

Ehsan Asgharian*, Misagh Tasavori and Jim Andersén Should Fast-Food Franchisees Pursue Entrepreneurial Orientation?

<https://doi.org/10.1515/erj-2019-0377>

Received December 18, 2019; accepted October 26, 2020

Abstract: Although it is widely accepted that entrepreneurial orientation (EO) improves firm performance, scholars have advised that particular attention should be paid to the context. In this research, we investigate a less explored context of franchising where business systems and procedures are usually dictated to franchisees by franchisors. Therefore, whether a franchisor should allow franchisees to pursue EO (innovativeness, proactiveness, risk-taking, competitive aggressiveness, and autonomy) is not clear. In the context of franchising, the majority of prior studies have mainly focused on the employment of EO as a unidimensional construct and at the franchisor level. In this research, we take a bottom-up perspective and evaluate the impact of different dimensions of EO on franchisees' performance. Our analysis of a multi-group of 183 restaurant franchisees located in Sweden and Iran reveals that only the pursuit of proactiveness and competitive aggressiveness improves a franchisee's performance and other dimensions do not play a significant role in improving performance in this context.

Keywords: entrepreneurial orientation, franchising, franchisee performance, restaurant industry

1 Introduction

In the last few decades, franchising has turned into one of the most popular business practices in many countries (Croonen and Brand 2015; Song 2019) as it can contribute to economic development (Calderón-Monge, Huerta-Zavala, and Ayup-González 2019; Rodríguez-Gutiérrez, Moreno, and Tejada 2015). Despite experiencing a high level of success and significant growth rates (Hsu and Jang

*Corresponding author: Ehsan Asgharian, PhD, Graduated from Linköping University, Linköping, Sweden, E-mail: ehsan.asgharian@staples-solutions.com

Misagh Tasavori, Graduate School of Management and Economics, Sharif University of Technology, Tehran, Iran, E-mail: mtasavori@sharif.edu

Jim Andersén, School of Business, University of Skövde, Skövde, Sweden, E-mail: jim.andersen@his.se

2009), there is now a critical mass of academic literature to demonstrate that failure rates in franchising are in fact very high (Stanworth et al. 2004).

One of the suggested solutions to enhance the survival rate of franchising and improve performance is the pursuit of entrepreneurial orientation (EO) (Ibrahim and Mahmood 2016; Seilov Galimzhan 2015). However, in the context of a franchising system, there is a question of whether entrepreneurial activities should be pursued by the franchisor, franchisee, or both (Combs, Ketchen, and Short 2011b). Although some scholars view entrepreneurial activities by the franchisee as a paradox (Dada, Watson, and Kirby 2012), several pieces of theoretical (Kaufmann and Dant 1999) and empirical research (Dada and Watson 2013b; Croonen, Brand, and Huizingh 2016) show that franchisees can also play an entrepreneurial role.

In a franchising system, a franchisor has to decide whether to standardize everything or support the entrepreneurial behavior of a franchisee with a strategy of adaptation (Cox and Mason 2007). At first, the franchisor usually adopts a standardization strategy to take advantage of economies of scale and cost minimization across a system (Cox and Mason 2007). After a while, each new franchised outlet deals with unique challenges and opportunities (Kaufmann and Eroglu 1999), and standardization across the system will frequently conflict with the different local market conditions (Sorenson and Sorensen 2001). Dealing with excessively heterogeneous market conditions and ignoring the franchisee's knowledge can infuse serious inertia into the system, and may also destroy the system's ability to function in a changing environment (Kaufmann and Eroglu 1999). Diverse geographical environments with different market and resource conditions impose constraints, and as a result some scholars suggest that franchisees should be entrepreneurially oriented to overcome their specific challenges (Cox and Mason 2007). Therefore, in contrast to other contexts, a key challenge in the franchising system is deciding whether entrepreneurial behavior of franchisees should be supported.

Notwithstanding the importance of EO in the survival and performance of firms (Saeed, Yousafzai, and Engelen 2014), there is an ongoing debate on how EO influences firm performance, and more specifically, if all dimensions of EO are equally important for performance (Lechner and Gudmundsson 2014; Lumpkin and Dess 1997). While Miller (1983) views EO as a unidimensional construct, Lumpkin and Dess (1996) suggest that EO is a multidimensional construct including risk-taking, innovativeness, proactiveness, competitive aggressiveness and autonomy, with each dimension representing a different and independent aspect (Rauch et al. 2009). Surprisingly, despite this suggestion, almost all studies in the franchising context have used a unidimensional measure (Dada and Watson 2013b; Maritz 2006). Using a single aggregate measure in EO may lead to a loss of accuracy (Sundqvist et al. 2012). Instead, a multidimensional perspective has the

advantage of allowing all dimensions of EO to vary independently and enables understanding of the individual influence of each EO dimension on performance (Lechner and Gudmundsson 2014). In fact, although all dimensions of EO may be beneficial, not all entrepreneurial efforts may enhance performance (Arshad et al. 2014; Hughes and Morgan 2007) or positively affect business outcomes (Boso, Oghazi, and Hultman 2017) in the specific context of franchising.

While performance in franchising mutually depends on both franchisor and franchisees, previous studies have focused more on franchisors than on franchisees, and most studies have tended to view the franchising system as a top-down relationship (Elango and Fried 1997). Yet, there is much to be learned from a franchisee perspective and from understanding if and how its EO can impact performance (Marnburg, Larsen, and Ogaard 2004). Therefore, in this research, we aim to answer the following question:

Does the EO (risk-taking, innovativeness, proactiveness, competitive aggressiveness and autonomy) of a franchisee improve its performance?

In this study, we collected data from 183 franchisees from a developed country, Sweden, and an emerging market, Iran, in fast food restaurants. Two heterogeneous countries were selected to strengthen the findings of our research and enhance its generalizability (Davidsson 2016; Riley, Scarpi, and Manaresi 2009). The multi-country sample increases confidence in the robustness of hypothesized relationships (Spicer and Bailey 2007).

This research makes several contributions to the EO and franchising literature in the service industry and offers critical insight to franchisor managers. First, our study investigates the EO-franchisee performance relationship from the multidimensional perspective of EO. Second, since previous franchising studies have mainly focused on franchisors rather than on franchisees (Combs et al. 2011a; Khan Muhammad 2013), our study extends this body of literature by investigating the role of EO in franchising. As the third contribution, because of the necessity of generalizability of franchising studies across countries (Combs et al. 2011a), we attempt to address cross-country validity of the EO scale (Runyan et al. 2012) in fast-food franchising.

2 Literature Review

2.1 Performance in Franchising

Performance in the franchising system has been studied from two different perspectives. First, some researchers have highlighted factors impacting franchisor performance or the franchising system as a whole (e.g., Calderon-Monge and

Pastor-Sanz 2017; Chaudey and Fadaïro 2010; Combs, Ketchen, and Hoover 2004; Ghantous, Das, and Chameroy 2018; Herz et al. 2016; Lee et al. 2015; Madanoglu, Lee, and Castrogiovanni 2011). At the system level, researchers have studied the impact of factors such as different management style (Peris-Ortiz, Willoughby, and Rueda-Armengot 2012), relational factors such as trust, satisfaction, and conflict (Calderon-Monge and Pastor-Sanz 2017; Ghantous, Das, and Chameroy 2018; Herz et al. 2016), contractual design (Chaudey and Fadaïro 2010) or knowledge complexity (Minguela-Rata, Lopez-Sanchez, and Rodriguez-Benavides 2009) on system performance. Second, other scholars have focused on the franchisee performance and have shed light on factors that can improve franchisee performance (e.g., Calderón-Monge, Huerta-Zavala, and Ayup-González 2019; Chien 2014; Dada, Watson, and Kirby 2012; Maritz 2006) which is the focus of this research. Factors impacting performance at the franchisee level can be classified into three groups. In the first category are those studies that have attempted to identify franchisor-related factors such as brand, provided services and system profitability that can impact on franchisee performance (e.g., Chiou and Droge 2015). In the second category are studies that have focused on relational factors such as trust, conflict, satisfaction and contract that might impact on franchisee performance (Brown and Dev 1997; Chiou and Droge 2015; Matthes and Saini 2012; Zhang, Feng, and Zhou 2011). Finally, several researchers have examined the franchisee-related aspects and have shed light on factors that might help franchisees to improve their performance (Felício et al. 2014; Merrilees and Frazer 2006). For example, Felício et al. (2014) show that the performance of franchisees is positively and strongly influenced by franchisee-based brand equity. Matthes and Saini (2012) have demonstrated that a franchisee's marketing commitment improves franchisee performance. In this research, we focus on this third category and investigate the impact of different dimensions of franchisees' EO on franchisee performance.

EO has been studied in franchisees previously (Calderón-Monge, Huerta-Zavala, and Ayup-González 2019; Croonen, Brand, and Huizingh 2016; Dada, Watson, and Kirby 2012; Maritz 2006; Merrilees and Frazer 2006). In a study by Merrilees and Frazer (2006), major contrasts have been identified between high and average franchisee performers; they reveal that entrepreneurial franchisees may have superior marketing and management systems that are not easily identifiable. Despite these studies including EO in their research, most of them have focused on factors impacting EO in franchisees, and investigating the impact of EO on franchisee performance has been very limited. Dada, Watson and Kirby (2012), for instance, by conducting qualitative research and using evidence from multiple case studies of UK-based franchisees, found that maximization of entrepreneurial behavior can impact outcomes such as business growth and market leadership.

Maritz (2006) compared the entrepreneurial orientation within a franchise system in Australia and New Zealand, and found that entrepreneurial orientation is critical to the survival and growth of organizations, notwithstanding the importance of economic advantage to prosperity. Chien (2014) studied 99 franchisees in Taiwan, and by taking a unidimensional perspective of EO, revealed that EO directly affects franchisee performance. Since the impact of different dimensions of EO on franchisee performance has not yet been examined, in this research we attempt to bridge this gap.

2.2 Entrepreneurial Orientation

The concept of entrepreneurial orientation was first coined by Miller (1983). He defined entrepreneurial companies as “those that are geared towards innovation in the product-market field by carrying out risky initiatives, and which are the first to develop innovations in a proactive way in an attempt to defeat their competitors” (Miller 1983, p. 771). Based on this definition, he proposed that EO consists of three dimensions of innovativeness, risk-taking and proactiveness. Over the years, two additional dimensions of competitive aggressiveness and autonomy were also identified as indicators of EO (Lumpkin and Dess 1996). Lumpkin and Dess (1996) explain that firms that are entrepreneurially oriented are willing to perform autonomously, tend to innovate and take risks, and have a propensity to be aggressive toward rivals and proactive in response to opportunities.

There has not been consensus on the dimensionality of EO. While some scholars have revealed the inter-correlation between dimensions of EO and have considered it as a unidimensional construct (Bhuan, Menguc, and Bell 2005; Knight 1997; Richard et al. 2004; Tan and Tan 2005; Wiklund and Shepherd 2003), others have provided a different perspective. They have explored the independence of these dimensions from each other and have confirmed that a company might possess any of them independently (Casillas and Moreno 2010; Covin, Green, and Slevin 2006; Lumpkin and Dess 2001; Lyon, Lumpkin, and Dess 2000; Wiklund and Shepherd 2005). As a result, they have suggested that each dimension of EO might have a different impact on firm performance (McKenny et al. 2018; Stetz et al. 2000). Following Lumpkin and Dess (1996), we also conceptualize EO with the five dimensions of risk-taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy (Rauch et al. 2009).

2.3 Theoretical Background

We study the EO in franchising by drawing on the resource-based view (RBV). The RBV helps to understand the mechanism through which resources and capabilities enable firms to achieve a sustained, superior performance. In fact, many scholars (Brouthers, Nakos, and Dimitratos 2015; Wiklund and Shepherd 2003; Zhao et al. 2011) have built their arguments upon the RBV (Barney 1991) to elaborate on the benefits of EO. According to this theoretical perspective, resources and capabilities that are valuable, rare, inimitable and non-substitutable (VRIN) enable firms to deploy them in an appropriate market environment (Boso et al. 2013) and achieve sustained competitive advantage (Barney 1991). Resources can be “assets, capabilities, organizational processes, firm attributes, information, knowledge, etc.” (Barney 1991, p. 101). ‘Capabilities’ are related to managerial processes that support better utilization of resources (Brouthers, Nakos, and Dimitratos 2015; Eisenhardt and Martin 2000).

Built upon this theoretical perspective, EO is viewed as the type of organizational capability that enables VRIN resources to be fully exploited, and allows advantage to be taken from such key resources (Wiklund and Shepherd 2003). EO as a capability can help firms to organize resources, and can affect the feasibility of exploiting the competitive potential of a firm’s resources and competencies (Wiklund and Shepherd 2003). A capability such as EO (Bucktowar, Kocak, and Padachi 2015) enables companies to discover and exploit opportunities (Ibrahim and Mahmood 2016), and achieve competitive advantage (Brouthers, Nakos, and Dimitratos 2015; Gupta, Dutta, and Chen 2014). EO in a firm supports the development of new ideas to produce new products, and allows firms to use the same resources differently to produce heterogeneous outputs, and consequently increase a firm’s competitive performance (Bucktowar, Kocak, and Padachi 2015). Built upon this theoretical perspective, in the hypotheses below we elaborate on how each dimension of EO (risk taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy) can act as a capability that improves franchisee performance.

3 Hypotheses Development

3.1 Risk-Taking and Franchisee Performance

We posit that risk-taking is a capability that improves franchisee performance. Risk-taking denotes a firm’s willingness to employ resources for activities and strategies where the outcomes might be unknown or unexpected, or the cost of

failure high (Walter, Auer, and Ritter 2006). In particular, willingness to take risks contributes to firms' desire to develop and deploy new ideas to deliver a product (Jambulingam, Kathuria, and Doucette 2005) which can then enhance its performance (Eisenhardt 1989). Prior research has also corroborated that when managers allocate substantial resources to projects with higher levels of risk, they will have more commitment to gain positive outcomes (Shan, Song, and Ju 2016; Yang and Ju 2017). Commitment of top managers has also been identified as a capability that can improve firm performance (Amir and Chaudhry 2019).

Although doing business under a franchise system reduces risk, it never completely eliminates the risk for franchisees. Franchisees have to take some levels of risk for functions beyond the franchise's routine (Ketchen, Short, and Combs 2011). Every franchised outlet has to deal with unique challenges that might create unique risks for them (Dada, Watson, and Kirby 2012). Franchisees, as those responsible for outlet performance, are faced with risks associated with identifying new markets and developing new activities in their markets (Kaufmann and Dant 1999). Thus, franchisees devote their resources to the development of local markets that are uncertain (Kaufmann and Dant 1999). Even so, the franchisor, due to the franchisees' local expertise and information, usually asks them to develop marketing programs (Kaufmann and Dant 1999). Franchisees may also engage in risk by trying out franchisor's new untested products or business systems on a new local market (Kaufmann and Dant 1999; Wiklund and Shepherd 2005), which might lead to uncertain outcomes (Kaufmann and Dant 1999).

Prior studies have corroborated that risk-taking can improve firm performance (Casillas and Moreno 2010; Gibb and Haar 2010; Okangi 2019; Wang and Yen 2012). For example, Gibb and Haar (2010) found that New Zealand firms that engage in higher levels of risks can earn better financial rewards. Similarly, the positive association between risk-taking and firm performance was corroborated in the context of Taiwanese firms (Wang and Yen 2012). In fact, those companies that have taken the risk of allocating more resources to projects with potentially higher risks have been able to benefit from higher outcomes (Basco, Hernández-Perlines, and Rodríguez-García 2020; Casillas and Moreno 2010; Eggers et al. 2020; Okangi 2019). The willingness to take a risk can provoke a firm to be active and challenge inertia (Li, Huang, and Tsai 2009), while being risk-averse might disorder the performance, particularly in a changing environment. Although committing resources to an uncertain project may involve some risks, studies have demonstrated that the franchisees' desire to tolerate risks in taking advantage of entrepreneurial opportunities generates high returns in the long-term (Dada, Watson, and Kirby 2012). Therefore, we suggest:

H1: *The franchisee's risk-taking enhances franchisee's performance.*

3.2 Innovativeness and Franchisee Performance

In this section, we first define innovativeness and explain how innovativeness as a capability can improve a firm's performance. The innovativeness dimension of EO refers to a top manager's willingness to embrace novel ideas and employ innovative solutions when facing challenges. Innovativeness fosters creativity through the introduction of new services and processes (Merrilees and Frazer 2006). This is a reflection of a firm's ability to face new opportunities, and emphasizes a firm's capability of exploring new possibilities (Rigtering et al. 2014). Developing a new process or providing new services generates competitive advantage for firms (Hult, Hurley, and Knight 2004) which can then enhance a firm's performance (Bello et al. 2016; Hult, Hurley, and Knight 2004). Innovative capabilities help firms to explore new ideas, and search for new ways to solve problems (Brouthers, Nakos, and Dimitratos 2015). Innovativeness also improves a firm's position in the local market and improves the quality of their products and services (Okangi 2019) which can increase their sales (Exposito and Sanchis-Llopis 2018).

In the context of franchising, innovation is primarily under the control of the franchisor (Maritz 2006). It is usually the franchisor that innovates brands, products, business systems and processes (Ketchen, Short, and Combs 2011). However, after the introduction of a new franchisor's product or concept, franchisees can still engage in innovative behaviors (Flint-Hartle and de Bruin 2011). Franchisors usually standardize the core components and allow franchisees to develop the capability to adapt their product/service to local market needs (Flint-Hartle and de Bruin 2011) which can improve profitability (Brouthers, O'Donnell, and Keig 2013). Information about the market and the development of new information and knowledge is the core of innovation (Combs et al. 2011a). In the context of franchising, it is franchisees that have knowledge about their local markets where they are doing business (Seawright et al. 2013). Franchisees can scan the environment and recognize the needs and demands of external players which have been proved to play a critical role in innovation (Miller and Friesen 1982). Therefore, in order to improve franchisees' performance, franchisees should be innovative by employing their local knowledge and responding to local needs of customers (Dada, Watson, and Kirby 2012). Commitment to innovative services or processes enables firms to renew their operations and improve their profitability (Lumpkin and Dess 1996). Innovative competences are rooted in context and cannot be easily imitated in the company; hence they are viewed as a source of competitive advantage (Li, Huang, and Tsai 2009). Accordingly, we hypothesize the following:

H2: *The franchisee's innovativeness improves franchisee's performance.*

3.3 Proactiveness and Franchisee Performance

Proactiveness refers to the firm's capability to recognize opportunities and predict the customer and market's future needs sooner than its competitors (Brouthers, Nakos, and Dimitratos 2015; Rauch et al. 2009). Proactive firms scan and monitor the trends, and by focusing on current problems and anticipating future changes strive to effectively identify opportunities (Dess and Lumpkin 2005). Anticipation of direction of market needs then enables proactive firms to equip themselves with the required resources and capabilities that might be needed to respond and seize opportunities (Kreiser, Marino, and Weaver 2002; Lumpkin and Dess 1996; Okangi 2019) which can improve firm performance (Miocevic and Morgan 2018; Zaefarian et al. 2020). Proactiveness also brings brand recognition, enhances a firm's market share, and helps the firm to change the nature of competition in the industry and shape the direction of the market environment in the long term (Rigtering et al. 2014). Proactive firms are thus first movers (Lechner and Gudmundsson 2014; Lumpkin and Dess 1996) that can benefit from their advantages by acting upon opportunities, introducing and selling new products and consequently improving their performance (Becherer and Maurer 1999; Casillas and Moreno 2010; Crant 1995; Lumpkin and Dess 1996).

Taking the initiative by anticipating and pursuing new business opportunities enables firms to gain a strong competitive lead (Wiklund and Shepherd 2005) and secure first-mover advantage (Nadkarni, Chen, and Chen 2016). Proactive firms will also be able to target premium market segments (Arshad et al. 2014), improve their competitive position, and eventually enhance their performance (Dess and Lumpkin 2005). Moreover, a forward-looking perspective will also help the firm to change the nature of competition in the industry (Dess and Lumpkin 2005) and shape the direction of the market environment in the long term (Hughes and Morgan 2007). Similarly, in the context of franchising, a forward-looking perspective enables firms to explore opportunities; in doing so, proactiveness helps franchisees to be the first in the local market with new products and services and keeps the outlet a step ahead of less responsive competitors (Dai et al. 2014).

Doing business in local markets allows franchisees to learn about changes in the domestic market environment as well as customer preferences. Being knowledgeable about current and future customer preferences then enables firms to proactively identify opportunities and initiate actions against competitors (Venkatraman 1989). Franchisees can then not only respond to these needs as much as their franchising system allows but they can also inform the franchisor about the potential opportunities, allowing them to take appropriate actions accordingly (Watson et al. 2017). It has also been corroborated that franchisees' proactiveness

increases their receptiveness to market signals and awareness of customers' needs (Jambulingam, Kathuria, and Doucette 2005) which can consequently contribute to better firm performance (Dada and Watson 2013b). Accordingly, we hypothesize the following:

H3: *The franchisee's proactiveness improves franchisee's performance.*

3.4 Competitive Aggressiveness and Franchisee Performance

Entrepreneurs who run a small business need to compete intensively and establish power relative to competitors (Lumpkin and Dess 1996). Competitive aggressiveness as a dimension of EO can also be a capability that refers to the intensity with which a firm directly challenges competitors to outperform rivals and improve its position (Jambulingam, Kathuria, and Doucette 2005; Lumpkin and Dess 1996). It establishes the ability of firms to take a strong combative position or aggressively respond to competitive threats (Jambulingam, Kathuria, and Doucette 2005; Lumpkin and Dess 2001; Rauch et al. 2009).

Several studies have shown a positive effect of competitive aggressiveness on firm performance in other contexts (Andrevski et al. 2010; Chen, Lin, and Michel 2010; Lumpkin and Dess 2001; Nadkarni, Chen, and Chen 2016). Ferrier (2001) reports that firms that undertake more actions and respond to competitive challenges more quickly experience better performance. Competitive aggressiveness not only makes it hard for competitors to predict the firm's future actions; it also undermines competitors (Hughes and Morgan 2007; Lumpkin and Dess 2001). Given their competitors' strengths and weaknesses, firms with competitive aggressiveness will constantly exploit market information and use unconventional surprise tactics to improve their performance (Rigtering et al. 2014). A strong, competitively aggressive stance gives a firm the ability to be a decisive player in the market and act forcefully to secure or improve its position (Lumpkin and Dess 1996). It also helps firms to take new, competitive action ahead of rivals through intensive learning and acquiring real-time information (Andrevski and Ferrier 2019). However, competitors can quickly neutralize the effect of each individual action by an aggressive series of competitive actions and by quickly launching new actions help firms outcompete rivals and benefit from a competitive advantage (Andrevski and Ferrier 2019) and consequently better firm performance.

Similarly, as the RBV suggests (Barney 1991), development of competitive aggressiveness capability in franchisees can give them competitive advantages and help them to improve their performance. Franchisees do their business in

different local markets and each outlet should be able to compete with local competitors and respond to their strategies. Therefore, competitive aggressiveness enables the franchisees to make quick decisions and aggressively compete by implementing strategies (Richard et al. 2004). Firms with a competitive aggressive orientation also spend more aggressively on marketing, product service, and quality, to respond to competitive threats (Lumpkin and Dess 1996). Franchisees' competitive aggressiveness helps the system to continually evaluate local competitors and design their strategies in a way to be more successful (Watson et al. 2017). Thus, through taking an aggressive posture, firms will be able to preserve and improve their performance (Paik and Choi 2007). Based on the above arguments, we propose that:

H4: *The franchisee's competitive aggressiveness improves franchisee's performance.*

3.5 Autonomy and Franchisee Performance

Built upon the RBV (Barney 1991), we also posit that the autonomy dimension of EO can be considered as a capability which can contribute to a better firm performance. Autonomy is defined as a firm's ability and willingness to undertake an independent entrepreneurial action in pursuit of market opportunities (Rauch et al. 2009). This is related to a firm making quick and self-reliant decisions in dealing with challenges (Sanghavi 1998). Development of autonomy in an organization encourages employees to develop new ideas and seize opportunities which are necessary for an entrepreneurial firm (Lumpkin and Dess 1996). In addition, pursuit of autonomy allows employees to be flexible and be able to proactively respond to the environmental changes which can contribute to a better firm performance (Hughes and Morgan 2007). It helps firms acquire information and react in a timely manner to match innovative services with customers' needs which can then bring enhanced performance (Yang and Ju 2017). Zheng, Parboteeah and Lumpkin (2019) also show that in a dynamic environment, autonomy allows managers to better exploit opportunities which will improve their firm performance.

In the context of franchising, franchisees are given some degrees of autonomy that encourage entrepreneurial behaviors in their business unit (Watson et al. 2017) which enable them to take advantage of opportunities (Dada, Watson, and Kirby 2012). Dependency and autonomy are the key challenges in a franchisee-franchisor relationship (Paik and Choi 2007). In spite of the dependency of a franchisee on a franchisor, as independent small business owners, franchisees still

have a quest for autonomy to carry out their own decisions and apply their experience and knowledge in their outlets (Paik and Choi 2007).

Cochet, Dormann and Ehrmann (2008) suggest that franchisors need to grant autonomy to franchisees. Similarly, built upon the stewardship perspective, Watson et al. (2017) argue that delegating autonomy to franchisees will lead to positive outcomes. Firms, as product champions, should have the autonomy to move beyond the usual organizational lines of authority, carry out new ideas (Lumpkin and Dess 1996) and develop new products (Jambulingam, Kathuria, and Doucette 2005), which can give them first-mover advantage (Barney 1991). Constrained franchisees will most likely fail in undertaking the required actions when problems occur in local markets or when the firm needs to respond quickly to environmental change (Dant and Gundlach 1999). Autonomy helps franchisees in the ‘creation of new strategies and new solutions to existing problems’ (Phan, Butler, and Lee 1996, p. 382). Autonomous franchisees engage more in entrepreneurial behavior (Croonen, Brand, and Huizingh 2016) and their entrepreneurial efforts are likely to be beneficial (Dada and Watson 2013a). Pursuit of autonomy also enhances performance by making firms quicker and more flexible (Kallmuenzer and Peters 2018). Therefore, it is proposed that:

H5: *The franchisee’s autonomy improves franchisee’s performance.*

A summary of all the hypotheses is shown in Figure 1.

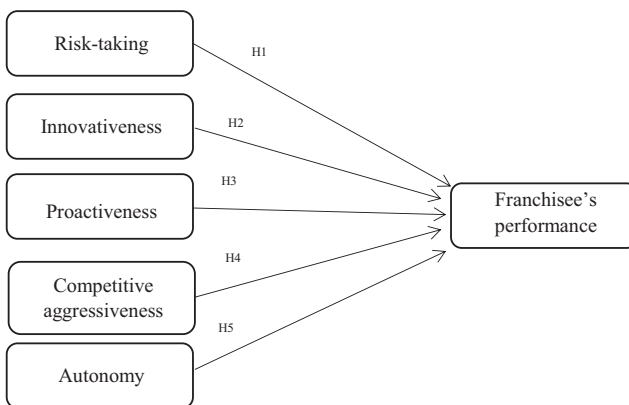


Figure 1: Conceptual model.

4 Methodology

4.1 Data Collection

Given the dominance of the franchising system in the restaurant industry section (Ozdemir 2017; Song 2019), in this study we focus on the fast-food section in the restaurant industry. Data was collected from a single industry to control for industry-specific factors that might affect the firms' conditions (Michael and Combs 2008).

While most of the previous studies in EO and franchising have been carried out in developed countries, developing countries and emerging markets have received less attention (Runyan et al. 2012). We followed Davidsson (2016) recommendation for replication of prior research about EO in the franchising context and conducted this research in two distinct countries: Sweden and Iran.

Sweden, as a developed country, had a gross domestic product (GDP) of 538 billion USD in 2017. According to the HUI¹ research, in 2014 Sweden had more than 680 franchising systems with more than 30,000 franchised outlets, and less than 9% of them were in the hotel and restaurant section² (HUI 2015). Swedish franchised outlets have an approximately 227 billion SEK (about 30 billion USD) turnover.

Iran is the second-largest economy in the Middle East and North Africa region after Saudi Arabia, with a GDP of 439 billion USD in 2017. It also has the second-largest population of the region after Egypt, with 78.8 million people in 2015 (Nadler and Kani 2017). It is estimated that 20,000 fast food establishments are operating in Iran, predominately in Tehran. Franchising is a relatively new business concept in Iran but has been increasingly expanding into the restaurant industry (Mahdiani 2014). Like other countries, fast food and business services account for the major part of franchising in Iran (Babakhani et al. 2016).

We gathered data from franchisees in Sweden and Iran from May to July 2014. The primary means of data collection involved a mailed questionnaire. The survey, originally developed in English, was translated into Persian and Swedish and then back-translated into English to avoid translation errors and to make sure that the intended meanings of the questions were maintained (Hong, Yang, and Dobrzynski 2014).

To create a dataset of the population of franchisees in Sweden and Iran, first a variety of publicly available databases including franchising associations in Sweden were used to find the franchising system in the fast food industry. Since

¹ Handels Uredningsinstitut.

² Including all gas stations, the postal services and car dealers, and other sections.

there are no formal statistics about the franchise system in Iran, we started with the most well-known franchise systems and then used snowball techniques to find other franchise systems (Altinay, Brookes, and Aktas 2013). This technique is quite common in less developed countries where a comprehensive dataset does not exist (Altinay, Brookes, and Aktas 2013). We also completed our dataset by carrying out some web searches to identify less well-known franchise systems. This resulted in an initial population of 473 Swedish and 376 Iranian franchisees. The questionnaire was mailed to the franchisees in Sweden with a covering letter explaining the research project. Following two reminders after three and six weeks, a total of 63 usable questionnaires were received, comprising a response rate of 13.4% in Sweden. We collected data in Iran through a questionnaire administered on-site due to the advantages of face-to-face interviews (Mitchell et al. 2016). Trained interviewers in Iran collected questionnaires from all franchisees of a randomly selected sample from the population. We selected a sample of the population because of the time and budget limitations. Data was collected from 128 franchisees, 8 of which were eliminated in the data cleaning process, leading to 120 usable questionnaires. In total, 183 usable questionnaires were used, resulting in a total response rate of 22.2%. The response rate compares favorably with prior studies on franchise systems such as Chien (2014), and Huang, Phau and Chen (2007). In this study, the franchisees were asked to answer the questionnaire using key informants (Dada and Watson 2013b) who were able to provide the required information about the franchised outlet.

4.2 Variables and Measures

All measures were adopted from previous studies, and all constructs were assessed using a seven-point Likert-type scale. One of the major challenges in franchising research relates to the financial implications and knowing the franchisees' performance data (Combs et al. 2011a; Huang, Phau, and Chen 2007). Prior studies have corroborated that there is a strong correlation between objective and subjective performance indicators (Gorovaia and Windsperger 2013), therefore in this research we employed subjective measures. Also, as is indicated by Rauch et al. (2009:77), "self-perceived performance measures clearly dominate EO research". Therefore, performance was measured as suggested by Dada and Watson (2013b) (see Appendix 1 for the list of all items).

For EO, we focused on its dimensions of risk-taking, innovativeness, proactiveness, autonomy, and competitive aggressiveness. Questions for measuring these constructs were adapted from Hughes and Morgan (2007), Lumpkin and Dess (2001), and Eggers, Hansen and Davis (2012) (see Appendix 1).

In this study, we have controlled several variables due to their impact on franchisee performance. The type of industry may impact the franchisee's performance. Therefore, consistent with prior research (Dada and Watson 2013b), industry was controlled for by focusing on only one industry, the fast-food industry. Number of franchisee outlets (Clarkin and Rosa 2005), franchisees' business age, and franchise owners' education level (Lechner and Gudmundsson 2014) are also among those influential factors that were controlled for in the study. The number of outlets refers to the number of outlets that franchisees own or manage. Prior research has revealed that the number of outlets positively impacts performance (Clarkin and Rosa 2005). Business age, which refers to the number of years that franchisees have been active in their franchising system, has also been shown to be important for performance (Lechner and Gudmundsson 2014). Education level in the study was measured as the number of years of study (Davidsson and Honig 2003) and has been proven to positively impact performance. Environmental competitiveness has also been shown to negatively impact the performance (Kraus et al. 2012), and has been controlled for. The scales for environmental competitiveness were adopted from Jansen, Bosch and Volberda (2006) and are measured by the extent to which a unit's external environment is characterized by intense competition (see Appendix 1). Finally, since we performed the study in two different countries, we control for the country in our analysis.

Samples in Iran were selected by random sampling, and interviewers collected data face to face from them. Therefore, non-response bias in Iran's sample is not an issue in interpreting the findings of the study. In Sweden, using *t*-tests, a non-response analysis was conducted by comparing early versus late responses, with late respondents assumed to be similar to non-respondents (Simsek, Veiga, and Lubatkin 2007). There were no statistically significant differences ($p > 0.1$) in the mean responses for the constructs.

All respondents remained anonymous to reduce evaluation apprehension (Podsakoff et al. 2003). We also tested for common method bias, as suggested by Podsakoff et al. (2003). Harman's single-factor test showed no single factors accounting for most of the variance in these variables (single factor accounted for less than 33% of the total variance). Moreover, we carried out a confirmatory factor analysis with Amos 22, and integrated a "latent common method factor" on which all items were loaded in addition to their substantive construct (Podsakoff et al. 2003). Then, we carried out the chi-square difference test between an unconstrained model and a model where all paths from common latent factor to observed items are constrained to zero. The non-significant chi-square difference shows that common method bias is not a concern in this study (unconstrained chi-square = 236, $df = 147$; fully constrained chi-square = 316, $df = 168$, p -value > 0.1).

5 Analysis and Results

5.1 Construct Measurement and Analysis

To evaluate the construct measurement, confirmatory factor analysis was performed for each country separately. Items with low factor loadings were sequentially removed, starting from the item with the lowest loading. This resulted in removing one item from risk-taking and one item from autonomy in each country. The removed items with the low factor loading were the same items across countries. After repeating the analysis, the loading factors of all remaining items were greater than 0.6 in both countries. The CFA model fits were also acceptable (Iran: $\chi^2/df = 1.73$, CFI = 0.927, RMSEA = 0.07; Sweden: $\chi^2/df = 1.50$, CFI = 0.91, RMSEA = 0.09). A key reason for the poorer fit of the model on the Sweden sample might be related to the small sample size in which the number of observations per estimated parameter is very low (Antoncic and Hisrich 2001).

Then, we evaluated the construct validity and reliability in each country separately. Convergent validity in this study was assessed by examining individual item loadings and the average variance extracted (AVE). After removing the items, the loading factor in all remaining items was greater than 0.6 and the AVE surpassed the recommended threshold of 0.5 for each construct, supporting convergent validity (see Appendix 1) (Malhotra and Dash 2011). Moreover, since the intercorrelations between all the pairs of constructs were less than the square root of the AVE estimates of them, the discriminant validity between each of the two constructs was not violated (Henseler, Ringle, and Sarstedt 2015). Composite reliability in all the constructs was also well beyond the threshold of 0.7, indicating their reliability for testing the hypotheses (Hair et al. 2010) (see Table 1).

5.2 Measurement Invariance

Since the study was conducted in two countries, to ensure that the measurements had an equivalent representation in Sweden and Iran and that the constructs were cross-nationally invariant (Steenkamp and Baumgartner 1998), a multi-group confirmatory factor analysis and the chi-square difference test were conducted (Laukkanen et al. 2013). To test the multigroup invariance test, we first tested the configural invariance. Following Byrne (2016), without imposing any constraint on parameters, multigroup model testing for configural invariance revealed an acceptable fit of the model ($\chi^2/df = 1.55$, CFI = 0.923, RMSEA = 0.055). Thus, configural invariance is achieved in Iran and Sweden.

Table 1: Means, standard deviation, correlations and construct measurements in Iran sample.

	Means	SD	CR	AVE	1	2	3	4	5	6	7	8	9	10
Performance	4.81	1.13	0.885	0.659	0.81√									
Risk taking	4.68	1.46	0.894	0.809	0.175	0.9√								
Innovativeness	5.00	1.13	0.871	0.693	0.117	0.24**	0.83√							
Proactiveness	4.92	1.32	0.907	0.766	0.42**	0.43**	0.46**	0.87√						
Competitive aggressiveness	5.02	1.23	0.880	0.710	0.37**	0.45**	0.36**	0.65**	0.84√					
Autonomy	4.56	1.54	0.891	0.804	0.12	0.20*	0.26**	0.23*	0.16	0.9√				
Environmental competitiveness	5.26	1.33	0.901	0.696	0.09	0.18	0.33**	0.30**	0.37**	0.18	0.83√			
Number of outlets	1.55	1.32	na	na	0.23*	0.23**	0.004	0.17	0.05	0.11	0.09	na		
Education level	14.3	2.11	na	na	0.146	-0.17	0.02	0.0	-0.003	-0.20*	0.02	-0.02	na	
Business age	4.78	2.87	na	na	0.01	0.12	-0.03	0.05	0.11	0.08	0.09	-0.03	-0.07	na

Means, standard deviation correlations and construct measurements in Sweden sample

Performance	4.78	1.28	0.935	0.78	0.88√									
Risk taking	4.11	1.29	0.790	0.65	0.18	0.80√								
Innovativeness	4.76	1.03	0.803	0.580	0.37**	0.42**	0.76√							
Proactiveness	4.84	1.26	0.926	0.81	0.63**	0.25*	0.48**	0.9√						
Competitive aggressiveness	5.06	1.18	0.856	0.66	0.56**	0.24	0.33**	0.62**	0.81√					
Autonomy	4.09	1.49	0.832	0.71	0.185	0.4**	0.31**	0.311*	0.12	0.84√				
Environmental competitiveness	5.86	1.01	0.875	0.64	0.07	0.38**	-0.03	0.11	0.25**	0.023	0.8√			
Number of outlets	1.63	0.091	na	na	-0.06	0.13	-0.215	-0.21	-0.20	0.29*	0.25	na		
Education level	12.63	1.47	na	na	0.05	-0.16	-0.03	-0.04	-0.15	-0.2	-0.03	-0.02	na	
Business age	8.4	3.21	na	na	-0.0	0.25*	0.09	0.04	-0.03	0.18	0.03	-0.03	0.14	na

√: Square roots of AVE estimates are on the diagonals; na, not applicable. Correlation is significant at the 0.01 level (2-tailed). * $p < 0.05$, ** $p < 0.01$.

Next, to check the metric invariance we tested the multigroup model by assigning equality constraints on parameters, and the unconstrained model was compared with the fully constrained model. It reveals the fit of this model to be consistent with that of the configural model ($\chi^2/df = 1.52$, CFI = 0.924, RMSEA = 0.054). The chi-square difference test between the constrained and unconstrained model was not significant ($\Delta\chi^2 = 22$, $\Delta df = 22$, p -value = 0.46), and the Δ CFI value (Δ CFI = 0.001) is less than the 0.01 cut-off point proposed by Cheung and Rensvold (2002), which indicated invariance between the two countries at the model level.

After ensuring the measurement invariance, we then combined the data and re-examined the factor loadings and measurement validity and convergent validity, as presented in Appendix 2 and Appendix 1, respectively.

5.3 Path Estimates

After ensuring construct validities and invariant measurement, we aggregated the data from the two countries and estimated the hypothesized model by using a Structural Equation Model (SEM) with Amos 22. Table 1 provides the means, standard deviations, and correlations for the study variables. About 55% of respondents in Iran and 25% of those in Sweden had a university education. Regarding gender, 92% of the respondents in Iran were male, compared to 72% of the respondents in Sweden. Average number of outlets for every franchisee was 1.55 in Iran and 1.66 in Sweden. Franchisee owners in the Iran sample studied 14.6 years and in Sweden franchisee studied 12.63 years. Average business age for the Iran sample was 4.78 years and for Sweden was 8.4 years. About 80% of the franchised outlets in Iran and 84.6% of those in Sweden were managed by the owners themselves.

Table 2 presents the results of the hypothesis testing, along with parameter estimates, their corresponding t -values, and the fit statistics. As Table 2 shows, we analyzed the model quality and achieved a reasonably good fit ($\chi^2/df = 1.76$, CFI = 0.922, TLI = 0.9, RMSEA = 0.067).

The results suggest that risk-taking has no effect on franchisees' performance in the model. Thus, H1 is rejected. Similarly, H2 is rejected, as the effect of innovativeness on performance is non-significant. Proactiveness has a significant positive effect on franchisees' performance, supporting H3. The findings show that competitive aggressiveness has a significant positive effect on performance, confirming H4. Finally, H5 is rejected, as the effect of autonomy on performance is non-significant. Moreover, as a post hoc analysis we analyzed the EO constructs on franchisee performance in both countries to see if there were any differences.

Table 2: Path estimate at the model level.

Path direct effect			
Control variables		Std. estimate	CR
	Education level → performance	0.154	2.23
	Number of outlets → performance	0.133	2.09
	Business age → performance	-0.021	-0.44
	Country → performance	0.10	1.4
	Environmental competitiveness → performance	-0.12	-1.8
Hypotheses			
H1	Risk-taking → performance	-0.063	-0.73
H2	Innovativeness → performance	-0.062	-0.76
H3	Proactiveness → performance	0.34	2.88
H4	Competitive aggressiveness → performance	0.36	3.1
H5	Autonomy → performance	0.09	1.23
		$\chi^2/df = 1.76$, CFI = 0.92,	
		RMSEA = 0.067,	
		SRMR = 0.06	

Overall, the results suggest that all the franchisees' EO dimensions relate to performance in a similar vein in both countries. Country as a control variable, also, has no effect on franchisees' performance. Our research also illustrates that the impacts of number of outlets and level of education of owner of franchisee on franchisee's performance are significant (see Figure 2), while the impact of other control variables such as environmental competitiveness, and franchisee's business age on franchisee performance are not significant (see Figure 2).

6 Discussion and Conclusion

In this research, we endeavored to reveal the impact of EO dimensions on franchisees' performance, in two different countries, Sweden and Iran. Our findings illustrate that development of risk-taking, innovativeness and autonomy capability by a franchisee does not improve franchise's performance. In fact, it is only the employment of proactiveness and competitive aggressiveness capabilities that can help a franchisee to enhance the performance, which will be discussed below.

First, our findings reveal that the *risk-taking* of franchisees does not impact their performance which contradicts prior studies in other contexts (Casillas and Moreno 2010; Gibb and Haar 2010; Okangi 2019; Wang and Yen 2012). Our contradictory result might be because of the lower significance of risk-taking

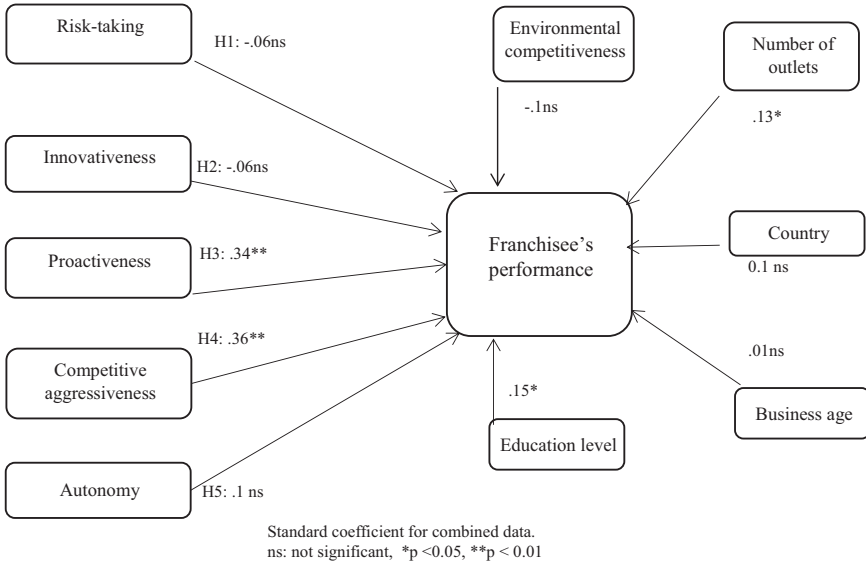


Figure 2: Empirical model.

capability of franchisees. While the creation of a new venture might require development of risk-taking capability (Su, Xie, and Li 2011), in the context of franchising, franchisor takes the majority of risks. In fact, when a franchisee is developing a franchised system in a local market, the amount of risk involved might be relatively lower compared to starting a new business idea (Ketchen, Short, and Combs 2011). Prior research has also shown that franchisees go after a ‘franchised outlet’ rather than starting a totally ‘new business’ because of the lower ambiguity and risk involved in these types of businesses (Ribeiro and Akehurst 2014). Song (2019) has also shown that local market conditions and geographical diversity do not increase the amount of risk involved in starting a restaurant.

In this research, we also show that *innovativeness* does not impact franchisee performance, which is not aligned with prior studies (Bello et al. 2016; Hult, Hurley, and Knight 2004; Kallmuenzer and Peters 2018). Our results can be explained by considering two factors. First, innovation comes in several forms, and can be viewed along a continuum, ranging from minor adjustments in new product lines or advertising, to the introduction of the latest new products or radical technological advances (Arshad et al. 2014). Innovation in hospitality such as the fast-food industry is incremental in nature, which refers to increased productivity, quality improvements or training of staff (Pikkemaat and Peters 2006). In fact, it is different from radical innovations that happen in other industries such as

manufacturing (Pikkemaat and Peters 2006). Second, innovation capability in a franchise system is primarily developed and controlled by franchisors (Maritz 2006). Although franchisors need to exploit franchisee innovation, they still endeavor to maintain system control and uniformity (Dada, Watson, and Kirby 2012). Therefore, franchisees might be allowed to engage in less pivotal innovation which might be the reason that their innovativeness does not improve their performance.

Autonomy is one of the most challenging issues in franchising (Gilbert and Sutherland 2013). Despite a franchisor's desire to standardize and control everything throughout the system, franchisees who have paid money for the business like to be autonomous and apply their ideas to the business (Dant and Gundlach 1999). However, a franchising system makes the franchisees more conservative in executing their own ideas. We argue that in a franchising context within a highly standardized system, the franchisee must first consult with the franchisor, and then implement their ideas. In fact, franchisees' autonomy in a franchise system is controlled by the franchisor, and since franchisors set the rules for all franchisees, the franchisee's capability for autonomy has not improved franchise performance.

Consistent with previous studies in the entrepreneurship literature (Dai et al. 2014; Hughes and Morgan 2007; Kreiser et al. 2013; Lumpkin and Dess 1997), this research reveals that higher *proactiveness* in the franchised outlet improves its performance. In the fast-food industry, customers' preferences constantly change (Paik and Choi 2007). Therefore, development of a proactive capability enables franchisees to anticipate and identify new trends, and introduce new *services* and marketing ahead of competitors (Dai et al. 2014). By taking advantage of emerging opportunities sooner than others, a proactive firm will be placed in a favorable position within the market (Kreiser et al. 2013; Lumpkin and Dess 2001) which can improve its performance. It should be noted that our results contradict the findings of some scholars such as Kraus (2013) who found that being proactive does not seem to affect the performance of service firms.

Consistent with previous literature in other contexts (Ferrier 2001; Nadkarni, Chen, and Chen 2016), the findings in this study show that development of *competitive aggressiveness* capability in franchisees improves their performance. Yet, the findings are in contrast with the research of Derfus et al. (2008) which indicate that aggressive competitive activity ultimately has a negative impact on performance. In a restaurant business, as one of the most competitive industries (Vukasovič 2012), franchisees are responsible for their performance (Cox and Mason 2007), and those with the propensity to act aggressively towards rivals can improve their performance (DiVito and Bohnsack 2017). Those franchisees who continuously assess competitors and exploit market information will be better able to use creative tactics to compete with rivals (Kaufmann and Eroglu 1999). They

will also target their rivals' weaknesses, and through undermining their competitors' abilities, improve their own performance. Development of competitive aggressiveness capability will also enable the franchisee to outperform their rivals through the ability to redefine the service, and improve their marketplace position (Li, Huang, and Tsai 2009; Lumpkin and Dess 2001).

In conclusion, in line with the franchising literature that suggests core elements in the business format franchising should be standardized and peripheral elements should be adapted (Kaufmann and Eroglu 1999), our findings show that engagement in only some dimensions of EO is beneficial for franchisees. In other words, supporting franchisees in developing the capability of taking risks, innovativeness and autonomy might be related to the core elements which are beyond the franchisees' authorization, and they do not pay off and improve franchisees' performance. However, allowing franchisees to adapt their strategies that are related to being proactive, and learning the local customer needs as well as being aggressive and challenging local competitors, would be more related to the peripheral elements and significantly impact franchisees' performance.

Our results thus complement the existing understanding about the impact of risk-taking, innovativeness, proactiveness, competitive aggressiveness and autonomous decision making on firm performance (Dada, Watson, and Kirby 2012; Hughes and Morgan 2007; Kallmuenzer, Strobl, and Peters 2018; Lumpkin and Dess 2001). Specifically, our research illustrates that specific attention should be paid to the context. It shows that in the context of franchising, the strategic functions of the entrepreneur (risk-taking, innovativeness and autonomy) are mainly concentrated in the hands of the franchisor. In fact, franchisees' profits are mainly generated by applying the standardized franchise concept to the local market and using their local market knowledge advantage for developing their proactiveness and competitive aggressiveness to enhance their performance.

Our research also demonstrates that the influence of EO on performance in franchised outlets is not simple, and that employing EO as a unidimensional construct may be misleading. Our findings thus support those studies that argue all dimensions of EO tend to vary independently (Lumpkin and Dess 2001; Rauch et al. 2009), and their effects on performance differ and are context-dependent (Stambaugh et al. 2017).

The RBV suggests that by leveraging their idiosyncratic bundles of resources and capabilities, firms can achieve competitive advantage and better firm performance (e.g., Barney 1991; Lisboa, Skarmeas, and Lages 2011). While many studies have examined the role of EO and its dimensions as a strategic capability in enhancing firm performance (e.g., Basco, Hernández-Perlines, and Rodríguez-García 2020; Chen, Li, and Evans 2012; Lim and Kim 2019; Lisboa, Skarmeas, and Lages 2011; Richard, Wu, and Chadwick 2009; Yoon and Solomon 2017), our results illustrate that this is not the

case in the context of franchisees. In fact, development of risk-taking, innovativeness and autonomy capabilities does not improve franchisee performance. As elaborated on before, risk-taking and starting a new business from scratch, innovativeness and being able to introduce totally new products, and being autonomous in recognizing and seizing new opportunities lies in the realm of franchisors, and only possession of these capabilities by franchisors can contribute to a better performance (Dada, Watson, and Kirby 2012; Maritz 2006; Song 2019). Since in franchising, standardized systems might be given to franchisees, it is only development of franchisees' proactiveness in local markets and competitive aggressiveness in response to local rivals that can improve their performance.

In this research, we also contribute to the franchising literature by taking a bottom-up perspective and studying the franchising system from the franchisees' point of view. Moreover, due to the calls for multi-country research in EO (Runyan et al. 2012) and franchising research (Combs et al. 2011a), and the necessity of replication and generalization of the result (Davidsson 2016), we carried out the study in two different countries to strengthen the generalizability of the study's main findings (Kreiser et al. 2010).

6.1 Managerial Implications

In terms of implications, first, we reveal that in order to improve the performance of franchisees, franchisor managers should encourage franchisees to pursue EO wisely. Our findings show that although franchisor managers might prefer the standardization of everything, they can benefit from delegating some authority to the franchisees in relation to designing some proactive and aggressive strategies. In fact, they can benefit from consultation with franchisees and exploit their local knowledge of customers and competitors in developing strategies. However, our results highlight the importance of pursuing a more standardized approach regarding strategies related to being innovative, risk-taking, and autonomous. In fact, the franchisees' innovativeness, risk-taking and autonomy do not impact their performance.

This study also reveals that if franchisees want to improve their firm performance, they should be aware of future trends in the local market and upcoming challenges, and be proactive in identifying market opportunities ahead of their rivals. Similarly, franchisees with higher competitive aggressiveness can enhance the franchise's performance by taking bold actions.

By highlighting how franchisees can improve their performance in local markets, our research also contributes to the growth and enhancement of local

economies. In addition, by pursuit of a proactive behavior, entrepreneurial franchisees can benefit society by meeting exact local customer needs.

6.2 Limitations and Future Avenues for Research

Limitations of the present study provide several avenues for further research. Since this study was conducted from the franchisee's point of view, and data was collected from franchisees, future studies can be conducted by considering the EO of both the franchisor and franchisee. Another limitation of this research is focusing on only franchisees' performance; consideration of both franchisee and franchisor (overall) performance might provide a more comprehensive picture of the impact of EO dimensions of performance at different levels.

Moreover, this study has used franchisees as key informants to answer both independent and dependent constructs. Although we took several steps to control the common method bias, it cannot be totally removed. Therefore, future research can be conducted by asking EO questions of the franchisee and using either objective financial indicators or asking the franchisors about franchises' performance. The survey research was conducted in the fast-food industry in 2014. Future studies may extend our findings to other industries and collect more up to date data. Moreover, given the cross-sectional nature of this study, further longitudinal design might be helpful to examine the hypotheses and corroborate the impact of EO dimension on performance in the long-term. Although this study was conducted in two different countries, the number of responses in Sweden was small. Therefore, future research can be conducted in other countries with a higher number of responses from each country to further generalize our findings.

Appendix 1

	Factor loading	
	Sweden	Iran
Risk taking		
People in our outlet are encouraged to take calculated risks with new ideas	0.84	0.96
We, in our outlet, would rather accept a risk to pursue an opportunity than miss it altogether	0.78	0.83
Innovativeness		
We actively introduce improvements and innovations in our business	0.83	0.86

(continued)

	Factor loading	
	Sweden	Iran
When it comes to problem-solving, we value creative new solutions more than solutions that rely on conventional wisdom	0.62	0.85
Our outlet tries to find new ways of advertising, customer relations, distribution and so on	0.80	0.79
Proactiveness		
We always try to take the initiative in every situation (e.g., against competitors, in projects and when working with others)	0.97	0.91
We excel at identifying opportunities	0.88	0.91
We initiate actions to which other businesses respond	0.85	0.80
Competitive aggressiveness		
Our business is intensely competitive	0.81	0.78
In general, our business takes a bold or aggressive approach when competing	0.82	0.91
We try to undo and outmaneuver the competition as best as we can rather than to avoid competitive clashes	0.83	0.83
Autonomy		
We are pursuing business opportunities and make decisions on our own without constantly referring to the franchisor	0.90	0.80
We are given authority and responsibility to act alone if we think it is in the best interests of the business	0.78	0.96
Performance		
Net profit (i.e., sales minus operational costs)	0.87	0.77
Development of sales (i.e., change or growth in the volume of sales)	0.92	0.85
Cash flow (i.e., inflows vs. outflows of money)	0.90	0.87
Growth of the franchised outlet's value	0.85	0.74
Environmental competitiveness		
Competition in our local market is intense	0.89	0.78
Our organizational unit has relatively strong competitors	0.77	0.89
Competition in our local market is extremely high	0.87	0.89
Price competition is a hallmark of our local market	0.65	0.76

CFA fit indices in Sweden: ($\chi^2/df = 1.50$, CFI = 0.91, RMSEA = 0.09). CFA fit indices in Iran: ($\chi^2/df = 1.73$, CFI = 0.927, RMSEA = 0.07).

Appendix 2 Loading factors and convergent validity of the constructs-aggregated data.

	Aggregated data		
	Factor loading	AVE	CR
Risk taking			
People in our outlet are encouraged to take calculated risks with new ideas	0.89	0.754	0.860
We, in our outlet, would rather accept a risk to pursue an opportunity than miss it altogether	0.84		
Innovativeness			
We actively introduce improvements and innovations in our business	0.85	0.653	0.849
When it comes to problem-solving, we value creative new solutions more than solutions that rely on conventional wisdom	0.79		
Our outlet tries to find new ways of advertising, customer relations, distribution and so on	0.79		
Proactiveness			
We always try to take the initiative in every situation (e.g., against competitors, in projects and when working with others)	0.93	0.777	0.912
We excel at identifying opportunities	0.90		
We initiate actions to which other businesses respond	0.82		
Competitive aggressiveness			
Our business is intensely competitive	0.78	0.689	0.869
In general, our business takes a bold or aggressive approach when competing	0.89		
We try to undo and outmaneuver the competition as best as we can rather than to avoid competitive clashes	0.82		
Autonomy			
We are pursuing business opportunities and make decisions on our own without constantly referring to the franchisor	0.90	0.763	0.865
We are given authority and responsibility to act alone if we think it is in the best interests of the business	0.85		
Performance			
Net profit (i.e., sales minus operational costs)	0.81	0.700	0.903
Development of sales (i.e., change or growth in the volume of sales)	0.88		
Cash flow (i.e., inflows vs. outflows of money)	0.88		
Growth of the franchised outlet's value	0.77		

(continued)

	Aggregated data		
	Factor loading	AVE	CR
Environmental competitiveness			
Competition in our local market is intense	0.80	0.688	0.898
Our organizational unit has relatively strong competitors	0.87		
Competition in our local market is extremely high	0.89		
Price competition is a hallmark of our local market	0.74		
	$(\chi^2/df = 1.89, CFI = 0.940, RMSEA = 0.07)$		

References

- Altınay, L., M. Brookes, and G. Aktas. 2013. "Selecting Franchise Partners: Tourism Franchisee Approaches, Processes and Criteria." *Tourism Management* 37 (August): 176–85.
- Amir, M., and N. I. Chaudhry. 2019. "Linking Environmental Strategy to Firm Performance: A Sequential Mediation Model via Environmental Management Accounting and Top Management Commitment." *Pakistan Journal of Commerce & Social Sciences* 13 (4): 849–67.
- Andrevski, G., and W. J. Ferrier. 2019. "Does it Pay to Compete Aggressively? Contingent Roles of Internal and External Resources." *Journal of Management* 45 (2): 620–44.
- Andrevski, G., O. Richard, W. Ferrier, and J. Shaw. 2010. "Managerial Racial Diversity, Competitive Aggressiveness and Firm Performance: A Moderated Mediation Model." *Academy of Management Proceedings* 2010 (1): 1–6.
- Antoncic, B., and R. D. Hisrich. 2001. "Intrapreneurship: Construct Refinement and Cross-Cultural Validation." *Journal of Business Venturing* 16 (5): 495–527.
- Arshad, A. S., A. Rasli, A. Arshad, and A. Zain. 2014. "The Impact of Entrepreneurial Orientation on Business Performance: A Study of Technology-Based SMEs in Malaysia." *Procedia: Social and Behavioral Sciences* 130: 46–53.
- Babakhani, S. K., F. Kazemi, and S. Nabavi. 2016. Fast-Food Industry Iran: Current Status, Opportunities and Threats. Available at: <http://www.ilia-corporation.com/wp-content/uploads/2016/07/Fast-Food-Industry-Iran-ILIA-Corporation-White-Paper-c.pdf> (accessed June 18, 2018).
- Barney, J. B. 1991. "Firm Resources and Sustained Competitive Advantage." *Journal of Management* 17 (1): 99–120.
- Basco, R., F. Hernández-Perlines, and M. Rodríguez-García. 2020. "The Effect of Entrepreneurial Orientation on Firm Performance: A Multigroup Analysis Comparing China, Mexico, and Spain." *Journal of Business Research* 113: 409–21.
- Becherer, R. C., and J. G. Maurer. 1999. "The Proactive Personality Disposition and Entrepreneurial Behavior Among Small Company Presidents." *Journal of Small Business Management* 37 (1): 28–36.

- Bello, D. C., L. P. Radulovich, R. R. Javalgi, R. F. Scherer, and J. Taylor. 2016. "Performance of Professional Service Firms from Emerging Markets: Role of Innovative Services and Firm Capabilities." *Journal of World Business* 51 (3): 413–24.
- Bhuiyan, S. N., B. Menguc, and S. J. Bell. 2005. "Just Entrepreneurial Enough: the Moderating Effect of Entrepreneurship on the Relationship between Market Orientation and Performance." *Journal of Business Research* 58 (1): 9–17.
- Boso, N., P. Oghazi, and M. Hultman. 2017. "International Entrepreneurial Orientation and Regional Expansion." *Entrepreneurship & Regional Development* 29 (1/2): 4–26.
- Boso, N., V. M. Story, J. W. Cadogan, M. Micevski, and S. Kadić-Maglajlić. 2013. "Firm Innovativeness and Export Performance: Environmental, Networking, and Structural Contingencies." *Journal of Marketing Research* 21 (4): 62–87.
- Brouthers, K. D., G. Nakos, and P. Dimitratos. 2015. "SME Entrepreneurial Orientation, International Performance, and the Moderating Role of Strategic Alliances." *Entrepreneurship: Theory and Practice* 39 (5): 1161–87.
- Brouthers, L. E., E. O'Donnell, and D. L. Keig. 2013. "Isomorphic Pressures, Peripheral Product Attributes and Emerging Market Firm Export Performance." *Management International Review* 53 (5): 687–710.
- Brown, J. R., and C. S. Dev. 1997. "The Franchisor–Franchisee Relationship: A Key to Franchise Performance." *Cornell Hotel and Restaurant Administration Quarterly* 38 (6): 30–8.
- Bucktowar, R., A. Kocak, and K. Padachi. 2015. "Entrepreneurial Orientation, Market Orientation and Networking: Impact on Innovation and Firm Performance." *Journal of Developmental Entrepreneurship* 20 (4): 1–22.
- Byrne, B. M. 2016. *Structural Equation Modeling with AMOS*. New York: Routledge.
- Calderón-Monge, E., P. Huerta-Zavala, and J. Ayup-González. 2019. "Effects of Brand-Related and Market Signals on Franchisees' Entrepreneurial Decisions: A Multi-Country Panel Data Analysis." *International Entrepreneurship and Management Journal* 15 (2): 573–88.
- Calderon-Monge, E., and I. Pastor-Sanz. 2017. "Effects of Contract and Trust on Franchisor Performance." *Contemporary Economics* 11 (4): 383–401.
- Casillas, J. C., and A. M. Moreno. 2010. "The Relationship between Entrepreneurial Orientation and Growth: The Moderating Role of Family Involvement." *Entrepreneurship & Regional Development* 22 (3/4): 265–91.
- Chaudey, M., and M. Fadairo. 2010. "Contractual Design and Networks Performance: Empirical Evidence from Franchising." *Applied Economics* 42 (4): 529–33.
- Chen, M.-J., H.-C. Lin, and J. G. Michel. 2010. "Navigating in a Hypercompetitive Environment: The Roles of Action Aggressiveness and TMT Integration." *Strategic Management Journal* 31 (13): 1410–30.
- Chen, Y. C., P. C. Li, and K. R. Evans. 2012. "Effects of Interaction and Entrepreneurial Orientation on Organizational Performance: Insights into Market Driven and Market Driving." *Industrial Marketing Management* 41 (6): 1019–34.
- Cheung, G. W., and R. B. Rensvold. 2002. "Evaluating Goodness-of-Fit Indexes for Testing Measurement Invariance." *Structural Equation Modeling: A Multidisciplinary Journal* 9 (2): 233–55.
- Chien, S. Y. 2014. "Franchisor Resources, Spousal Resources, Entrepreneurial Orientation, and Performance in a Couple-Owned Franchise Outlet." *Management Decision* 52 (5): 916–33.
- Chiou, J. S., and C. Droge. 2015. "The Effects of Standardization and Trust on Franchisee's Performance and Satisfaction: A Study on Franchise Systems in the Growth Stage." *Journal of Small Business Management* 53 (1): 129–44.

- Clarkin, J. E., and P. J. Rosa. 2005. "Entrepreneurial Teams within Franchise Firms." *International Small Business Journal* 23 (3): 303–34.
- Cochet, O., J. Dormann, and T. Ehrmann. 2008. "Capitalizing on Franchisee Autonomy: Relational Forms of Governance as Controls in Idiosyncratic Franchise Dyads." *Journal of Small Business Management* 46 (1): 50–72.
- Combs, J. G., D. J. Ketchen, and V. L. Hoover. 2004. "A Strategic Groups Approach to the Franchising-Performance Relationship." *Journal of Business Venturing* 19 (6): 877–97.
- Combs, J. G., D. J. Ketchen Jr., C. L. Shook, and J. C. Short. 2011a. "Antecedents and Consequences of Franchising: Past Accomplishments and Future Challenges." *Journal of Management* 37 (1): 99–126.
- Combs, J. G., D. J. Ketchen, and J. C. Short. 2011b. "Franchising Research: Major Milestones, New Directions, and its Future within Entrepreneurship." *Entrepreneurship: Theory and Practice* 35 (3): 413–25.
- Covin, J. G., K. M. Green, and D. P. Slevin. 2006. "Strategic Process Effects on the Entrepreneurial Orientation–Sales Growth Rate Relationship." *Entrepreneurship: Theory and Practice* 30 (1): 57–81.
- Cox, J., and C. Mason. 2007. "Standardisation Versus Adaptation: Geographical Pressures to Deviate from Franchise Formats." *The Service Industries Journal* 27 (7–8): 1053–72.
- Crant, J. M. 1995. "The Proactive Personality Scale and Objective Job Performance Among Real Estate Agents." *Journal of Applied Psychology* 80 (4): 532–7.
- Croonen, E. P., and M. J. Brand. 2015. "Antecedents of Franchisee Responses to Franchisor-Initiated Strategic Change." *International Small Business Journal* 33 (3): 254–76.
- Croonen, E. P. M., M. J. Brand, and E. K. R. E. Huizingh. 2016. "To Be Entrepreneurial, or Not to Be Entrepreneurial? Explaining Differences in Franchisee Entrepreneurial Behavior within a Franchise System." *International Entrepreneurship and Management Journal* 12 (2): 531–53.
- Dada, O., and A. Watson. 2013a. "The Effect of Entrepreneurial Orientation on the Franchise Relationship." *International Small Business Journal* 31 (8): 955–77.
- Dada, O., and A. Watson. 2013b. "Entrepreneurial Orientation and the Franchise System: Organisational Antecedents and Performance Outcomes." *European Journal of Marketing* 47 (5): 790–812.
- Dada, O., A. Watson, and D. A. Kirby. 2012. "Toward a Model of Franchisee Entrepreneurship." *International Small Business Journal* 30 (5): 559–83.
- Dai, L., V. Maksimov, B. A. Gilbert, and S. A. Fernhaber. 2014. "Entrepreneurial Orientation and International Scope: The Differential Roles of Innovativeness, Proactiveness, and Risk-Taking." *Journal of Business Venturing* 29 (4): 511–24.
- Dant, R. P., and G. T. Gundlach. 1999. "The Challenge of Autonomy and Dependence in Franchised Channels of Distribution." *Journal of Business Venturing* 14 (1): 35–67.
- Davidsson, P. 2016. *Researching Entrepreneurship: Conceptualization and Design*. New York: Springer.
- Davidsson, P., and B. Honig. 2003. "The Role of Social and Human Capital Among Nascent Entrepreneurs." *Journal of Business Venturing* 18 (3): 301–31.
- Derfus, P. J., P. G. Maggitti, C. M. Grimm, and K. G. Smith. 2008. "The Red Queen Effect: Competitive Actions and Firm Performance." *Academy of Management Journal* 51 (1): 61–80.
- Dess, G. G., and G. T. Lumpkin. 2005. "The Role of Entrepreneurial Orientation in Stimulating Effective Corporate Entrepreneurship." *Academy of Management Executive* 19 (1): 147–56.

- DiVito, L., and R. Bohnsack. 2017. "Entrepreneurial Orientation and its Effect on Sustainability Decision Tradeoffs: The Case of Sustainable Fashion Firms." *Journal of Business Venturing* 32 (5): 569–87.
- Eggers, F., D. J. Hansen, and A. E. Davis. 2012. "Examining the Relationship Between Customer and Entrepreneurial Orientation on Nascent Firms' Marketing Strategy." *International Entrepreneurship and Management Journal* 8 (2): 203–22.
- Eggers, F., T. Niemand, S. Kraus, and M. Breier. 2020. "Developing a Scale for Entrepreneurial Marketing: Revealing its Inner Frame and Prediction of Performance." *Journal of Business Research* 113: 72–82.
- Eisenhardt, K. M. 1989. "Making Fast Strategic Decisions in High-Velocity Environments." *Academy of Management Journal* 32 (3): 543–76.
- Eisenhardt, K. M., and J. A. Martin. 2000. "Dynamic Capabilities: What Are They?" *Strategic Management Journal* 21 (10/11): 1105–21.
- Elango, B., and V. H. Fried. 1997. "Franchising Research: A Literature Review and Synthesis." *Journal of Small Business Management* 35 (3): 68–81.
- Exposito, A., and J. A. Sanchis-Llopis. 2018. "Innovation and Business Performance for Spanish SMEs: New Evidence from a Multi-Dimensional Approach." *International Small Business Journal: Researching Entrepreneurship* 36 (8): 911–31.
- Felício, J. A., M. Duarte, V. Caldeirinha, and R. Rodrigues. 2014. "Franchisee-Based Brand Equity and Performance." *The Service Industries Journal* 34 (9–10): 757–71.
- Ferrier, W. J. 2001. "Navigating the Competitive Landscape: The Drivers and Consequences of Competitive Aggressiveness." *Academy of Management Journal* 44 (4): 858–77.
- Flint-Hartle, S., and A. de Bruin. 2011. "Franchising Success: Insights from Real Estate Brokerage." *International Small Business Journal* 29 (1): 58–77.
- Ghantous, N., S. S. Das, and F. Chameroy. 2018. "Governance Capabilities and Relationship Performance in International Franchising." *Journal of Retailing and Consumer Services* 40: 19–30.
- Gibb, J., and J. M. Haar. 2010. "Risk Taking, Innovativeness and Competitive Rivalry: A Three-Way Interaction towards Firm Performance." *International Journal of Innovation Management* 14 (5): 871–91.
- Gilbert, G., and M. Sutherland. 2013. "The Paradox of Managing Autonomy and Control: An Exploratory Study." *South African Journal of Business Management* 44 (1): 1–14.
- Gorovaia, N., and J. Windsperger. 2013. "Real Options, Intangible Resources and Performance of Franchise Networks." *Managerial & Decision Economics* 34 (3-5): 183–94.
- Gupta, V. K., D. K. Dutta, and X. Chen. 2014. "Entrepreneurial Orientation Capability and Firm Performance under Conditions of Organizational Learning." *Journal of Managerial Issues*: 157–73.
- Hair, J. F., W. C. Black, B. J. Babin, and R. E. Anderson. 2010. *Multivariate Data Analysis*. New Jersey: NJ: Prentice-Hall.
- Henseler, J., C. M. Ringle, and M. Sarstedt. 2015. "A New Criterion for Assessing Discriminant Validity in Variance-Based Structural Equation Modeling." *Journal of the Academy of Marketing Science* 43 (1): 115–35.
- Herz, M., C. Hutzinger, H. Seferagic, and J. Windsperger. 2016. "Trust, Decision Rights Delegation, and Performance—The Case of Franchising." *Journal of Small Business Management* 54 (3): 973–91.

- Hong, P., M. G. M. Yang, and D. D. Dobrzykowski. 2014. "Strategic Customer Service Orientation, Lean Manufacturing Practices and Performance Outcomes: An Empirical Study." *Journal of Service Management* 25 (5): 699–723.
- Hsu, L. T., and S. Jang. 2009. "Effects of Restaurant Franchising: Does an Optimal Franchise Proportion Exist?" *International Journal of Hospitality Management* 28 (2): 204–11.
- Huang, Y.-A., I. Phau, and R. W. K. Chen. 2007. "Conceptualizing the Franchise System Quality (FSQ) Matrix." *Journal of Marketing Channels* 14 (4): 41–64.
- Hughes, M., and R. E. Morgan. 2007. "Deconstructing the Relationship Between Entrepreneurial Orientation and Business Performance at the Embryonic Stage of Firm Growth." *Industrial Marketing Management* 36 (5): 651–61.
- HUI, Research. 2015. *HUI Research På Uppdrag Av Svensk Franchise*. Stockholm, Sweden.
- Hult, G. T. M., R. F. Hurley, and G. A. Knight. 2004. "Innovativeness: Its Antecedents and Impact on Business Performance." *Industrial Marketing Management* 33 (5): 429–38.
- Ibrahim, N. M. N., and R. Mahmood. 2016. "Mediating Role of Competitive Advantage on the Relationship Between Entrepreneurial Orientation and the Performance of Small and Medium Enterprises." *International Business Management* 10 (12): 2444–52.
- Jambulingam, T., R. Kathuria, and W. R. Doucette. 2005. "Entrepreneurial Orientation as a Basis for Classification within a Service Industry: The Case of Retail Pharmacy Industry." *Journal of Operations Management* 23 (1): 23–42.
- Jansen, J. J. P., F. A. J. V. D. Bosch, and H. W. Volberda. 2006. "Exploratory Innovation, Exploitative Innovation, and Performance: Effects of Organizational Antecedents and Environmental Moderators." *Management Science* 52 (11): 1661–74.
- Kallmuenzer, A., and M. Peters. 2018. "Innovativeness and Control Mechanisms in Tourism and Hospitality Family Firms: A Comparative Study." *International Journal of Hospitality Management* 70 (Mar): 66–74.
- Kallmuenzer, A., A. Strobl, and M. Peters. 2018. "Tweaking the Entrepreneurial Orientation–Performance Relationship in Family Firms: The Effect of Control Mechanisms and Family-Related Goals." *Review of Managerial Science* 12 (4): 855–83.
- Kaufmann, P. J., and R. P. Dant. 1999. "Franchising and the Domain of Entrepreneurship Research." *Journal of Business Venturing* 14 (1): 5–16.
- Kaufmann, P. J., and S. Eroglu. 1999. "Standardization and Adaptation in Business Format Franchising." *Journal of Business Venturing* 14 (1): 69–85.
- Ketchen, D. J., J. C. Short, and J. G. Combs. 2011. "Is Franchising Entrepreneurship? Yes, No, and Maybe So." *Entrepreneurship: Theory and Practice* 35 (3): 583–93.
- Khan Muhammad, R. 2013. "The Franchisee Perception of Achieving Success in Entrepreneurial Businesses." *Entrepreneurship Research Journal* 3 (4): 505–25.
- Knight, G. A. 1997. "Cross-cultural Reliability and Validity of a Scale to Measure Firm Entrepreneurial Orientation." *Journal of Business Venturing* 12 (3): 213.
- Kraus, S. 2013. "The Role of Entrepreneurial Orientation in Service Firms: Empirical Evidence from Austria." *The Service Industries Journal* 33 (5): 427–44.
- Kraus, S., J. C. Rigtering, M. Hughes, and V. Hosman. 2012. "Entrepreneurial Orientation and the Business Performance of SMEs: A Quantitative Study from the Netherlands." *Review of Managerial Science* 6 (2): 161–82.
- Kreiser, P. M., L. D. Marino, P. Dickson, and K. M. Weaver. 2010. "Cultural Influences on Entrepreneurial Orientation: The Impact of National Culture on Risk Taking and Proactiveness in SMEs." *Entrepreneurship: Theory & Practice* 34 (5): 959–83.

- Kreiser, P. M., L. D. Marino, D. F. Kuratko, and K. M. Weaver. 2013. "Disaggregating Entrepreneurial Orientation: The Non-linear Impact of Innovativeness, Proactiveness and Risk-Taking on SME Performance." *Small Business Economics* 40 (2): 273–91.
- Kreiser, P. M., L. D. Marino, and K. M. Weaver. 2002. "Assessing the Psychometric Properties of the Entrepreneurial Orientation Scale: A Multi-Country Analysis." *Entrepreneurship: Theory and Practice* 26 (4): 71–93.
- Laukkanen, T., G. Nagy, S. Hirvonen, H. Reijonen, and M. Pasanen. 2013. "The Effect of Strategic Orientations on Business Performance in SMEs: A Multigroup Analysis Comparing Hungary and Finland." *International Marketing Review* 30 (6): 510–35.
- Lechner, C., and S. V. Gudmundsson. 2014. "Entrepreneurial Orientation, Firm Strategy and Small Firm Performance." *International Small Business Journal: Researching Entrepreneurship* 32 (1): 36–60.
- Lee, Y.-K., S. H. Kim, M. K. Seo, and S. K. Hight. 2015. "Market Orientation and Business Performance: Evidence from Franchising Industry." *International Journal of Hospitality Management* 44 (0): 28–37.
- Li, Y.-H., J.-W. Huang, and M.-T. Tsai. 2009. "Entrepreneurial Orientation and Firm Performance: The Role of Knowledge Creation Process." *Industrial Marketing Management* 38 (4): 440–9.
- Lim, E., and D. Kim. 2019. "Entrepreneurial Orientation and Performance in South Korea: The Mediating Roles of Dynamic Capabilities and Corporate Entrepreneurship." *Entrepreneurship Research Journal* 103: 1–18.
- Lisboa, A., D. Skarmeas, and C. Lages. 2011. "Entrepreneurial Orientation, Exploitative and Explorative Capabilities, and Performance Outcomes in Export Markets: A Resource-Based Approach." *Industrial Marketing Management* 40 (8): 1274–84.
- Lumpkin, G. T., and G. G. Dess. 1996. "Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance." *Academy of Management Review* 12 (1): 135–72.
- Lumpkin, G. T., and G. G. Dess. 1997. "Proactiveness Versus Competitive Aggressiveness: Teasing Apart Key Dimensions of an Entrepreneurial Orientation." *Frontiers of Entrepreneurship Research 1997*: 47–67.
- Lumpkin, G. T., and G. G. Dess. 2001. "Linking Two Dimensions of Entrepreneurial Orientation to Firm Performance: The Moderating Role of Environment and Industry Life Cycle." *Journal of Business Venturing* 16 (5): 429–51.
- Lyon, D. W., G. T. Lumpkin, and G. G. Dess. 2000. "Enhancing Entrepreneurial Orientation Research: Operationalizing and Measuring a Key Strategic Decision Making Process." *Journal of Management* 26 (5): 1055–85.
- Madanoglu, M., K. Lee, and G. J. Castrogiovanni. 2011. "Franchising and Firm Financial Performance Among U.S. Restaurants." *Journal of Retailing* 87 (3): 406–17.
- Mahdiani, N. 2014. *History of Chain Store in Iran*. donya-e-eqtesad, Vol. 3118. Tehran: DONYA-EQTESAD.
- Malhotra, N. K., and S. Dash. 2011. *Marketing Research an Applied Orientation*. London: Pearson Publishing.
- Maritz, A. 2006. "A Cross-Tasman Perspective of Entrepreneurial Orientation of Franchisees." *New Zealand Journal of Applied Business Research (NZJABR)* 5 (1): 1–10.
- Marnburg, E., S. Larsen, and T. Ogaard. 2004. "Uncovering Aspects of Franchisees' Incentives: An Explorative Investigation." *Food Service Technology* 4 (3): 117–28.

- Matthes, J., and A. Saini. 2012. "The Role of Franchisee Marketing Commitment on Promotion Execution and Performance." In *Proceedings of the AMA Summer Educators' Conference*. British Columbia, Canada: Vancouver, 340–1.
- McKenny, A. F., J. C. Short, D. J. Ketchen, Jr., G. T. Payne, and T. W. Moss. 2018. "Strategic Entrepreneurial Orientation: Configurations, Performance, and the Effects of Industry and Time." *Strategic Entrepreneurship Journal* 12 (4): 504–21.
- Merrilees, B., and L. Frazer. 2006. "Entrepreneurial Franchisees Have Hidden Superior Marketing Systems." *Qualitative Market Research* 9 (1): 73–85.
- Michael, S. C., and J. G. Combs. 2008. "Entrepreneurial Failure: The Case of Franchisees." *Journal of Small Business Management* 46 (1): 73–90.
- Miller, D. 1983. "The Correlates of Entrepreneurship in Three Types of Firms." *Management Science* 29 (7): 770–91.
- Miller, D., and P. H. Friesen. 1982. "Innovation in Conservative and Entrepreneurial Firms: Two Models of Strategic Momentum." *Strategic Management Journal* 3 (1): 1–25.
- Minguela-Rata, B., J. I. Lopez-Sanchez, and M. C. Rodriguez-Benavides. 2009. "The Effect of Knowledge Complexity on the Performance of Franchise Systems in the Service Industries: An Empirical Study." *Service Business* 3 (1): 101–15.
- Miocevic, D., and R. E. Morgan. 2018. "Operational Capabilities and Entrepreneurial Opportunities in Emerging Market Firms." *International Marketing Review* 35 (2): 320–41.
- Mitchell, R., B. Boyle, S. Nicholas, E. Maitland, and S. Zhao. 2016. "Boundary Conditions of a Curvilinear Relationship Between Decision Comprehensiveness and Performance: The Role of Functional and National Diversity." *Journal of Business Research* 69 (8): 2801–11.
- Nadkarni, S., T. Chen, and J. Chen. 2016. "The Clock is Ticking! Executive Temporal Depth, Industry Velocity, and Competitive Aggressiveness." *Strategic Management Journal* 37 (6): 1132–53.
- Nadler, S., and F. Kani. 2017. "Iran." In *The Franchise Law Review*. 4th ed., edited by M. Abel, pp. 362–71. London: Gideon Robertson.
- Okangi, F. 2019. "The Impacts of Entrepreneurial Orientation on the Profitability Growth of Construction Firms in Tanzania." *Journal of Global Entrepreneurship Research* 9 (1): 1–23.
- Ozdemir, O. 2017. "Does Franchising Matter on IPO Performance?" *International Journal of Contemporary Hospitality Management* 29 (10): 2535–55.
- Paik, Y., and D. Y. Choi. 2007. "Control, Autonomy and Collaboration in the Fast Food Industry – A Comparative Study Between Domestic and International Franchising." *International Small Business Journal* 25 (5): 539–62.
- Peris-Ortiz, M., M. Willoughby, and C. Rueda-Armengot. 2012. "Performance in Franchising: The Effects of Different Management Styles." *The Service Industries Journal* 32 (16): 2507–25.
- Phan, P. H., J. E. Butler, and S. H. Lee. 1996. "Crossing Mother: Entrepreneur–Franchisees' Attempts to Reduce Franchisor Influence." *Journal of Business Venturing* 11 (5): 379–402.
- Pikkemaat, B., and M. Peters. 2006. "Towards the Measurement of Innovation—A Pilot Study in the Small and Medium Sized Hotel Industry." *Journal of Quality Assurance in Hospitality & Tourism* 6 (3–4): 89–112.
- Podsakoff, P. M., S. B. MacKenzie, J. Y. Lee, and N. P. Podsakoff. 2003. "Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies." *Journal of Applied Psychology* 88 (5): 879.
- Rauch, A., J. Wiklund, G. T. Lumpkin, and M. Frese. 2009. "Entrepreneurial Orientation and Business Performance: An Assessment of Past Research and Suggestions for the Future." *Entrepreneurship: Theory & Practice* 33 (3): 761–87.

- Ribeiro, D., and G. P. Akehurst. 2014. "Franchising in Services." *The Service Industries Journal* 34 (9–10): 751–6.
- Richard, O. C., T. Barnett, S. Dwyer, and K. Chadwick. 2004. "Cultural Diversity in Management, Firm Performance, and the Moderating Role of Entrepreneurial Orientation Dimensions." *The Academy of Management Journal* 47 (2): 255–66.
- Richard, O. C., P. Wu, and K. Chadwick. 2009. "The Impact of Entrepreneurial Orientation on Firm Performance: The Role of CEO Position Tenure and Industry Tenure." *International Journal of Human Resource Management* 20 (5): 1078–95.
- Rigtering, J. P. C., S. Kraus, F. Eggers, and S. H. Jensen. 2014. "A Comparative Analysis of the Entrepreneurial Orientation/Growth Relationship in Service Firms and Manufacturing Firms." *The Service Industries Journal* 34 (4): 275–94.
- Riley, F. D. O., D. Scarpi, and A. Manaresi. 2009. "Purchasing Services Online: A Two-Country Generalization of Possible Influences." *Journal of Services Marketing* 23 (2): 92–102.
- Rodríguez-Gutiérrez, M. J., P. Moreno, and P. Tejada. 2015. "Entrepreneurial Orientation and Performance of SMEs in the Services Industry." *Journal of Organizational Change Management* 28 (2): 194–212.
- Runyan, R. C., B. Ge, B. Dong, and J. L. Swinney. 2012. "Entrepreneurial Orientation in Cross-Cultural Research: Assessing Measurement Invariance in the Construct." *Entrepreneurship: Theory and Practice* 36 (4): 819–36.
- Saeed, S., S. Y. Yousafzai, and A. Engelen. 2014. "On Cultural and Macroeconomic Contingencies of the Entrepreneurial Orientation–Performance Relationship." *Entrepreneurship: Theory and Practice* 38 (2): 255–90.
- Sanghavi, N. 1998. "Franchising as a Tool for Small and Medium-Sized Enterprises Development in Transitional Economies – The Case of Central European Countries." *Management Research News* 21 (11): 35–44.
- Seawright, K. W., I. H. Smith, R. K. Mitchell, and R. McClendon. 2013. "Exploring Entrepreneurial Cognition in Franchisees: A Knowledge-Structure Approach." *Entrepreneurship: Theory & Practice* 37 (2): 201–27.
- Seilov Galimzhan, A. 2015. "Does the Adoption of Customer and Competitor Orientations Make Small Hospitality Businesses More Entrepreneurial?" *International Journal of Contemporary Hospitality Management* 27 (1): 71–86.
- Shan, P., M. Song, and X. Ju. 2016. "Entrepreneurial Orientation and Performance: Is Innovation Speed a Missing Link?" *Journal of Business Research* 69 (2): 683–90.
- Simsek, Z., J. F. Veiga, and M. H. Lubatkin. 2007. "The Impact of Managerial Environmental Perceptions on Corporate Entrepreneurship: Towards Understanding Discretionary Slack's Pivotal Role." *Journal of Management Studies* 44 (8): 1398–424.
- Song, S. 2019. "Does Franchising Reduce Geographically Diversified Restaurant Firms' Risk?" *International Journal of Contemporary Hospitality Management* 31 (1): 161–79.
- Sorenson, O., and J. B. Sorensen. 2001. "Finding the Right Mix: Franchising, Organizational Learning, and Chain Performance." *Strategic Management Journal* 22 (6–7): 713–24.
- Spicer, A., and W. J. Bailey. 2007. "When Does National Identity Matter? Convergence and Divergence in International Business Ethics." *The Academy of Management Journal* 50 (6): 1462–80.
- Stambaugh, J. E., J. Martinez, G. T. Lumpkin, and N. Kataria. 2017. "How Well Do EO Measures and Entrepreneurial Behavior Match?" *International Entrepreneurship and Management Journal* 13 (3): 717–37.

- Stanworth, J., C. Stanworth, A. Watson, D. Purdy, and S. Healeas. 2004. "Franchising as a Small Business Growth Strategy – A Resource-Based View of Organizational Development." *International Small Business Journal* 22 (6): 539–59.
- Steenkamp, J.-B. E., and H. Baumgartner. 1998. "Assessing Measurement Invariance in Cross-National Consumer Research." *Journal of Consumer Research* 25 (1): 78–90.
- Stetz, P. E., R. Howell, A. Stewart, J. D. Blair, and M. D. Fottler. 2000. "Multidimensionality of Entrepreneurial Firm-Level Processes: Do the Dimensions Covary?" In *Frontiers of Entrepreneurship Research*, edited by R. D. Reynolds, et al, 459–69. Wellesley, MA: Babson College.
- Su, Z., E. Xie, and Y. Li. 2011. "Entrepreneurial Orientation and Firm Performance in New Ventures and Established Firms." *Journal of Small Business Management* 49 (4): 558–77.
- Sundqvist, S., K. Kyläheiko, O. Kuivalainen, and J. W. Cadogan. 2012. "Kirznerian and Schumpeterian Entrepreneurial-Oriented Behavior in Turbulent Export Markets." *International Marketing Review* 29 (2): 203–19.
- Tan, J., and D. Tan. 2005. "Environment-Strategy Co-evolution and Co-alignment: A Staged Model of Chinese SOEs Under Transition." *Strategic Management Journal* 26 (2): 141–57.
- Venkatraman, N. 1989. "Strategic Orientation of Business Enterprises: The Construct, Dimensionality, and Measurement." *Management Science* 35 (8): 942–62.
- Vukasovič, T. 2012. "Searching for Competitive Advantage with the Brand Extension Process." *Journal of Product & Brand Management* 21 (7): 492–8.
- Walter, A., M. Auer, and T. Ritter. 2006. "The Impact of Network Capabilities and Entrepreneurial Orientation on University Spin-Off Performance." *Journal of Business Venturing* 21 (4): 541–67.
- Wang, H.-K., and Y.-F. Yen. 2012. "An Empirical Exploration of Corporate Entrepreneurial Orientation and Performance in Taiwanese SMEs: a Perspective of Multidimensional Construct." *Total Quality Management & Business Excellence* 23 (9–10): 1035–44.
- Watson, A., O. Dada, O. Wright, and R. Perrigot. 2017. "Entrepreneurial Orientation Rhetoric in Franchise Organizations: The Impact of National Culture." *Entrepreneurship: Theory and Practice* 43 (4): 751–72.
- Wiklund, J., and D. Shepherd. 2003. "Knowledge-Based Resources, Entrepreneurial Orientation, and the Performance of Small and Medium-Sized Businesses." *Strategic Management Journal* 24 (13): 1307–14.
- Wiklund, J., and D. Shepherd. 2005. "Entrepreneurial Orientation and Small Business Performance: A Configurational Approach." *Journal of Business Venturing* 20 (1): 71–91.
- Yang, Y., and X. F. Ju. 2017. "Entrepreneurial Orientation and Firm Performance: Is Product Quality a Missing Link?" *Entrepreneurship Research Journal* 8 (1): 1–13.
- Yoon, J., and G. T. Solomon. 2017. "A Curvilinear Relationship between Entrepreneurial Orientation and Firm Performance: The Moderating Role of Employees' Psychological Safety." *International Entrepreneurship and Management Journal* 13 (4): 1139–56.
- Zafarian, R., M. Tasavori, T. Eng, and M. Demirbag. 2020. "Development of International Market Information in Emerging Economy Family SMEs: The Role of Participative Governance." *Journal of Small Business Management*. <https://doi.org/10.1080/00472778.2020.1800337> (forthcoming).
- Zhang, Y., J. Feng, and Y. Zhou. 2011. "An Empirical Study about Franchise Relationship Behaviors's Impacts on Franchisees' Performance in Fastfood Industry." In *Proceedings of the International Conference on Enterprise Information Systems, Beijing, China*, 695–701.

- Zhao, Y., Y. Li, S. H. Lee, and L. Bo Chen. 2011. "Entrepreneurial Orientation, Organizational Learning, and Performance: Evidence from China." *Entrepreneurship: Theory and Practice* 35 (2): 293–317.
- Zheng, D., K. P. Parboteeah, and G. Lumpkin. 2019. "Configurations of Autonomy and Financial Performance of the Entrepreneurial SME: A CATA Approach." In *Proceedings of the Academy of Management*, 14936. NY: Academy of Management.