and development services for businesses, small business owners, and private individuals.

comparable to the first ten programs. For that reason, trainees who completed the training after 2001 are not included in the current study.

The training programs were advertised in national and regional newspapers and those interested were able to learn more about them in the T&E Centres and local employment offices. The applicants went through a selection process that included a written application and interviews. Even though some of them were not selected for the training, they might have been predisposed to franchising and considered becoming franchisees or stand alone small business owners. Approximately 20-25 participants were selected for each program. The backgrounds of the trainees were rather heterogeneous. A part of them had regular full-time or part-time job, some were unemployed and looking for a job, some were students and some even ran their own businesses when entering into the program. Nevertheless, none was a franchisee. Despite the dissimilar starting points, a common feature uniting the participants was the interest in starting a franchised business.

The programs were introduced to franchisors and they were given a chance to present their franchise offerings and to meet the trainees. This way the class instruction was combined with real life business practice. Especially for franchisors recruiting new franchisees, participation in the programs was a useful avenue for targeting capable candidates. A noteworthy feature of the Finnish market is a shortage of events where franchisors could meet potential franchisees. Most often franchisors seek potential franchisees via advertising in national newspapers. The domestic market is small with 5.2 million inhabitants. Unlike in larger EU countries or the USA, there are no franchise fairs and expositions. A further indication of the significance of franchisee training programs is that in a franchise relationship the franchisor is responsible for arranging initial and on-going training for the franchisees. Nevertheless, most franchisors do not have enough resources to arrange in-depth training on entrepreneurship and franchising for their new franchisees (Libart Ltd. 1998). Instead, they tend to concentrate on system specific training.

For the trainees the program was approximately five months period of reflection and decision-making, during which many of them decided whether they want to become franchisees. A typical training program consisted of 20-25 day classroom instruction period, distant learning and self-studying exercises, and individual consultation. Franchising experts (e.g. consultants, attorneys) and professionals in various subjects (e.g. accounting, entrepreneurship, human resources, and marketing) served as lecturers for the training programs. Each program taught a standard curriculum. The lecturers aimed to provide the participants with a realistic view of the time, financial and skills demands of franchise ownership. During the course of the lectures, the advantages⁴ and disadvantages⁵ of franchising were discussed.

The training started with classroom lectures and a self-studying period which lasted nine to fourteen weeks. This phase included three to five one-week breaks for distant learning and assignments. Classroom instruction was normally given two to four days per week. Assignments were related to various topics (e.g. bookkeeping, payroll, value added tax, business taxation) and completion of exercises was required. Every trainee was expected to choose one franchise according to his or her own preference and to compose a detailed case analysis of it. The goal of the analysis was to learn to evaluate various franchise offerings and to gather the necessary information for deciding whether to buy a franchise or not. Based on the participant's needs and wishes, she or he was given personal consultation lasting up to

⁴ For franchisee advantages see e.g. Hunt 1977; Stanworth, Curran & Hough 1984; Knight 1986; Peterson & Dant 1990; Dant 1995; Stanworth & Kaufmann 1996; Price 1997; Kaufmann 1999.

⁵ See e.g. Hunt 1977; Carman & Klein 1986; Brickley & Dark 1987; Justis, Olsen & Chan 1993; Floyd & Fenwick 1999; Tuunanen & Hyrsky 2001.

two days. Appointments with a franchising consultant, a franchise attorney and a career tutor were arranged upon a trainee's request. Generally, the first consultation meeting took place after the classroom and self-studying phase. It involved a feedback interaction and discussion on the trainee's career path and options. Moreover, the trainee and the consultant together designed the following action. Those who clearly indicated an interest in buying a franchise received further advice and guidance as to the negotiations with franchisor, the franchise contract, start-up investments, financing, spreadsheet and other relevant issues related to the franchise offering and business plan.

Theoretical Framework

The theoretical underpinnings of the study are discussed in the following order: firstly, entrepreneurship education and training; secondly, effectiveness of the entrepreneurship education and training; and lastly, the decision-making process of becoming a franchisee. The third issue is dealt in the wider context of becoming an entrepreneur.

Entrepreneurship Education and Training

Increasingly recognized and discussed in the western market economies during the past ten to twenty years is the role of entrepreneurship enabling change and development. As for instance, Johannisson (1991), Garavan and O'Connell (1994), Curran (2000), Laukkanen (2000), Westhead, Storey and Martin (2001), Gibb (2002) and Henry, Hill and Leitch (2004) have noted, policy makers and others have come to view small and medium-sized enterprises as important sources of jobs, innovation and growth. The growing interest has been accompanied by an increased level and variety of public and private sector policy initiatives at local, regional, national and international scales to stimulate and support the development of the sector. One of the initiatives is entrepreneurship education and training. There has been a raise in the number and type of such programs and courses but there are some challenging issues related to them.

Gibb (2002) brought up the major perceived problems in responding to the challenge of entrepreneurship education and took mainly a European perspective⁶. He saw that the key trigger for the growing interest in entrepreneurship is globalization. According to him, we are faced with more uncertainty and complexity and there is a need for entrepreneurial behavior in wide range of tasks in the community. Moreover, entrepreneurship education should be given also elsewhere than in business schools. Gibb (2002) made a point that despite the growing rhetoric of the policy makers on the importance of entrepreneurship, there would appear to be no common agreement as to what pursuit of entrepreneurship and the enterprise culture means. For instance, he asked whether the entrepreneurship education provides the skills and knowledge an entrepreneur needs in today's uncertain and complex environment. He was also concerned about what is taught under the umbrella of enterprise and entrepreneurship, the ways entrepreneurship is taught, to whom it is taught, and what are the needs of the different "client" groups of entrepreneurship courses and programs. Further, he had reservations about the competency of teachers of entrepreneurship and teacher supply, methods used in evaluation and assessment of programs and courses as well as the design of

⁶ Gibb (2002, 235-243) discussed on number of problems under the following headings: the entrepreneurial concept, academic acceptability, client segmentation and needs, organization of knowledge and pedagogy, teacher supply and competency, evaluation and assessment, location and capacity of delivery vehicles, funding. Others who have addressed the matter are for example, Ronstadt 1985; Johannisson 1991; Garavan & O'Connell 1994; Laukkanen 1997a, 1997b, 2000; Levie 1999; Menzies & Gasse 1999; and Cox, Mueller & Moss 2002.

delivery organizations. Finally he pointed out the funding of entrepreneurship education and possible impacts that the different sources might have on the education provided.

The current study is concerned with a unique entrepreneurship education program that aimed at introducing one form of entrepreneurship i.e. franchising to everyone interested in starting a franchise business and in that way enhancing entrepreneurship in the society. The study focuses on evaluation and assessment of the impact of entrepreneurship education programs, one of the problems mentioned by Gibb (2002).

Effectiveness of Entrepreneurship Education and Training

Scholars of different disciplines, say pedagogy, economics and psychology, have shown that the effectiveness of education is a multifaceted and controversial phenomenon. For instance, as Orser and Hogarth-Scott (1998) found, the assessment of education and the perceived value of its outcomes may be dependent upon the stakeholders (i.e. trainers, delivery agents, public policy makers, business owners and employment equity groups) vested interest in the education. Vaherva (1983) added that effects of education can be seen in the functioning of those educated and the surrounding society and which last as long as the following generation. Besides, according to his view, the impact analysis should not be limited merely to outputs. Rather, the costs and other inputs of education, educational process and immediate results should be taken into consideration and be brought into relation with the final goal-oriented outcomes. Furthermore, as McMullan, Chrisman and Vesper (2001) noted, outcomes of an education or training program typically have multiple causes, only one which may be the impact of a program.

While there is an agreement on the importance of determining the effectiveness of entrepreneurship education and training programs, conducting evaluations can be problematic (see e.g. Curran 2000; Storey 2000; McMullan et al. 2001; Cox, Mueller & Moss 2002). Vaherva (1983) and Mikkonen (1997) put forward that primary or immediate, secondary and even tertiary effects of education can be measured. Participants' satisfaction or reactions is the first level, learning the second and changes in their behavior (i.e. have those educated being able to apply the learned skills in practice) the third. Measuring the bottom-line effects is demanding, time consuming and requires following the whole process and determining the expected or desired effects already beforehand. In the same way, Storey (2000) saw that evaluation is not possible unless clear and measurable objectives are specified. According to McMullan et al. (2001) the best methods for program evaluation are those that directly relate program outcomes to program objectives.

Storey (2000) differentiated between monitoring and evaluation. According to him, monitoring relies upon the views of the recipients of the scheme, whereas evaluation seeks to compare the views and performance of the recipients with other groups of individuals or enterprises. Related, McMullan et al. (2001) dealt with three types of evaluation measures: respondents' subjective assessments on their satisfaction towards the education or training program, respondents' attributions of the impact of the education or training program to their subsequent performance, and objective measures. They indicated that subjective approach has been used in various studies and many evaluations will continue to employ it. They also saw that subjective and objective measures gauge different constructs and advised program evaluators to be particularly careful in selecting the measures and making inferences for the findings. Westhead, Storey and Martin (2001) agreed with McMullan et al.

McMullan et al. (2001) suggested that subjective variables would be used in concert with objective and attributions variables to estimate impact. Storey (2000) discussed several problems with attribution measures such as the difficulty for respondents to provide accurate estimates especially after a long lapse in time, and a potential tendency among respondents to

provide answers they think the questioner wants to hear. He also noted that attribution measures do not necessarily have anything to do with performance. On the other hand, the use of objective performance measures of the firms is difficult if none of the participants of an education or training program establishes or acquires a company after the program. This problem was recognized by McMullan et al. (2001) and Westhead et al. (2001). The findings of McMullan et al. (2001) showed a correlation of attribution measures with objective measures. Thus, they proposed that attribution measures focusing on specific outcomes, used in concert with objective measures, might help in strengthening an argument of a causal link between education or training program and performance.

Time also plays a significant role in assessing effectiveness or impact of education and training programs. There might be an interval between subjective evaluations of effectiveness and objective impact. Chrisman and Katrisha (1994) suggested that one-year time lag is sufficient to show impact, but as proposed by Chrisman and McMullan (2000) later, one year may not be sufficient to capture *all impacts* of education. The possible influence of a time lag should be taken into consideration in both cross-sectional and longitudinal studies. As recorded by Henry et al. (2004) related to time is also the problem of “mortality” of those being studied.

The use of a control or comparison group in assessing the impact of entrepreneurship education and training programs has been widely discussed in prior research. Many scholars (e.g. Garavan and O’Cinneide 1994; Storey 2000) advocate using control groups and see it as the way to estimate what would have happened had those educated not taken part in training. However, several problems exist in using control groups and they relate to matching and selection. To put simply, perfect matching upon all chosen criteria simultaneously can be difficult and even though the matching characteristics of the two groups are kept constant, there may be other ways in which they differ. For example, as Storey (2000) and Henry et al. (2004) noted, those individuals attending education or training programs might be more motivated, better educated or more open to new ideas. In these cases self-selection to the education or training might take place. Another source of bias can occur when participants are selected to the education or training program. If there is competition, selectors will have to choose between applicants and they will select the ones who appear the best. The performance of the selected group is likely to be superior to that of the control group since better candidates have been chosen. Henry et al. (2004) observed one more source of bias in comparison of the groups: the possibility of exits of the participants during the course.

Prior research has brought up the fact that while designing the methodology to evaluate programs and courses may be comparatively easy, it is difficult to ensure that the approach adopted is actually valid. Therefore, it can be said that Wyckham’s notion ‘no universally accepted criterion to evaluate the effectiveness of entrepreneurship education and training programs has yet been identified’ from year 1989 still holds true. In the current study subjective, attribution and objective measures were applied. However, no control group was used since the trainees were contacted subsequently concluding the program and naming a control group afterwards would not have served the purpose. Moreover, due to the unique nature of the program, the problems related to matching and selection would have been very difficult to overcome.

The Decision-making Process of Becoming a Franchisee

Subsequently the decision-making process of becoming an entrepreneur is discussed first in general terms and then from a point of view of a franchisee. The latter is based on the notion of franchising as a form of entrepreneurship. The study of entrepreneurship spans a wide range of fields including decision sciences, economics, management, sociology and

psychology. Thus, entrepreneurs and their behavior have been examined from different disciplinary angles. Entrepreneurship has also been seen as a process⁷ and a career⁸. However, no consensus exists of the exact meaning of entrepreneurship and the role of entrepreneurs (see e.g. Amit, Glosten and Muller 1993, Gibb 2000, Chell 2001, Grant & Perren 2002). Nor it is known whether there is an essential set of entrepreneurial characteristics and what that set is or what are the factors that induce entrepreneurial activity. None of the various perspectives taken has been able to answer those questions⁹.

Huuskonen (1992) saw the earlier perspectives to the process of becoming an entrepreneur as explaining entrepreneurship from outside¹⁰. Therefore, he made an attempt to create a more comprehensive model considering the process from a person's subjective point of view. According to him, background factors (e.g. work experience in a small business, entrepreneurial parents or other role models, family business) give potential entrepreneurs a set of values, knowledge, attitudes and abilities that affect their orientation on the career path. Furthermore, personal factors (e.g. personality, locus of control, risk bearing attitudes, need for achievement, power and autonomy, values and attitudes) explain why different people evaluate entrepreneurship in different ways and have varying interpretations of their business environment. As a result of learning and socialization processes they have internalized the norms, ideas and behavioral patterns they follow.

Huuskonen (1992) summarized his analysis as follows. Entrepreneurship requires a delicate balance of the person and the environment for the intention to become an entrepreneur to develop. Throughout the decision making process the perception of the utility of the entrepreneurship must be maintained. This means that neither the perceived external opportunity nor the motivation of the actor may disappear. Otherwise, the process will be slowed down or halted. In his model, Huuskonen (1992) brought out that if a person gives up the intention to become an entrepreneur the negative decision might not be permanent. The decision connects back to background, personal and environmental factors and the process may start again later. The findings of Huuskonen are by and large congruent with Bird (1989).

Franchising is a form of entrepreneurship (see footnote 15) and several franchising scholars have recognized that the decision-making process of becoming a franchisee is related to the process of becoming an entrepreneur (see e.g. Price 1997; Kaufmann 1999; and Williams 1999). The decision to become self-employed versus to pursue some other career option precedes the decision between self-employment and franchise ownership. However, as noted previously, research on the decision-making process of becoming an entrepreneur is diverse whereas studies on an equivalent process of a potential franchisee are scarce (see e.g. Stanworth and Kaufmann 1996; Price 1997; Kaufmann and Dant 1999; Stanworth and Curran 1999). Following are some of the key findings on the process of becoming a franchisee.

⁷ For instance, Moore (1986) and Bygrave (1989) have discussed about entrepreneurial process.

⁸ Entrepreneurship as a career has been studied by e.g. Katz 1994; Dyer 1994; Henderson & Robertson 1999; Feldman & Bolino 2000; Carter, Gartner, Shaver & Gatewood 2003.

⁹ Becoming an entrepreneur has been investigated e.g. from the following perspectives: *the trait model* McClelland 1961; Brockhaus 1982; Bandura 1986; Chell 1986; Stanworth, Stanworth, Granger & Blyth 1989; Cunningham & Lischeron 1991; Cooper & Gimeno-Gascón 1992; Caird 1993; Curran & Blackburn 1994; Vesper 1996; Miner 1997; *the sociological approach* Gibb & Ritchie 1982; Chell 1986; *structural location theory* Lundmark & Malmberg 1988; *economic rationality approach* Mäkinen 1977; Julien 1988; Hébert & Link 1989; *network approach* Birley 1985; Johannisson 1995; Low & MacMillan 1988; Curran, Jarvis, Blackburn & Black 1993; *the models of new venture performance* Sandberg & Hofer 1987; McDougal, Robinson Jr. and DeNisi 1992; Sapienza & Grimm 1997; Ensley & Spencer 1997; *contingency theory approach* Lawrence & Lorsh 1967; Gilad & Levine 1986; Bings & Jennings 1986; Storey 1991; Reynolds 1992; Tervo & Niittykangas 1994; Armington & Acs 2002. Authors note that the given list is by no means comprehensive.

¹⁰ Deterministic perspective – an individual and his/her actions are determined by the situation or environment in which he/she is located. See Burrell and Morgan 1989, 6.

Kaufmann and Stanworth (1995) found that the persons with a history of self-employment will be more interested in becoming franchisees than persons without such history. Later, Kaufmann (1999) discovered that the greater the importance attached to financial and business (e.g. proven brand name, franchisor support) benefits of franchising, the more likely is the purchase of a franchise compared to establishing a stand-alone business. Meanwhile, Williams (1999) observed that entrepreneurs are more likely to adopt the franchise contractual form the more education and work experience they possess, and the fewer years of previous business experience. Nonetheless, he stressed that entrepreneurs' valuation of franchisor-supplied inputs diminish with their ability to contribute inputs of the same type and quality i.e. the higher their skill level in the particular business sector is. Entrepreneurs are also more likely to adopt the franchise form the greater their financial capital and the more risky the industry. Spinelli (1994) provided a formula for the choice between a franchise and a stand-alone business. He noted that franchise decision is appropriate when the present value of the increased net income from the value of the franchise trademark is either equal or greater than the franchisee fee and the present value of royalties.

Price (1997) applied career approach to franchisee buying decisions. He presented two sets of variables influencing the propensity to become a franchisee, the antecedent variables (e.g. social network, life stage and prior employment experiences) and the career choice process. Further, he emphasized the meaning of culture stating that the antecedent variables are culturally embedded and permeate the individual's career choice procedure.

In addition to the franchising studies mentioned above, the decision-making process of becoming a franchisee might have been shortly discussed in studies concerning franchisee recruitment and selection¹¹. What is more, as noted for instance by Kaufmann and Stanworth (1995), Price (1997), Kaufmann (1999), and Guilloux, Gauzente, Kalika and Dubost (2004) consideration of the advantages and disadvantages of franchising are part of the potential franchisee's decision-making process. According to Tuunanen and Hyrsky (2001) the advantages that franchisees encounter in operating their businesses are actually the same ones that motivate people to buy a franchise. These business boons and motivational factors include 'recognized trade name', 'proven business concept', 'ease of entry', 'ongoing franchisor support', 'training' and 'reduced risk of failure'.

Concluding from the prior literature on entrepreneurship and franchising it can be said that no individual factor or even a group of favorable background, personal, environmental and situational factors will make a person to become an entrepreneur or a franchisee. Becoming an entrepreneur or a franchisee seems to be a process which varies by person by duration and relating factors. The process can be paused or steps forward and backward can be taken at anytime for various causes. Likewise, the final step, an establishment or acquisition of a business may or may not take place. An entrepreneurship education or training such as the franchisee training program might be part of the decision making process to become self-employed and/or franchisee. The training program may have created an intention, strengthened it or even acted as a triggering event in the process leading to a person's entrepreneurial decision.¹² Yet, besides the training program, it is likely that there were many other factors influencing the trainees' situations and decisions. Therefore, the program hardly made any franchisees or stand alone small business owners on its own. In the empirical part of the study some of the background factors (such as previous nearness to

¹¹ (Bernstein 1968-1969; Wattel 1968-1969; Tatham, Bush & Douglas 1972; Hunt 1977; Knight 1984; Brannen 1986; Weinrauch 1986; Schell & McGillis 1990; Withane 1991; Schell & McGillis 1992; Justis, Olsen & Chan 1993; English & Hoy 1995; Hing 1995; Kaufmann & Stanworth 1995; Stanworth 1995a; Macmillan 1996; Morrison 1997; Stanworth & Kaufmann 1996; Price 1997; Jambulingam & Nevin 1999; Tuunanen 2001; Clarkin & Swavely 2003)

¹² The notion of triggering event was introduced by Shaper (1984).

entrepreneurship via role models, family business and work experience in a small business) were examined.

Research Design

Scope of the Study

In understanding the context of the franchisee training program, it is essential to recognize the differences between forms of franchising. In Europe, only Business Format Franchising is regarded as franchising. Consequently, when discussing franchising in this article, only Business Format Franchising is considered.

The term entrepreneur does not refer here to a highly creative venture based on a new and novel product and service. Instead, it is used in a more everyday sense and is meant to be interchangeable with the term self-employed or small businessman/-woman.¹³ Furthermore, in this article expression entrepreneurship education and training programs is used to refer education targeted to people interested in becoming entrepreneurs, self-employed or small business owner interchangeably.¹⁴

Approach applied in this study is to consider franchisees as entrepreneurs¹⁵ (see e.g. Stanworth 1995b; Shane and Hoy 1996; Stanworth and Kaufmann 1996; Hoy and Shane 1998; Kaufmann and Dant 1999; Stanworth and Curran 1999; Hoy, Stanworth and Purdy 2000; Hoy and Stanworth 2003; Spinelli, Rosenberg and Birley 2004). Over the past years, several contrary statements have been presented against the view (see e.g. Rubin 1978; Norton 1988; Anderson, Condon and Dunkelberg 1992).

Data collection

The study on the effectiveness of the Finnish franchisee training program is a follow-up study. It is an independent, academic study that is not related to the organizers of the program. The first phase was carried out as a mailed survey while phone interviews were utilized in the second phase. The 214 participants of the programs 1-10 were chosen as respondents for the first phase. The respondents of the survey, 176 persons, were targets of the phone-interviews. The programs 1-10 were organized during 1999-2001. A broader description of the franchisee training program including its background is given and results of the first phase of the follow-up study are reported in two published previous articles by Torikka and Tuunanen (2003), and Torikka (2004).

Data for the present study was gathered with phone-interviews. Those respondents of the mail-survey who participated in the first five training programs were interviewed in fall 2003 and the ones who completed programs 6-10, in the beginning of 2004. In total, 152

¹³ Entrepreneurship and entrepreneurial in the English language are often qualitative statements of people who take care of their firms in a certain way. In contrast *yrittäjä* (noun) and *yrittäjyys* (adverb) in the Finnish language simply refer to being in business. These words have no clear connotations of being oriented towards growth, being successful, admirable or anything of the like. The authors agree with Huuskonen (1992) in that being growth-oriented or opportunistic are not sufficient criteria to define an entrepreneur. The empirical fact is that entrepreneurs cannot be distinguished from the general population or business managers that way. International comparisons are difficult, because the core term entrepreneurship is very culturally oriented (Huuskonen 1992, 194).

¹⁴ Previous research has introduced several expressions on education aimed at people interested in becoming an entrepreneur or a small business owner or a self-employed. Terms such as entrepreneurship, entrepreneurial and small business ownership are attached to words education, training, course and program. Additionally, notions formed might have different meanings in different countries and cultures.

¹⁵ Relating to this is the notion that research in franchising is part of the field of entrepreneurship (see e.g. Shane & Hoy 1996; Kaufmann & Dant 1999; Hoy & Stanworth 2003; Spinelli, Rosenberg, Birley 2004).

responses were obtained. Nine answers came from people, who were stand-alone small business owners when entering into the program, during the program as well as afterwards. They continued running the businesses and no changes took place in their professional statuses in either phases of the follow-up study. Hence, it seemed they had made their career decisions already and that they were in a different position than the rest of the respondents. In their case, the training program could be seen as a small-business assistance program rather than an entrepreneurship education or training given to people interested in becoming entrepreneurs. These nine responses were left out from the analyses and thus, the usable data consisted of 143 responses. Consequently, the response rate was 86% in the second and current phase of the follow-up study (70% of the sample of 205).

Career decision making

The present study concentrates especially on those trainees who established a franchised business or started or bought a stand-alone business after the training program. This focus was chosen because the ultimate aim or idea of the training program was that the trainees would become franchisees. Additionally, in order to investigate the career decision making process of the respondents, their entrepreneurial backgrounds and related experiences were explored. Besides the two groups of focus in the current study, franchisees and stand alone small business owners, there were two other noteworthy respondent groups, salaried employees and unemployed. Salaried employees remained as the biggest group in all phases of the follow-up study. Unemployed were the other large group at the beginning of the training, but many of them managed to make a career shift¹⁶. As a result, the amount of unemployed decreased considerably subsequent the training.

One of the goals of the study was to find out the career choices the respondents made following completion of the program. The phases of the follow-up study and the career paths of the respondents are illustrated in Figure 1 (see Appendix 1). In the Figure 1, the boxes on the left depict the statuses of the trainees upon entry into the program. The entry statuses were inquired in both phases of the follow-up study. Moreover, the organizing parties provided background information on the trainees at the beginning of the study. The boxes in the middle describe the professional statuses of the respondents in the first phase and the boxes on the right in the second phase of the follow-up study. The fine arrows present respondents' career paths when a career shift took place. The wider arrows portray change – respondents made a career choice and so, shifted from one professional status group to another.

Measures of impact

Following, an attempt to categorize the questions asked in phone-interviews and the items applied in assessing the effectiveness of the training program according to the measures provided in earlier studies is presented. Consequently, Table 1 portrays the main items used in the current study to assess the impact of the franchisee training program.

¹⁶ Relationship between unemployment and new firm formation is a controversial issue that has received academic attention (see e.g. Bannock & Stanworth 1990; Tervo & Niittykangas 1994; Orser & Hogarth-Scott 1998). In broad terms, time-series studies tend to show that entrepreneurship could be induced by high unemployment while cross-sectional studies have indicated the reverse.

Table 1. Measures of impact applied in the present study

Type of impact assessment measures	Questions and items applied in the study	Type of scales
Vaherva (1983), Mikkonen (1997): - reaction - learning - behavior - ultimate outcome	Reaction - overall satisfaction towards the training - intention to participate today based on prior experience - intention to recommend the program to others - intention to buy a franchise or intention to set up or acquire a stand-alone business in future (applied only to the others-group)	a five point Likert -type scale dichotomized, nominal scale dichotomized, nominal scale
	(Learning - knowledge, skills, and attitudes obtained and the relations created by the trainees)	not applicable (were inquired in the first phase of the follow-up study)
	Behavior - effect of the program to the career choice made afterwards - satisfaction towards the career choice made - belief that would have made the same career choice without taking the training - effect of what was learned in the training on one's career	a five point Likert -type scale a five point Likert -type scale dichotomized, nominal scale metric scale
	Ultimate outcome Questions concerning the firms established and bought by the respondents and the impact of the businesses on the society and economy. Some questions were open-ended, some had structured options for answer	open-ended questions concerning e.g. annual turnover, number of employed staff - metric scale was used
McMullan, Chrisman and Vesper (2001): - subjective measures - attribution measures - objective measures	Subjective measures - overall satisfaction towards the training - intention to participate today based on prior experience - intention to recommend the program to others - intention to buy a franchise or intention to set up or acquire a stand-alone business in future (applied only to the others-group)	a five point Likert -type scale dichotomized, nominal scale dichotomized, nominal scale dichotomized, nominal scale
	Attribution measures - effect of the program to the career choice made afterwards - satisfaction towards the career choice made - belief that would have made the same career choice without taking the training - effect of what was learned in the training on one's career	a five point Likert -type scale a five point Likert -type scale dichotomized, nominal scale metric scale
	Objective measures Questions concerning the firms established and bought by the respondents. Some questions were open-ended; some had structured options for answer. No measures were applied to the others-group.	open-ended questions concerning e.g. annual turnover, number of employed staff - metric scale was used

According to Storey's (2000) view on impact evaluation all measures applied in this study were monitoring, since no control group was used. In the data analyses descriptives, binominal tests, U-tests, T-tests, one-way ANOVA and Logistic Regression Analysis (LRA) were utilized.

Results

Sample and sub-group descriptions

The current study concentrated on those respondents who chose an entrepreneurial career either as a franchisee or as a stand-alone business owner. Hence, the research data was categorized according to the professional statuses of the respondents at the time of the interview. The total sample (n=143) was divided into three subgroups of franchisees (n=24), stand-alone small business owners (n=22) and others (n=97). The others-group consisted of those respondents who had not established or bought a stand-alone firm or started a franchised business after completion of the training. Following, the results of the data analyses for the three subgroups as well as for the total sample are presented.

No statistically significant differences were found among the analyzed subgroups regarding gender, age, marital status, education levels or the length of the trainees' prior work experience. See Table 2 for more detailed description of the sample and subgroups. Nevertheless, some interesting marks regarding the trainees' personal characteristics mentioned above are pointed out in the following. The stand-alone small business owners-group was the most male dominated as nearly two of three (64%) were men (see Table 2). This corresponds to the distribution of sexes in Finnish entrepreneurs' population (Hyrsky and Lipponen 2004). To compare, there was an exactly equal number of females and males in the franchisees-group. The observation implies that franchising creates equal entrepreneurial career opportunities for both sexes (cf. Dant, Brush and Iniesta 1996; Tuunanen 2002).

Trainees' job statuses upon entry into training program varied a lot (cf. Figure 1). The two biggest respondent groups were salaried employees (46%) and unemployed (39%). Respondents in the stand-alone small business owners-group, more detailed 55%, had prior self-employment experience significantly more often than respondents in the other two subgroups. In addition, franchisees and stand-alone small business owners had significantly more frequently work experience from micro-sized companies than others. However, when exploring trainees' entrepreneurial backgrounds it turned out that the sub-groups did not differ in this regard. The expression entrepreneurial background here means close (a life companion, parent/-s, a close relative) entrepreneurial role model who operates as a small business owner, and/or work experience from family business.

In the others-group prior unemployment seemed to appear more frequently than in the two entrepreneurial groups as illustrated in Table 2. This may hint to difficulties that unemployed persons might have faced in pursuing entrepreneurial career options. Statistically unemployment seemed not to be the most fertile ground for self-employment since the majority of the franchisees and stand-alone small business owners did not have unemployment background. The question is whether franchisee training program as an entrepreneurship education alleviated problems that hindered unemployed persons' self-employment? And if so, how did the program help them and to what extent?

Table 2. Description of the sample and sub-groups

		Franchisees (n=24) %	Small Business Owners (n=22) %	Others (n=97) %	Total (n=143) %
Gender	Male	50	64	44	48
	Female	50	36	56	52
Age	younger than 35	8	9	19	16
	35 – 44 years	42	32	28	31
	45 – 54 years	33	45	39	39
	55 – 64 years	17	9	13	13
	65 or older	0	5	1	1
	Min. - Max. Md. (Mean)	28 - 57 44.5 (45.5)	24 - 67 45 (44.82)	26 - 68 45 (44.05)	24 - 68 45 (44.42)
Marital status	Married	62	59	54	56
	Long term relationship	17	14	15	15
	Single	4	4	20	15
	Divorced or widowed	17	18	11	14
Highest level of education completed prior to training program	Vocational training	25	47	39	38
	Vocational college	40	32	33	34
	Polytechnic	15	0	8	8
	University	20	21	14	20
Length of work experience prior to training program	Less than 10 years	4	27	23	20
	10 – 14	25	0	15	15
	15 – 19	25	23	17	19
	20 – 24	21	27	23	11

	25 – 29 30 years or more	4 21	5 18	12 10	10 25
	Min. - Max. Md. (Mean)	4 - 35 16.5 (18.92)	1 - 42 19 (18.30)	2 - 41 16.5 (16.77)	1 - 42 18 (17.39)
Job status upon entry into the training program	Unemployed	29	32	43	39
	Employed in				
	... private sector	46	41	39	40
	... public sector	8	5	6	7
	Self-employed	4	14	4	6
	Student	13	0	6	6
	Retired	0	4	1	1
	Other	0	4	1	1
Experience as a self-employed prior to the training program	Yes	29	55	24	30
	No	71	45	76	70
Entrepreneurial background prior to training program	Yes	63	68	63	64
	No	37	32	37	36
Work experience from micro-size company prior to training program	Yes	67	68	42	50
	No	33	32	58	50

Note: all the sums may not add to 100 due to rounding.

Effectiveness of the franchisee training program

Overall satisfaction towards the training program. A five point Likert -type scale was used to measure trainees' total satisfaction towards the training program. The satisfaction score for the total trainees' population was 3.31 (see Table 3). Among the investigated three sub-groups the highest scores were given by the stand-alone small business owners-group (3.55) and the lowest ones by the others-group (3.24). Franchisees-group was in the middle with the score of 3.38. However, the differences showed to be statistically insignificant (at level .207).

Satisfaction - intention to recommend the training program to others and intention to do it again. The trainees' overall post-program satisfaction was additionally measured through two dichotomous nominal scales, which pertained into their intentions. The first scale concerned trainees' inclination to recommend the training program to other potential participants. An overwhelming majority, nearly 95% of all respondents were prone to recommend the training. Likewise, results regarding the three sub-groups were also quite promising. In every group the respective percentage was more than 90%. The franchisees-group was the most likely to recommend the training while around 96% of them indicated a positive intention. Interestingly, the stand-alone small business owners were slightly less likely to recommend the program than the respondents in the others-group as the respective figures were 91% and 95%. In spite of that, the differences between the percentages were relatively small and thus statistically insignificant as illustrated in Table 3. The second nominal scale measured trainees' post-course proclivity to make the same decision again i.e. to take part in the program now if given a chance. In total, three out of four trainees (76%) responded positively when asked whether they would take the program again. When comparing the studied three sub-groups, franchisees-group was distinctive. More than nine of ten (92%) were ready to take the program again while in two other groups the respective percentages were significantly lower, 77% for stand-alone small business owners and 71% for the others.

For the others-group (n=97) effectiveness of the training was additionally measured via their entrepreneurial intentions (see Table 3). A quarter of respondents (25%) indicated an intention to set up a stand-alone business in the future. Meanwhile every seventh (14%) expressed a future interest on buying a franchise. Nevertheless, the biggest group of

respondents was those who were unsure of their intentions regarding inquired two entrepreneurial career options.

Satisfaction towards the career choice made. A five point Likert -type scale ranging from 1, very dissatisfied, to 5, very satisfied, was developed to measure trainees' satisfaction towards the career choice they made after completing the training. The total mean score of the measure was 3.59 indicating a fairly good level of satisfaction (see Table 3). Seventy percent of all respondents were satisfied or very satisfied with their career decision whereas some 22% were dissatisfied or very dissatisfied. When comparing the three sub-groups it emerged rather surprisingly, that the most satisfied group was stand-alone small business owners who scored 4.09 on the scale. Franchisees' respective score was 3.88 and the lowest mean 3.41 was scored by the group of other participants. One-way ANOVA analysis revealed the scores being statistically significantly different at level .018.

Effect of the training program on the trainees' career choice. A five point scale ranging from insignificant, corresponding the value 1, to very strong, corresponding the value 5, was used to chart the strength of the effect of the training program on the trainees' career decision made after completion of the program. The total mean score of the measure was as low as 2.21 indicating well under median effect of the training. More detailed, roughly half of the respondents (47%) told that the program had an insignificant effect on their post-training career choices whereas every fifth (21%) described the effect strong or even very strong. The examined three sub-groups were very distinct from each other in this respect (see Table 3). The highest mean score was achieved in the franchisees-group, 3.46. Half of them (50%) expressed that the training had strong or very strong effect on their career decision. Almost an equal share in the stand-alone small business owners-group (45%) indicated the same. However, the mean score 2.95 was statistically significantly lower (at level .000) than in the franchisees-group. This was accounted by a considerable share (23%) of those stand-alone small business owners who described the effect being insignificant. Respectively, the corresponding percentage among franchisees was nearly three times less, just eight percent. The others-group scored the lowest mean value 1.72. In that group more than 62% rated the effect of the training being insignificant.

A further question, with two given answer options, yes or no, on the effects of the program was used to shed light on multi-dimensional outcomes of the program. The aim was to capture trainees' genuine opinion on the program's effect on their current career position (see Table 3). In total, some 85% of all participants believed that they would be in their present career position without completing the training. Despite this, significant differences were discovered between the three sub-groups. The franchisees-group was clearly distinguished in this regard as more than a half of them (54%) viewed that they would *not* be franchise owners without the program they took. The respective percentages were 14% for stand-alone small business owners-group and only 6% for the others-group. These results highlight the strong effect of the training focused on the franchising issues.

Although very sharp distinctions were found between the opinions of the three groups, none of the respondents stated that the training would have disadvantaged their career. Yet, only little less than every fourth (23%) believed that it advantaged their career as shown in Table 3. Rather surprisingly, the stand-alone small business owners-group perceived that the knowledge, skills and attitudes obtained and relations created during the training had advanced their career the most of the examined three groups. Approximately 46% of the stand-alone small business owners and one third of the franchisees (33%) believed the training promoted their career. The respective amount was merely 16% among the others-group. The results are particularly interesting regarding stand-alone small business owners. It turned out that they were able to utilize the contents of the program in relation to

their own entrepreneurial plans although the curriculum was quite limited to franchising issues.

Table 3. Effectiveness of the training program

		Franchisees (n=24) %	Small Business Owners (n=22) %	Others (n=97) %	Total (n=143) %
<u>Overall satisfaction</u>					
<i>How did the training meet your initial expectations?</i>	Surpassed considerably	8	14	5	7
	Surpassed slightly	25	36	25	27
	Met my expectations	63	41	61	58
	Fell short slightly	4	9	7	7
	Fell short considerably	0	0	2	1
	Mean	3.38	3.55	3.24	3.31
<u>Intentions</u>					
Intention to recommend the training program	Yes	96	91	95	94
	No	4	9	5	6
Would take the training program again	Yes	92	77	71	75
	No	8	23	29	25
Intention to set up or buy a stand-alone business in the future	Yes	NA	NA	25	25
	No			14	14
	Cannot say			61	61
Intention to buy a franchise In the future	Yes	NA	NA	14	14
	No			38	38
	Cannot say			48	48
Satisfaction towards the career choice decision made after training program	Very satisfied	25	41	11	18
	Satisfied	54	41	54	52
	Cannot say	8	4	9	8
	Dissatisfied	8	14	17	15
	Very dissatisfied	4	0	9	7
	Mean	3.88	4.09	3.41	3.59
<i>How would you describe the effect of the training program on the career choice decision you made after the training program?</i>	Very strong	21	4	0	4
	Strong	29	41	8	17
	Intermediate	33	23	18	22
	Slight	8	9	11	10
	Insignificant	8	23	63	47
	Mean	3.46	2.95	1.72	2.21
<i>Do you believe that you would be in your current career position without completing the training program?</i>	Yes	46	86	94	85
	No	54	14	6	15
<i>What kind of effect the knowledge, skills and attitudes obtained and relations created during the training program have had on your career?</i>	Advanced my career	33	45	16	23
	No effect	42	50	74	65
	Disadvanced my career	0	0	0	0
	Cannot say	25	5	10	12

Note: all the sums may not add to 100 due to rounding.

Analyzing the effect of the training program on becoming a franchisee. A logistic regression analysis was performed to find out whether the measures used to gauge the effectiveness of the training program could be used to predict becoming a franchisee (see Table 4). The stand-alone small business owners -group (n=22) was isolated from the analysis. The model appeared to have decent properties and strong explanatory power. Out of all the observations 91.5% was classified correctly by the LRA model. Importantly, the model had fairly good predicting power concerning those who actually started a franchised business. Particularly three items stood out. The effect of the training program on the career choice decision and the intention to take the training program again were statistically significant predictors in the model. In addition, respondents' belief that they would not be in the same career position at the time of the interview without completing the training program,

seemed to be a proper variable to predict a franchise start-up. The results of the analysis indicated that the program had a clear impact and contribution on becoming a franchisee.

Table 4. Logistic regression analysis for predicting of becoming a franchisee

Variables	Coefficient	S.E.	Sig.
Overall satisfaction towards the program:			
Expectations	-.191	.584	.743
Intentions:			
Recommendation	-1.790	1.937	.356
Participation	3.007	1.451	.038
Satisfaction towards the career choice	.462	.320	.149
Effect of the training program on career choice:			
Effect	1.169	.325	.000
Belief	-1.566	.745	.035
Knowledge, skills, attitudes	.714	.813	.380
Constant	-5.238	2.570	.042
Nagelkerke R Square .574			
Hosmer and Lemeshow Test .808			

Observed	Predicted		Percentage Correct
	Franchisees	Others	
Franchisees (n=24)	17	7	70.8
Others (n=94)	3	91	96.8
Overall Percentage			91.5

A similar logistic regression analysis was carried out for the stand-alone small business owners –group and this time the franchisees (n=24) were left out from the analysis. The same variables were used in the analysis as previously with the franchisees group. As expected, the explanatory power of the LRA model was weaker as 86.2% of all observations were classified correctly (40.9% of the stand-alone small business owners and 96.8% of the others –group). In addition, the predicting power of the model was not weaker. Only one item, the effect of the training program on the career choice decision was statistically significant (Sig. .001) in predicting becoming a stand-alone small business owner. The LRA model was tested once more with the total group of entrepreneurs i.e. the franchisees and stand-alone small business owners (n=46). This time, the model was able to classify correctly 82.1% of all observations (65.2% of the entrepreneurs and 90.4% of the others –group). Furthermore, the effect of the training program on the career choice decision was the only statistically significant (Sig. .001) item in predicting becoming an entrepreneur. However, the Nagelkerke R Square value was higher for the total group of entrepreneurs as it was for stand-alone small business owners, values being 35.3% and 46.6% respectively. The results strengthen the conclusion that the program had an impact and contribution on becoming a franchisee.

Outcomes resulting from the stand-alone businesses started or acquired and franchised ventures founded

Of the 143 respondents of the current follow-up study, 24 established a franchised business and 22 established or bought a stand-alone business subsequent to the training. As part of the interview, the franchisees and stand alone small business owners were inquired about their firms. The purpose was to examine some of the key figures relating to those companies and

to analyze the potential differences between the two business formats. Table 5 illustrates the following results.

In total the 46 franchised and stand-alone firms reached an annual turnover of 14.5 million euros in 2003. Nevertheless, the size difference between the franchised and non-franchised companies appeared to be dramatic regarding annual turnover. On the average, franchised companies made approximately seven and half times greater revenue than the stand-alone businesses. Franchised companies' average annual turnover was 668,000 euros, whereas the stand-alone businesses generated an average turnover of 89,400 euros. The difference was statistically significant (at level .000).

Together the stand-alone and franchised firms employed 150 salaried employees. However, statistically significant difference was found regarding the average number of the employees between the stand-alone and franchised firms. Franchised companies were nearly five times greater in size compared to stand-alone firms when measuring the number of staff. While franchised companies had on average 5.57 jobs, the respective number in the stand-alone businesses was only 1.15. In detail, 85% of the stand-alone businesses employed less than three persons while the corresponding percentage in the franchised firms was 44. Thus, more than half of the franchised companies employed three or more employees.

Both the franchisees and stand alone small business owners viewed the profitability of their companies in a quite similar way. Some 70% of the franchisees perceived their companies presently profitable, while the respective figure was a bit higher among stand alone small business owners, 75%. Moreover, no considerable distinctions concerning the future visions of the stand-alone and franchised businesses were recorded. Roughly equal amount of respondents, two out of three in both explored groups estimated that the turnover of their companies will grow in the future. Similarly, majority of the stand alone small business owners and franchisees, more than 80%, predicted that the size of the staff in their firms will stay the same.

Table 5. Businesses of the respondents

		Franchisees (n=24) %	Small Business Owners (n=22) %
Legal form of the firm	Proprietorship Partnership Limited company	26 13 61	65 0 35
Turnover of the firm (in thousands euros)	Min. – Max. Md (Mean) Sum	50 – 2,500 435 (668) 13,353	0 – 250 50 (89.4) 1,162
Number of employees of the firm	None 1 2 3 - 10 More than 10 Min. – Max. Md (Mean) Sum	9 9 26 48 8 0 – 27 4 (5.57) 128	25 50 10 15 0 0 – 3 1 (1.15) 23
<u>Present perception of the business</u>			
<i>I consider my business profitable</i>	Yes No Cannot say	70 26 4	75 15 10
<u>Future visions of the business</u>			
<i>In the future, turnover of my firm...</i>	will grow. will stay the same. will decline.	64 36 0	65 30 5

<i>In the future, the number of employees in my firm...</i>	will grow.	18	15
	will stay the same.	82	85
	will decline.	0	0

Note: all the sums may not add to 100 due to rounding.

Discussion and Implications

The results of the current study measuring the effectiveness of the franchisee training program were rather promising especially regarding the respondents who made the decision to become franchisees or entrepreneurs. The training program had an impact on the respondents' career decisions. Over a half (54%) of the franchisees indicated that they would not be franchisees if they had not taken the training. The expression was strongly supported by the logistic regression analysis where several impact measures were utilized in predicting potential start-up of a franchised business. The training seemed to be useful and valuable also to those respondents who established or bought a stand-alone business. However, it is important to note that as such the training program hardly made any franchisees or stand alone small business owners. Rather, it was part of a wider decision-making process with many other influencing background, personal and environmental factors. Nevertheless, the LRA displayed that the background factors did not have a major role on the decision-making process of those trainees who became franchisees or entrepreneurs. This may emphasize the impact of the training program on the decision-making process even more.

The effects of education and training might be seen after diverse periods of time and appear in various ways for different people or parties. Therefore, when examining effectiveness of entrepreneurship education and training, 'following up' and observing those educated in a long term is important. In addition, different points of view should be considered. The findings of the follow-up study correspond to the findings of McMullan et al. (2001) who showed a correlation of attribution measures with objective measures.

The present follow-up study was conducted by the university, and thus, the organizers were not involved in the assessment. In order to make the analysis more reliable, several complementary measures were applied in the study. What further enhanced the reliability is that the response rate remained relatively high in both phases of the follow-up study. To improve the validity of the measures used, an extensive literature review was carried out. Moreover, both quantitative and qualitative measures were applied. However, to be able to assess the impact of the franchisee training program more comprehensively, applying qualitative methods might be appropriate. In that way the various factors relating to the process of becoming an entrepreneur and the actual role of the training program, if any, could be examined. In addition, it may be difficult to capture the various effects of education and training with quantitative measures, but utilizing qualitative methods might help to conquer the problems.

The franchisee training program is a useful scheme and well worth continuing already because of its unique nature and contribution for the Finnish franchising sector. The program has served as a franchising information channel in Finland, where franchising is still rather poorly known and understood method of business. In addition, it has been a get-together venue for franchisors and potential franchisees in a market that lacks franchise fairs and expositions. The program provided the basics of franchising and small business ownership to the trainees and in that way assisted franchisors and allowed them to concentrate on system specific training with those who bought a franchise. Furthermore, the program has many significant indirect effects such as the franchise and stand-alone businesses established or bought as well as the revenue and jobs created by those companies. What is more, one of the

trainees who set up a franchise business is a master franchisee with nearly twenty additional franchised outlets.

Despite the many positive outcomes of the program, measuring its effectiveness is problematic. This is partly due to a lack of clearly set objectives. Therefore, a redesign of the program might enhance its status and be beneficial for all the parties involved directly and indirectly. Setting understandable, feasible and measurable objectives would be a good starting point. It should also be considered, whether the program could better target the knowledge and skills needs of an entrepreneur and/or a franchisee in today's uncertain and complex environment (Gibb 2002). Furthermore, motivational training might be a valuable additional aspect to the program to help the trainees to success (McClelland 1961; Timmons 1971; Miron and McClelland 1979).

Selection of the trainees could also be done more carefully. Their intentions, background and personal factors should be tested to confirm that favorable ingredients for becoming franchise owners exist. This might reduce the amount of trainees to some extent and thus, the training should be extended outside the three large cities. The programs should be started also elsewhere in Finland to increase the number of graduates and to balance the regional development. Especially areas with no large employer/s and a high density of entrepreneurial activity might provide a fruitful soil for extensions of the program (Stanworth et al.1989; Tervo and Niittykangas 1994). To conclude, the franchisee training program has been an applicable government financed small business policy activity and should be continued. It has served to satisfy the strong need for new franchisees and benefited the Finnish franchise sector as well as indirectly the economy through the established and continued businesses. With minor alterations its role and impact could be further increased.

Propositions for Future Studies

The study on the impacts of the franchisee training program is valuable and well worth continuing. The follow-up study could be carried on in three ways: those respondents who intended to become franchisees or entrepreneurs in future could be contacted to see whether they have been able to implement those intentions. Secondly, those respondents who were franchisees or entrepreneurs at the time of this study could be examined to find out the potential impact of the franchisee training program on the survival and success of those businesses. Thirdly, some interesting examples among those franchisees and entrepreneurs could be chosen for case-studies. The purpose of the case-studies would be to deepen the understanding on the process of becoming a franchisee or an entrepreneur (the motives) and whether the franchisee training program had an impact on the decision-making process and if so, what kind of impact.

Franchisors were not the focus of the current study and therefore it did not provide information on their opinions on the program and the trainees who completed the training. However, investigating the franchisors' point of view might provide very useful information for developing the program and help to gauge its effectiveness. Furthermore, no control group was employed which is a limitation of this study. The franchisee training program was an entrepreneurship education program and the participants were interested in making a career change. The program aimed at providing them information on one career option, being a franchisee. To overcome the lack of information from a control group at least to some extent, the results of the franchisee training program could be compared to the results of for instance, other government financed entrepreneurship education programs.

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Appendix 1

