

**Perceptions of owners and managers on factors that  
influence the success of Supa Quick franchise outlets in  
Cape Town**

**By**

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of the requirements for the degree of  
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## KEY WORDS

Business performance

Education

Entrepreneur

Experience

Franchise

Human Capital

Intangible assets

Intellectual capital

Measure of success

Small business



## DECLARATION

I, the undersigned, hereby declare that *Perceptions of owners and managers on factors that influence the success of Supa Quick franchise outlets in Cape Town* is my own work, and that it has not been submitted for a degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged by complete references.

Signed:



Frans Mamabolo

May, 2015



## **Abstract**

Small business faces challenges of surviving amidst competition from established businesses, due to lack of resources and quality management. Hence many of these businesses do not last for long. Small businesses do not only need capital resources to succeed, but need intangible assets as well. These intangible resources are also called Human Capital, and include elements such as education, experience and motivation. This study has limited its focus to only one element of human capital, the experience of the owner or manager's of the Supa Quick franchise.

This research is undertaken to examine the perceptions of owners and managers on the impact of their experience and the franchise standard operating procedures (SOP) on the success of their franchise business. Furthermore, the study looks at factors that impede business performance, as well as other measures used by owners and managers to measure their business success, besides the normal financial measures used every day.

In order to collect data, the qualitative method was employed using a questionnaire which consisted of open- and closed-ended questions in the form of 4 - point Likert scales type questions. The questionnaire was administered to 12 Supa Quick franchise owners and managers in the Cape Town Metropolitan areas and Stellenbosch.

The findings indicated that more than 90 % of the studied Supa Quick owners and managers perceive experience as an important factor in influencing their business performance. Furthermore, 100% of them say that franchise SOP play a part in the success of their franchises. However, they have many different ways in which they measure success in their businesses and the factors that impede their business performance. The results of this research add to the

current existing literature on improving business performance and success. Also, it will assist in guidance of entrepreneurs who want to start or buy franchise businesses.



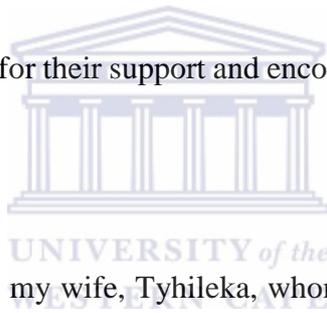
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# CHAPTER 1: INTRODUCTION TO THE STUDY

## 1.1 INTRODUCTION

In this introductory chapter the processes followed in the research will be highlighted. This entails briefly describing the background of the study and the importance of it in the South African small business environment. Furthermore, the chapter will describe the research aims and the formulated research question. Literature consulted to formulate theory will be described, as well as the research methodology used. Finally, an overview of the chapters will be presented.

## 1.2 BACKGROUND TO THE STUDY

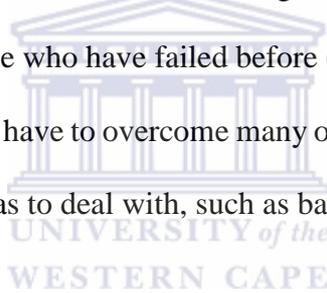
The primary purpose of this study is to explore and describe the views of owner managers on how their work experience contributes to the success of their franchises in Cape Town. South Africa, like many other developing countries, struggles with small business sustainability and low levels of entrepreneurship among its citizens. Global Entrepreneurial Monitor (GEM) reports have highlighted that South Africa's entrepreneurial activity is far below the average of comparable economies around the world. In 2010, the entrepreneurial activity rate was 8.9%, and 9.1% in 2014, (GEM report, 2014). Thus, business success has become important to the survival of a business. The positive performance of business leads to profit making, which is the main aim of most business ventures.

No business is established to make a loss. Central to the achievement of these goals are the owners, who establish these businesses, and the managers, who are appointed by owners to run their businesses on their behalf. To achieve the desired goals, there are many factors on which these owners and managers depend for the success of their businesses. One of these factors may be the previous experience of owners and managers. The focus of the study is on how this experience of owners and managers contributes to the business performance and success.

### 1.3 IMPORTANCE OF THE STUDY

The experience of a person, irrespective of the field of work or expertise, has been held in high regard. It has been purported that for people to be able to do their jobs well and succeed in them, they need a good grounding of experience in what they do. This study attempts to show how important the learning and gathering of knowledge is and that it can be beneficial in later years.

The small business environment is a highly competitive and volatile one. There are many varied reasons that some businesses survive and thrive and others fail. However, many studies have credited the human capital (of which experience is a facet) for contributing to the success and failure of small businesses (Tran & Santarelli, 2014; Soriano & Gastrogiovanni, 2012). This study will focus on the small business in the franchising environment. Franchising is deemed safe for new entrepreneurs or those who have failed before (Salar & Salar, 2014). It is deemed safe because a franchisee does not have to overcome many of the obstacles that an entrepreneur starting a business from scratch has to deal with, such as barriers of entry.



According to Bohi (2010), franchising has benefits such as advertising, training, networking, technical support, and other business support services that many one-man operations cannot afford, or simply do not have the expertise in. Considering that franchising has such an advantage, the question arises as to whether the entrepreneur or manager can use their experience to gain competitive advantage over someone in the same franchise environment who does not have the same experience.

Furthermore, the choice of this topic was motivated by an interest in knowing and understanding how the franchise environment and businesses operate. This interest is driven by the researcher's future plans of owning a franchise store in any industry. The Supa Quick

franchise was chosen because of a relationship the researcher has with the franchise store in the area he resides in and at which he services his vehicle.

#### 1.4 AIMS AND OBJECTIVES OF THE STUDY

This study aims to explore and describe the views of owners and managers on how their experience contributes to the success of their franchises in Cape Town, as well as their views on whether the Standard Operating Procedures (SOP) contribute to success.

#### 1.5 THE RESEARCH PROBLEM

In the discussion with the franchisor it was stated that the owners and managers of the franchises had different perceptions about the factors that created success in their respective businesses. These remarks by the franchisor motivated the researcher to establish the factors that create success in the respective franchise outlets.

#### 1.6 RESEARCH QUESTION

The following broad question frames the whole study: Do the experiences of owner/managers of Supa Quick franchises in Cape Town and the SOP contribute to the success of their franchises?

The research will further focus on the following questions:

- How do owners/managers' perceive their experience as contributing to the success of their franchises?
- What factors are perceived to affect the positive performance of their franchises?
- What do owner/managers perceive as measures of success in their businesses?
- What role do standard operating procedures for franchises play in the success of the business?

## 1.7 OVERVIEW OF THE LITERATURE

The literature review provides the theoretical framework for the current study, as well as points of comparison for the data collected. The literature review focused on the impact of experience on business success, measures of success and the important element of the franchising agreement that could be having an effect on performance of the business, namely, the standard operating procedure.

This study is based on the research argument that human capital has an impact on the success of small business. Many authors have used the human capital construct; however, they differ in terms of using the concepts within this construct. Some of the concepts often used in this construct are, for example: level of education, motivation and experience (Pena, 2004). Other factors used in human capital include genetic inheritance and attitudes about life and business (Bontis, 1998). Networking or inner circle advisors are also proposed by Soriano and Gastrogiovanni (2012) as a concept to be measured under human capital. For this study, the researcher examined only one concept to be measured in this human capital construct, namely, owner/manager experience, as a factor that could positively contribute to a business becoming successful. A discussion of the concepts that make up the framework follows.

### 1.7.1 Experience

Experience is an element of human capital that is very important in starting or running a business. It assists the entrepreneur to know exactly what resources are needed, what needs to be done and what should be avoided. Experience can be attained through the previous employment of the entrepreneur, or from running a business either in the same business market or different ones. Reuber and Fischer (1999) found in their study that such experience does provide a business founder with knowledge of the industry, understanding of markets and customers, and of course, understanding of the specific technologies (Soriano & Gastrogiovanni, 2012). With such experience involved, one can expect a better performance

from the business. Many studies have reported a positive relationship between prior experience and venture performance (Stuart & Abetti, 1990; Dyke et al., 1992; Duchesneau & Gartner, 1990; Lafuente & Rabetino, 2011; Ganotakis, 2012; Weber & Jung, 2015).

### 1.7.2 Measures of success

Success is a measure of an entrepreneur's achievements. Entrepreneurs refer to positive performance of their business as success. Success means different things to different people, and it depends on the individual entrepreneur's or the organization's goals. Wickham (2006:196) defines success "as a point in which the organization uses its performance to meet, or better to exceed, the financial, social and personal growth expectations of the people who have an interest in it".

As with the different meanings of success to different entities, so too, success has many measures. The most popular measures that people default to are the financial measures, such as profit and sales. Wickham (2006) names other measures of success as: financial performance ratios, liquidity ratios, stock market performance, growth, innovation and customer assessment. In this study the researcher will use only two measures of success, namely, the growth in customer base and profit.

### 1.7.3 Standard operating procedures (SOP)

Reinhart (2014) identifies standard operating procedures as documented practices designed to ensure consistency in business practices and operations. In franchising, these procedures emanate from the contractual agreement between the franchisor and the franchisee. The core of an operations manual deals with all procedural requirements that are standard across all franchise outlets, which may include the following: systems of operating, marketing, handling of stock, opening and closing procedures, accounting, etc. (Lockett, 2014). Many franchisors do not allow the franchisees the freedom to deviate from these set protocols. The reasons put

forward are that the franchisors have invested much capital in developing the franchising model and manual. Also, franchisors do not want differences amongst their units, whilst they operate under the same contractual agreement.

## 1.8 RESEARCH METHODOLOGY

The research questions, in most cases, determine what research approach one has to follow in an attempt to answer the research question/s. For this research, the researcher has used the qualitative approach method. According to Clancy (2002:548), “the qualitative research methods aim to develop concepts that help us understand social phenomena in natural settings giving due emphasis to the meanings, experiences, and views of all participants”. This study is exploratory in nature as it investigates how the owners and managers of franchises see the importance of experience in contributing to the success of their businesses.

Research designs are described in different ways by different authors. Kothari (2011) states that research designs are conceptual structures within which research is conducted; they constitute the blueprint for the collection, measurement and analysis of data. Furthermore, Creswell (2012) refers to research design as the entire process of the research, from conceptualizing of the research problem, questions, collection of data and analysis, interpretation and writing the report. Therefore one can conclude by saying that research design is a road map to assist the researcher in successfully completing the research.

## 1.9 RESEARCH DESIGN

The study will be using the qualitative approach as the dominant approach in conducting the research. A combined data collection approach was applied. Creswell (2009:14) and other scholars identify this as a process in which the researcher collects both forms of data at the same time and then integrates the information in the interpretation of the overall results. In this

study, the researcher asked questions using the questionnaire, and the participants' answers were noted on the survey form. After the data from the survey was collected the researcher interviewed the urban franchise manager from the head office to verify the findings.

#### 1.10 DATA COLLECTING METHODS/TECHNIQUES

The researcher originally proposed using three methods of collecting data: interviews, questionnaires and analysis of documentary sources. In the end, only two methods were possible, as the franchisees did not agree to make available the relevant documents since they considered them to be highly confidential. The researcher conducted the interviews personally with the owners/managers of the stores on their business premises.

#### 1.11 SAMPLING AND SAMPLE SIZE

The sample was selected from a population of Supa Quick franchises operating in the City of Cape Town municipality. A convenient sampling method has been used to choose the sample. It is a convenient sample because the franchises chosen were selected according to accessibility and proximity to the researcher. The franchises that fall under Supa Quick in Cape Town are divided into two groups: the rural and the urban. The research concentrated only on urban franchises due to the reason of distance already mentioned. In total, 19 franchises constitute a population of urban franchises of Supa Quick. All of them were selected for studying. However, after a review of them, three were excluded due to the distance, leaving 16 potential participants.

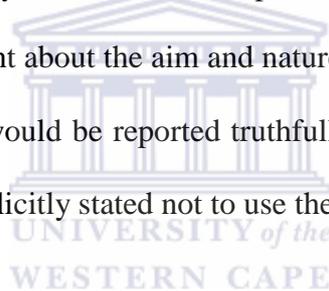
#### 1.12 LIMITATIONS

The study faced a few limitations. Firstly, the sample is small, which will reduce the generalizability of the study findings. The business of many of these franchise made it impossible to have uninterrupted interviews with many of these managers and owners. The distance between the researcher's home and the rural franchises was too great, over 100

kilometres. This resulted in the rural franchises being excluded due to the distance and the cost of travelling there. The request to access the financial reports of the franchises was discouraged as this was considered sensitive information by the managers of the urban franchises. Consequently, the researcher could not verify the profitability of the franchises through financial statements; however, the urban franchise manager was in a position to verify the information.

### 1.13 CONSIDERATIONS

In this study, the following ethical considerations were applied. The right of the subject's confidentiality, particularly that the information they provided would not be shared with other business owners. No owner was coerced to participate in the study, therefore their voluntarism was respected. Values of honesty and trust were upheld at all times during the research. Participants were informed upfront about the aim and nature of the study, and were also given the undertaking that the results would be reported truthfully. In terms of using the company name in the report, it was not explicitly stated not to use the name.



## 1.14 CHAPTER OUTLINE

The structure of the thesis is as follows:

Chapter 1: Introduction – This chapter introduces the study to the reader. It also explains the importance and the aims of the study. The research question and the methodology used are described. Furthermore, the chapter introduces the main concepts of the study, the measures of success and owner or manager’s experience. Then lastly, the study limitations and ethical considerations are briefly described, and the outline of the thesis is presented.

Chapters 2 and 3: Literature Review – These chapters present an overview of the literature consulted during the study. This literature explains the constructs and concepts used in this research. Constructs such as experience and its impact are examined. The measures of success are discussed as a basis for establishing how successful franchises are determined.

Chapter 4: Research Design and Methodology – The researcher describes and identifies the methods and the processes employed in conducting the study, namely, the sample selection and data collection techniques used.

Chapter 5: Research Findings – This chapter presents the findings and evidence from interviews that were conducted. The collected data is presented in a tabular format followed by the discussion of the findings. The findings were compared with the findings from the literature so that a conclusion could be drawn.

Chapter 6: Conclusions and Recommendations – This chapter sets out the conclusions reached after the analysis of data collected and then makes recommendations.

## 1.15 SUMMARY

This chapter introduced the reader to the study through a brief description of the components of the research. The literature review and the purpose for this study were briefly discussed and the research methodology was highlighted. Finally, the chapter presented the chapter outline of the thesis.

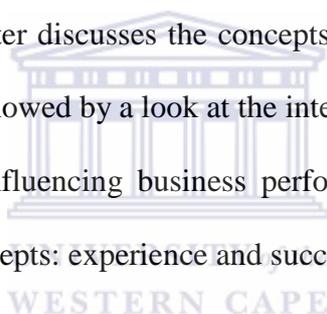


## CHAPTER 2: LITERATURE REVIEW

### 2.1 INTRODUCTION

An overview of literature linked to the main objectives of this study is presented in this chapter, which focuses on issues relating to the impact that human capital has on the performance of businesses, with specific emphasis on the experience of an owner/manager of a franchise business. The next chapter looks at the variables that determine the owner/manager's experience.

Firstly, this chapter deals with the development of small business in the international environment. Secondly, the chapter discusses the concepts, franchise and franchising, in the South African context. This is followed by a look at the integration of theory in explaining the role of the owner/manager in influencing business performance. Finally, the chapter will discuss the definitions of the concepts: experience and success.



### 2.2 BACKGROUND OF BUSINESS CREATION/DEVELOPMENT INTERNATIONALLY

Globally, policy makers understand that entrepreneurs and the new businesses they establish play an important role in the development and well-being of their societies (Global Entrepreneurship Monitor, 2012), hence the encouragement of entrepreneurship in every country. The link between business development and entrepreneurship is well illustrated in the definition of entrepreneurship offered by Bosma, Wennekers and Amorós (2012:9) in which they define entrepreneurship as “any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, a team of individuals, or an established business”.

Entrepreneurs start businesses for varying reasons. According to Mueller (2007), these reasons vary according to individuals. Some are influenced to start businesses by a combination of the following factors: their experience and prior knowledge, social networks and contact with other entrepreneurs, availability of financial capital or individual wealth, as well as expected profit and success. These reasons could affect how nations are rated in a global environment in terms of their business development capabilities. The Global Entrepreneurship Monitor (GEM) was set up to explore and assess the role played by entrepreneurship in the national economic growth of participating economies around the world (GEM, 2014).

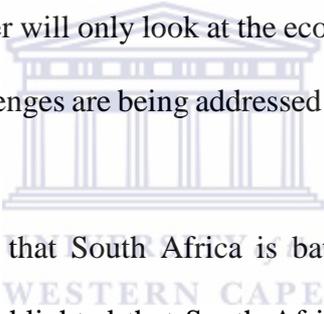
Furthermore, according to the GEM Report (2014), 69 economies and 198 000 people around the globe participated in this survey, which has grown from only 10 economies participating when the GEM surveys were started in 1999. The report compares how nations, regions and continents compare with each other when coming to the creation of new businesses. GEM uses Total Entrepreneurial Activity (TEA) as a key indicator of how entrepreneurial a nation is. TEA measures the percentage of adults (aged 18–64) in an economy, who are promising and new entrepreneurs.

Globally, the sub-Saharan Africa countries show higher average TEA rates: Zambia at (41%), followed by the Latin America/Caribbean countries, such as Ecuador (27%). The Asia Pacific/South Asia region showed a mix of TEA levels, with Thailand (19%) and China (13%) recording the highest rates (GEM, 2012). Although the EU and non-EU countries' TEA rates are low, well-established businesses in those areas have higher TEA rates than the entrepreneurs (those starting businesses from scratch). Also, the report shows that regions and countries where TEA rates are high, their GDP is low, and where the GDP is high, their TEA rates are low. Therefore this could mean that the more economically developed the country is,

the less motivation to start own businesses, because, there is a higher possibility of employment in the region or country.

### 2.3 BACKGROUND OF SMALL BUSINESS DEVELOPMENT NATIONALLY

South Africa, like many other developing countries, is experiencing major social, political and economic challenges, which may still take many decades for it to correct. However, to meet the economic challenges, strategies are being implemented to correct the situation; for example, small business development initiatives are being encouraged, strategies for avoiding the early collapse of small business, also the improvement of small business performances and encouragement to take up well-established business formats, such as buying franchises. For the purpose of this paper the researcher will only look at the economic challenge that SA is facing, and also ways in which these challenges are being addressed by the government and its citizens.



One of the economic challenges that South Africa is battling with is low entrepreneurial activity. The GEM Report has highlighted that South Africa's entrepreneurial activity is far below the average of comparable economies around the world. In 2010, the entrepreneurial activity rate was 8.9% and 9.1% in 2011 (GEM report, 2011). This trend is of grave concern to the government, more especially when small business and new start-up firms have been earmarked as the solution to some of the challenges the country is experiencing, such as the high unemployment rate of 25.5% (Stats SA, 2012). As a result of such a high unemployment rate, government and citizens have been looking for ways in which the unemployment and poverty can be addressed.

Therefore, job creation and self-employment have been identified as some of the strategies that will assist in solving some of the country's economic problems. Citizens have been encouraged

to embark on self-employment and job creation through small business entrepreneurship initiatives (Musvoto et al., 2015). Many small business start-ups and small medium micro enterprises (SMMEs) are being created every year in South Africa; and for various reasons, such as pure survival, opportunity exploitation and continuation of family tradition/history, however, very few of these businesses are sustainable (Groenewald et al., 2012).

Sustainability of small business is a big challenge, according to the GEM Report, the probability of a newly established business/firm surviving the first 42 months in SA was low (GEM quoted in SEDA 2006 report). Also, according to ABSA bank, failure rates of small business in South Africa are as high as 63% in the first two years of trading (Fin24, 2010). On top of these high failure rates, small businesses are not being created at a level comparable to other developing countries. GEM (2014) reports that South Africa's nascent entrepreneurship rate of 5.2% and new firm activity rate of 4.0% are constant, with 2010's nascent entrepreneurship rate of 5.1% and new firm activity rate of 3.9%. Therefore, this means that our rate of starting new small businesses is extremely low when compared to other developing countries, and also there is no growth.

According to the Small Enterprise Development Agency (SEDA) report, many small businesses collapse due to entrepreneurs not recognizing the importance of building skills in researching their markets, planning their business strategies and administering their operations and finances (SEDA, 2006). These skills according to Pena (2002) have been organised into intangible and tangible skills. Bontis et al. (2000) and Pena (2002) have looked at the internal factors, such as intellectual capital and its relationship with business performance. The Bontis et al., (2000) study found that an organization's efforts to manage knowledge and develop their structural capital led to relatively higher business performance.

## 2.4 FRANCHISING INTERNATIONALLY

In simple terms, franchising is another format of doing business, but in this format, someone has started the business from the scratch and made sure that it is well established, and then they sell this format to others for an exchange of money. Franchising is defined as “an arrangement in which the owner of a product, process or service (the franchisor) licenses someone else (the franchisee) to use it in exchange for some sort of payment” (Watson et al., 2005). Franchising is also seen as a hybrid business form that has the fastest development in the field of goods and services distribution. This format of business was established in the United States of America in the 1920s and 1930s to circumvent antitrust laws (Dumoulin & Gauzente, 2012).

The features that differentiate this format from other business formats is that the franchisor is expected to give the franchisee all the elements necessary to run the business, meaning that they need to provide the franchisees with the expertise to operate the business and provide continual support (Watson et al., 2005). Typically, the support and expertise provided are, for example, standard operating procedures, site selection, training programs, design layout and advertising (Norton, 1988).

According to Gauzente and Dumoulin (2012), the relationship is thought to be mutually beneficial for the franchisor (who delegates the business and financial risk to the franchisee) and for the franchisee (who benefits from a formula tried and tested by the franchisor and reinforced by the strength of a network). Franchising has two primary forms, product distribution (such as soft drink distributors) and business format franchising (such as fast food restaurants). Business format franchising is the dominant form of franchising studied by researchers over the past 40 years (Alon, 2001; Shane 1998a; Gillis & Castrogiovanni, 2012).

Business franchising is a growing trend as many entrepreneurs try to avoid the risks of starting a new business only for that business to collapse in a few months or years. The franchise is a business readymade and waiting for purchase. In the United States of America franchising accounts for US\$ 1.2 trillion of US GDP and it has about 800 000 franchised outlets (Zheng & Frazier, 2012). Looking at England, the British Franchise Association says that there are 40 000 franchised outlets and the industry produces a turnover of £13.4 billion. This sector has grown from an industry that, 20 years ago, had a turnover of just over £5 billion, had 379 different brands, and represented 18 300 franchised outlets (BFA, 2012).

## 2.5 CHARACTERISTICS OF A FRANCHISE BUSINESS

What makes a business to be recognised as a franchise? Many authors have highlighted the following characteristics as the criteria for identifying a franchise business. According to them, a business must involve a trademark exchange or agreement, the business must have a defined and proven method of trading (proven system), the principal (franchisor) and the agent (franchisee) must exchange license (franchise agreement) to use the trademark, which must be adopted and paid for by the franchisee and lastly, the franchisee must be able to sell the business on to another person with the benefit of the goodwill derived from developing the business over time (Norton, 1988; Minkler, 1992; Dnes, 1996; BFA, 2012)

## 2.6 FRANCHISING IN SOUTH AFRICA

This business phenomenon is relatively young in South Africa, compared with other countries such as the USA and England. The first franchise store to open in South Africa was Steers Steakhouse in 1960, by George Halamandaris after his visit to the USA. In 1979, a group of 30

franchises decided to form an organization to regulate franchising in the country: the Franchising Association of South Africa (FASA) (Kirabira, 2002).

The industry has grown so big that its contribution to the Gross Domestic Product is estimated at 12.57% and revenue of R256.46 billion in 2008 (Gordon, 2008; Berndt, 2009). According to O'Brien (2012), in 2010, the industry revenue grew to R287.15 billion, reflecting a growth increase of R30 billion since 2008. The industry plays a major role in fighting the high unemployment rate in the country; in 2010, it employed 477 623 people, reflecting an increase of 28 000 people since 2008.

The franchising format in South Africa is no different from those in other countries. FASA listed the sectors in which they have members, ranging across fast foods and restaurants, personal service, entertainment and leisure, real estate services, mining, manufacturing, and more. There are plenty of opportunities from which an entrepreneur wanting to start a business and also wanting to avoid risks associated with starting a new business, can choose. But what are the reasons for someone wanting to buy a franchise? These are many.

According to Elgin (2007) the following are the major reasons for buying a franchise:

1. The business success record. If that business model has proven that it is a successful model then one should consider buying it.
2. The strong brand is another factor to consider. Where the brand is strong then it becomes easier in term of attracting customers.
3. Marketing assistance is provided by the franchisor.
4. On-going operational support comes from the franchisor, as they want to see the franchisee succeed and not to fail their brand.

5. Lastly, the risk avoidance is the most compelling reason as the entrepreneur will avoid all the risks associated with starting the business from scratch.

## 2.7 THEORETICAL FRAMEWORK

There are many theories that one could use in explaining the role the of the owner manager's human capital in determining business performance. However, in this study the researcher discusses only three theories that are relevant to the research question: the resource-based theory, the neoclassic theory of the firm, and the transactions cost economics theory of the firm. These are the theories most closely linked to explaining the relationship between owner/manager experience and performance of the business.

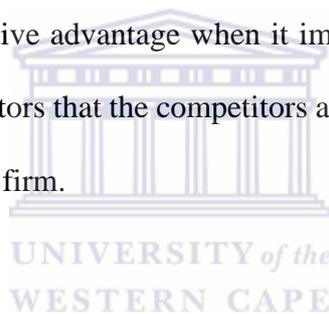
### 2.7.1 Resource-based theory

The resource-based theory describes how business owners can use the resources and capabilities at their disposal to create businesses (Dollinger, 1999). The resources can be described broadly as anything that can be thought of as strength and weakness of the firm (Gillis, Combs & Ketchen, 2014; Wernerfelt, 1984). Barney (1991:101) defines the resources as “all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enables it to improve its efficiency and effectiveness”.

An entrepreneur can possess the resources, such as knowledge and finances, that will assist him/her in starting a business. An entrepreneur's experience can be classified as knowledge or capability that the entrepreneur will be bringing into the business and also that could contribute to the performance of the business they started or are running.

Therefore, the theory addresses the way businesses can use the resources they possess to attain the competitive advantage over their competitors in the same market and that superior performance comes from possessing and exploiting these unique resources of the firm (Saffu & Manu, 2004). Resources have been found to be important antecedents to products and ultimately to performance (Wernerfelt, 1984).

Furthermore, the theory argues that sustained competitive advantage is generated by the unique bundle of resources at the core of the business (Conner & Prahalad, 1996; Barney, 1991). A firm must have a competitive advantage before it can have a sustained competitive advantage. According to Barney (1991), a firm has a competitive advantage when it implements value creating strategies not implemented simultaneously by its competitors. He further states that the firm has a sustained competitive advantage when it implements value creating strategies not simultaneous with its competitors that the competitors are unable to copy. This shows how important the resources are to the firm.



### 2.7.2 The neoclassical theory of the firm

This theory argues that, in the environment of perfect competition, the firm exists to combine labour and capital to produce an end product. This takes place where information and resources for both the firm and the consumers in an industry or market are homogeneous. This means everyone in this environment has access to the same resources and information, hence the perfect competition. The firm's objective is profit maximization, which is accomplished by setting output at the point where marginal costs equal marginal revenues. Firm size is constrained by technological and later managerial scale factors (Slater, 1997).

Although perfect competition often seems to be the policy planner's objective, this theory does not adequately explain managerial motivation or firm diversity with respect to either performance or scale. Teece (1984:90) believes that, on examining the neoclassical theory, "one finds the theory of production masquerading as a theory of the firm".

### 2.7.3 Transactions cost economics theory of the firm

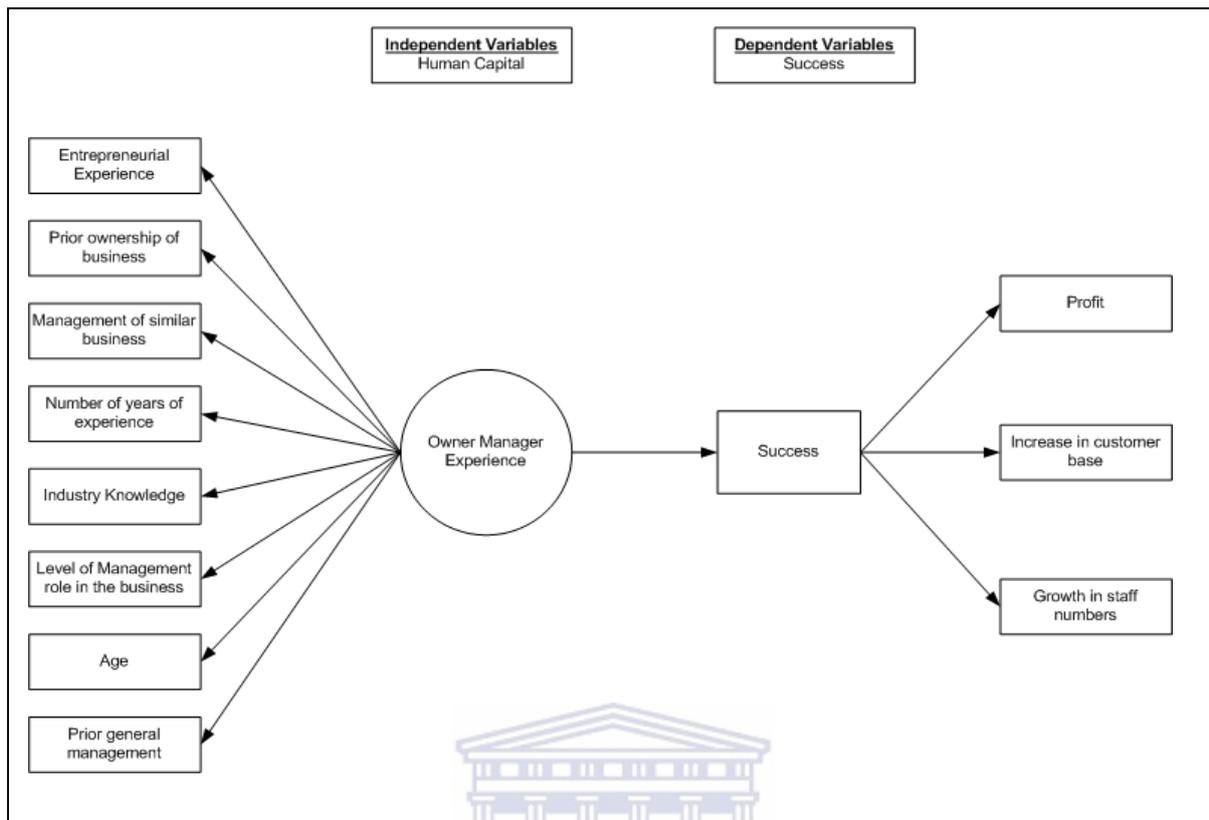
Transactions cost economics theory of the firm is another theory that relates to the firm's existence and has something to do with the firm's performance. It states that markets and firms are alternative mechanisms for co-ordinating transactions and the choice of one or the other is based on the respective cost associated with the transactions (Slater, 1997). Transaction occurs when the goods or service are exchanged between parties involved. What sets the firms apart from the transaction is the recognition of an opportunity, and how they take advantage of it.



## 2.8 HUMAN CAPITAL

It is worth repeating here that this study will look at the relationship between the owner/manager experience, which is one aspect of human capital and the business performance. For this study, performance will be limited to success and success will be measured by profit, growth of customer base and increase in number of employees in the business (see figure 1).

Figure 1- Conceptual Framework



It is argued that the business performance is not only determined by the owner’s talent, the circumstances and good luck, but also by his human, social and financial capital (Bosma et al., 2004; Ucbasaran et al., 2008; Unger et al., 2011). Many studies have been done globally about the impacts, contributors to the performance and success of businesses (Lussier & Pfeifer, 2001; Saffu & Manu, 2004; Rose, Kumar & Yen, 2006; Lambert & Davidson, 2013).

Therefore, this means that there are many elements that influence the business performance and success; unfortunately, we cannot study all of them in this research due to limited scope and resources. Consequently, this study will concentrate on one factor, namely, human capital. However, this construct encompasses many concepts, but we will study only one: the owner or manager’s experience. Many studies have been written on the human capital topic, however, different authors have labelled the element differently, some use human capital (HC) and others use intellectual capital (IC).

### 2.8.1 Definitions of human capital

There are several definitions and taxonomies of Intellectual Capital (IC) (Petty & Guthrie, 2000; Watson & Stanworth, 2006). However, many authors agree that Steward's (1997) definition captures the essence of IC. He defines intellectual capital as the "intellectual knowledge, information, intellectual property, and experience that could be put together to produce wealth". On the other hand, human capital is defined by Hudson (1993) as the combination of four factors: genetic inheritance, education, experience and attitudes about life and business. Both definitions have a common theme which is the fact that they are intangible assets found in the intellect of a person.

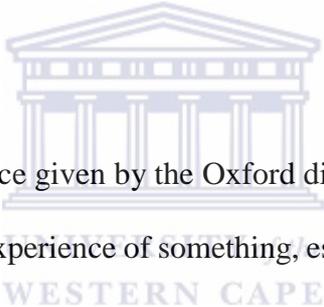
This study will be based on the research question whether experience has an impact on the performance and success of a franchise business. So far, research findings have provided mixed results about the extent of the human capital and entrepreneurial success relationships. Reuber and Fisher (1994) reviewed eight studies testing this relationship, and they have identified eleven significantly positive effects, eleven non-significant effects, and two significantly negative effects. The relationships between human capital and success have been described differently by different authors. Reuber and Fisher (1994) describe them as spotty and difficult to interpret. Whereas, Honig (2001) says that they are somewhat inconclusive; and lastly, Florin et al. (2003) say they are mixed, inconclusive on the whole.

Many authors have used the construct, human capital; however, they differ in terms of the concepts they include within the construct. Some of the concepts used in this construct are, for example, level of education, motivation and experience (Pena, 2004). Other factors that comprise human capital include genetic inheritance and attitudes about life and business

(Bontis, 1998). Networking or inner circle advisors are also proposed by Soriano and Gastrogiovanni as a concept to be measured under human capital (2012).

In his study of three human capital elements – education, experience and motivation of entrepreneurs – Pena (2004) says that these elements are important intangible components which seem to affect new firm survival and growth. In this study the researcher will look at only one concept to be measured in this human capital construct, which is owner/manager experience, as a factor that could positively impact the position of a business to success. By owner manager the researcher means the owners of franchises who manage their own businesses.

## 2.9 EXPERIENCE



The general definition of experience given by the Oxford dictionary is: the knowledge or skill acquired by a period of practical experience of something, especially that gained in a particular profession (Oxford Dictionary, 2012). Lee and Tsang (2001) categorise this knowledge and skill into three main components: entrepreneurial, industrial and managerial experiences. Entrepreneurial experience refers to ‘the number of previous new venture involvements and the level of the management role played in such ventures’ (Stuart & Abetti, 1990:151). Industrial experience refers to experience in the industry, in which the venture is located. Managerial experience is the total experience in management regardless of the industry.

Experience is an element of human capital that is very important in starting or running a business. In terms of experience, it assists the entrepreneur in knowing exactly what resources are needed, what needs to be done and what to avoid. Experience can be attained through

previous employment of the entrepreneur or experience gained from running the business in the same business market or different markets.

Reuber and Fischer (1999) found in their study that experience gained from previous employment or gained from running a business does provide a founder with knowledge of the industry, understanding of markets and customers, and, of course, understanding of the specific technologies (Soriano & Gastrogiovanni, 2012). With such experience, one can expect a better performance from the business. Many studies have reported a positive relationship between prior experience and venture performance (Vesper, 1980; Van de Van et al., 1984; Stuart & Abetti, 1990; Duchesneau & Gartner 1990; Dyke et al., 1992).

According to Wiklund and Shepherd (2003), experience can be measured through three variables deemed to be important to growth – start-up experience, management experience and experience of working in rapidly growing organizations. However, the measures to be used in this study are experience in prior ownership of business, management of similar business, industry knowledge, prior general management, age, and number of years of experience as depicted in the conceptual framework diagram.

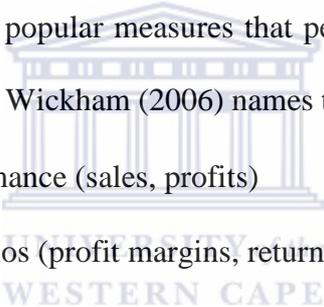
## 2.10 SUCCESS

Business success can be measured in different ways, either through financial or non-financial criteria; however, financial criteria have been given the most attention (Walker & Brown, 2004). Success is a measure of an entrepreneur's achievements. Many entrepreneurs refer to positive performance of their business as a success; in addition, for these businesses to be classified as successful, these financial measurements require increases in profit or turnover and/or increased numbers of employees.

However, Walker and Brown (2004:578) say that “implicit in these measures is an assumption of growth that presupposes all small business owners want or need to ‘grow’ their businesses”. But success means different things to different people and it depends on the individual entrepreneur or the organization expectations. Also, the meaning of success to business owners depends on the reasons why they started their businesses.

Wickham (2006:196) defines success “as a point in which the organization uses its performance to meet, or better to exceed, the financial, social and personal growth expectations of the people who have an interest in it”.

As mentioned in the above paragraph that success has a different meaning to different people. Its measures are many. The most popular measures that people tend to use are the financial measures, such as profit and sales. Wickham (2006) names the following measures of success:

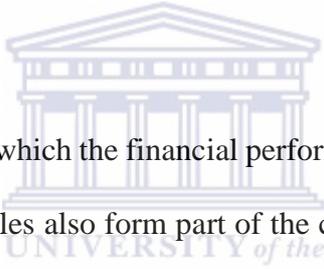
- 
- Absolute financial performance (sales, profits)
  - Financial performance ratios (profit margins, return on capital)
  - Financial liquidity ratios (debt cover, interest cover)
  - Absolute stock market performance (share price, market capitalisation)
  - Stock market performance (earnings per share, dividend yield)
  - Market presence (market share, market position)
  - Growth (increase in sales, increase in profits)
  - Innovation (rate of new product introduction)
  - Customer assessment (customer service level, customer rating)

## 2.11 MEASURES OF SUCCESS

### 2.11.1 Introduction

All businesses set their own measures of success, and in most cases, these measures vary from business to business. These measures determine if the business has met its goals. In this study the three measures of success that the researcher will focus on are: profit, growth in customer base and growth in employees. Walker and Brown (2004) refer to these as the hard measures that are popular and easy to determine success with.

### 2.11.2 Profit



Profit is one of the few criteria by which the financial performance of a business is determined. According to Wickham (2006), sales also form part of the criteria that determine the absolute financial performance. The simple definition used in the accounting field is that profit is the amount by which income is greater than expenses for a set of transactions (Wood & Macdonald, 1997). The Oxford dictionary further defines it as a financial gain, especially the difference between the amount earned and the amount spent in buying, operating, or producing goods (2015). It is the best known measure of success in an enterprise.

However, things are not as simple as described in the definition. There is a raging debate about what a profit actually is. In their paper, Holian and Reza (2010) discuss different ways in which profit is measured and they test the two systems used: the economic value added (EVA) and the accounting system of measuring profit. According to these scholars, the difference between the two systems is that the accounting profit (net income) does not take into consideration the opportunity cost of capital, while economic profit does.

Profit forms part of the criteria that Walker and Brown (2004) referred to as the economic measures of performance, and they have generally been popular because of the ease with which they can be administered and applied, since they are very much ‘hard’ measures. Furthermore, the authors note that not all success measures have to be financial; there are success measures that are non-financial.

These non-financial measures also sometimes depend on the reasons why the owner started a business; they are based on criteria that are personally determined by the individual business owner (although commonalities within the cohorts of small business owners occur) hence comparing the small business owners success can be tricky sometimes. These measures include, amongst others, aspects such as job satisfaction, autonomy of being their own bosses and the ability to balance work and family responsibilities (Walker & Brown, 2004).



### 2.11.3 Growth in customer base

Growth can be a measure of success as well; however, growth can be described in many ways, ranging across an increase in the number of customers buying the product, an increase in the customers walking into the shop, an increase in staff, and the expansion of business to other areas, etc. Therefore, one needs to narrow down the description to what is being studied and not to lose focus of the variable in question, which is the growth of the customer base of the business. Many senior managers regard growth as the engine of prosperity and success and that growing companies flourish, shrinking companies die (Keiningham, Aksoy, Cooiland & Andreassen, 2012). The more customers the company has, the more sales they make and therefore, the more profit for the company.

#### 2.11.4 Growth in employees

Another way in which the growth of a business can be measured is an increase of employees in the business. This increase could mean that growth of a business is taking place; perhaps the demand for the product has increased, hence more employees are needed. Also, since many governments are concerned about the reduction of unemployment, this will definitely be seen as a measure of growth. No business can afford to increase its staff complement if there is no increased demand for the product they are selling. Increase in the demand for the product means an increase in the financial turnover of the business.

#### 2.12 STANDARD OPERATING PROCEDURES

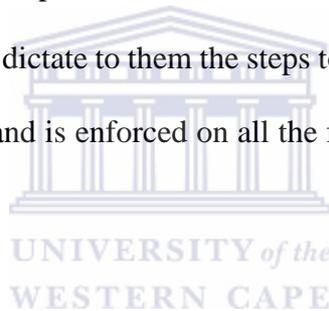
According to Colleen Reinhart (2014), standard operating procedures “are documented practices designed to ensure consistency in business practices and operations”. In franchising, these procedures emanate from the contractual agreement between the franchisor and the franchisee. Dant, Grünhagen and Windsperger (2011) highlight the two different types of franchises: the product-name franchise and business format franchise. They say that in business format franchises (e.g., Supa Quick), the franchisee is expected to strictly follow a detailed operational regimen specified by the franchisor through an operations manual. The detailed operational regimen they are referring to here is the standard operating procedure (SOP) that franchisors expect the franchisee to follow cooperatively.

The core of an operations manual deals with all procedural requirements that are standard across all franchise outlets, which may include the following: systems of operating, marketing, handling of stock, opening and closing procedures, accounting, etc. (Lockett, 2011). Many franchisors do not allow the franchisees the freedom to deviate from these set protocols. The

reason advanced is that the franchisors have spent much money in developing the franchising model and manual. Also franchisors do not want differences amongst their units whilst they operate under same contractual agreement.

#### 2.12.1 The advantages of SOP in franchising.

The success of the franchise business depends on the strong brand of the franchisor. Therefore, SOP ensures that the whole franchise system operates as one unit rather than a fragmented whole and it brings consistency and efficiency across the system. The SOP assist those who are new in the business environment by clearly indicating the flow of actions to be performed from the beginning to the end of the process chain. Such a manual puts the new entrepreneurs at ease, knowing that manual will dictate to them the steps to follow. Another advantage of the SOP is that the strength of the brand is enforced on all the franchises and showing strength in unity.



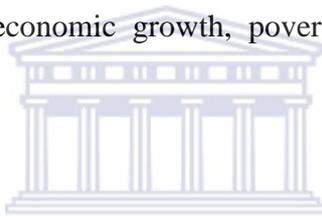
#### 2.12.2 The disadvantages of SOP in franchising.

Although the advantages of SOP are reasonable and make business sense, they still have disadvantages. According to Amare (2012), SOP disadvantages include the claim that it limits creativity in business. Entrepreneurs feel boxed into following rigid steps. The SOP restricts short cuts which may save the business money if implemented. Lastly, the SOP denies flexibility, which means the owner or manager cannot try different methods even though they will make things easier.

## 2.13 SUMMARY

In this chapter the background of small business development was discussed to give a clear picture of the environment and the reasons that small businesses are started. Globally, countries differ according to the way in which they encourage their citizens to be entrepreneurial; some countries in the developed world have been ranked high as compared to many in the developing countries which are ranked low, South Africa being one of those developing countries ranked low by the GEM report.

Literature shows that businesses are started for varying reasons, from being entrepreneurial to survival. Governments create policies to support and encourage citizens to be entrepreneurial so that they can contribute to economic growth, poverty alleviation and unemployment alleviation.



The development of a franchise business was discussed to draw a picture of the history of the concept. The literature showed us that this concept started in USA and England, and here in South Africa it is a fairly new concept that started in the 1960s. Many entrepreneurs in the small business fraternity have taken a liking to the concept as it entails less risk than developing the business from scratch.

It has been shown that many small businesses do not last more than five years from inception, and franchising has become an alternative to starting a business from scratch. In many instances, new owners buy the franchise that has been in existence for many years and has been tried and tested. Although tried and tested, the concept of franchising still has both advantages and disadvantages, and it is for the buyer of the franchise to balance these.

Three theories have been discussed (resource based theory, transaction costs economics theory and neo-classical theory), but resource-based theory was more relevant in trying to develop the understanding of why human capital is important as a company resource. The element of human capital in question in particular is the owner or manager's experience. As an important resource in the company, owner or manager's experience can be used gaining a competitive advantage to competitors.

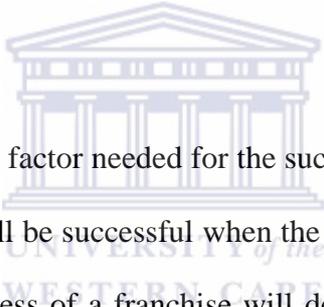
Proper utilization of this resource could lead to a better business performance. In the franchising industry one wonders why one franchise is successful and another fails, even though they come from the same franchisor and are using the same standard operating procedures. Theory showed that there are many ways in which business performance can be measured. In this study, we looked at two measures – profit and growth – profit being a popular measure used often.



## CHAPTER 3: ELEMENTS DETERMINING THE OWNER/MANAGER'S FRANCHISE SUCCESS

### 3.1 INTRODUCTION

Human capital determinants are made up of several variables, which include experience, education, motivation and learning (Pena, 2004; Santarelli & Tran, 2013). The outcome of time spent on learning or doing activities for a period of time does give a person a skill or knowledge which they could use as an advantage when compared to others who do not possess it; this could be experience. Also education, according to Santarelli and Tran (2013), is often used as a proxy for prior knowledge, which in many instances is attained before the development of a new business.



General experience is not the only factor needed for the success of a business entity, and does not guarantee that the business will be successful when the business owner or manager has it. Like any other business, the success of a franchise will depend on many factors. However, since we are researching the impact of experience, we will discuss the different types of experience having an impact on the success of the franchise business.

Research in the developed countries, as noted by Van Praag (2005) and Parker and Van Praag (2006), is comparable to that in developing countries which shows that human capital, categorized into education, learning and experience, plays an important role as a key determinant of successful entrepreneurship (Santarelli & Tran, 2013).

## 3.2 ELEMENTS OF EXPERIENCE THAT DETERMINE SUCCESSFUL PERFORMANCE OF A BUSINESS

The seven variables/elements that determine the experience of the owner or manager of the franchise business will be discussed in this chapter. Relevant published research results from many countries will be analysed and discussed.

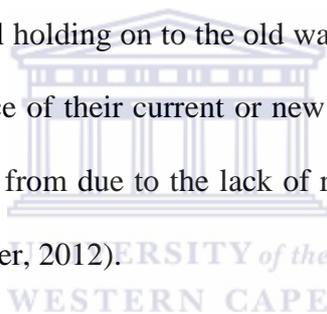
### 3.2.1 Experience in prior business ownership or entrepreneurial experience

Entrepreneurial experience refers to “the number of previous new venture involvements and the level of the management role played by the entrepreneur in such ventures” (Stuart & Abetti, 1990:151). Toft-Kehler, Wennberg and Kim (2013) describe entrepreneurial experience, in its simplest form, to be the past involvement in founding a business. Therefore, it is normally expected that any subsequent business the entrepreneur starts should be successful because of the wealth of experience they possess and their ability to formulate and execute their plans in new ventures. However, this is not correct as there are mixed results (negative and positive relationship) between prior entrepreneurial experience and business performance.

There is a view that is prevalent among entrepreneurship practitioners that says entrepreneurship can be learned and that the next new business they establish will always do better than the first one (Chen, 2013). Also, many studies have reported a positive relationship between prior experience and venture performance. For instance the following pioneering authors reported the following: Stuart and Abetti (1990) reported a positive effect from managerial experience; Van de Ven et al. (1984) and Vesper (1980) both reported positive effects from industrial experience while Dyke et al. (1992) reported a positive effect from both managerial and industrial experience; Duchesneau and Gartner (1990) used the concept of “breadth of managerial experience”, which combined managerial and industrial experience,

and found that combined experience had a significant effect on venture successes. It seems that the existing evidence generally supports a positive relationship between an entrepreneur's experience and performance. Stuart and Abetti (1990) also found in their study that entrepreneurial experience in the highest level of management, prior to start-up, is positively related to the success of a new venture.

This is a broad assumption that can be both correct and incorrect. This will depend on factors such as the type of business one operated previously, the industry and perhaps the time frame. The time frame refers to the amount of time that has elapsed between the previous business and the new business being opened. If the gap is too wide, things such as new technology, the new markets and forever changing interests of customers can affect performance of the new venture. If the entrepreneur is still holding on to the old ways of doing business then this will negatively impact the performance of their current or new business. In particular, infrequent events are more difficult to learn from due to the lack of repetitiveness or the time decay of learning (March et al., 1991; Parker, 2012).



Chen (2013) found that it is not always the case that entrepreneurial experience will assist in the success of a new venture. He found that the entrepreneurial experience can sometime have a negative effect on the formation of business and its performance, more especially if the experience is from a different industry than the one in which the entrepreneur is starting a new business, referring to the small business owners, who are termed the necessity entrepreneurs. Haber and Reichel's (2003) study shows negative association to performance measures. Aidis and van Praag's (2007) study of Illegal Entrepreneurship Experience (IEE), shows no significant association between IEE and business performance as measured by firm size, turnover and business earnings.

### 3.2.2 Industry experience

Entrepreneurship is about the exploitation of new business opportunities. However, for one to be successful in that endeavour they would need to be knowledgeable with that particular setting or environment to remove any uncertainty. Therefore, industrial experience or experience in similar settings reduces the number of unknowns and assumptions an entrepreneur must make when evaluating their prospects (Cassar, 2012).

Also, lack of industry-specific experience of an entrepreneur is a major determinant of the “liability of newness”, which will exist because of a lack of stable supplier and customer relationships, inadequately developed internal processes, and problems in acquiring resources (Stinchcombe, 1965).

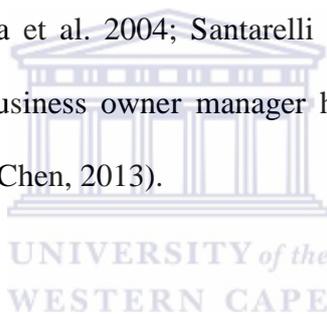
Generally there is a positive relationship between human capital and the success of start-up firms, specifically education, industrial experience and learning; all these factors positively and significantly influencing entrepreneurial performance (Santarelli & Tran, 2013:452-453). This positive relationship seems to be present due to the fact that entrepreneurs are more likely to be successful if they have pre-existing knowledge of buyers and suppliers, and understand operational issues in their industry (Santarelli & Tran, 2013; Bosma et al., 2004).

Although there are many studies that show a positive relationship between industry experiences and business success, some have shown negative correlations. Reuber and Fischer (1994). in their study, found negative correlations between prior industry experience and performance; for example, they have found prior industry experience associated with lower sales performance, however, they could not explain how this had occurred.

### 3.2.3 Experience in management of similar business

Experience and knowledge of how to manage a business enterprise are mostly tacit and are commonly acquired by substantial investment of time in observing, studying, and making business decisions (Cooper, Gimeno-Gascon & Woo, 1994). Having such tacit knowledge will give one an advantage over those who don't. It is especially true that, if a new venture is in the same line of business as a previous one managed or owned by the entrepreneur, having this management experience can increase its chances of success.

Many of the studies done do not refer to the experience of managing or owning a business that is similar to the previous business. Many studies investigated the impact of industry experience (Reuber & Fischer, 1994; Bosma et al. 2004; Santarelli & Tran, 2013) and looked at the entrepreneurial experience the business owner manager has (Stuart & Abetti, 1990; Toft-Kehler, Wennberg & Kim, 2013; Chen, 2013).



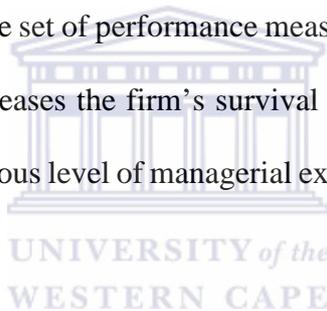
### 3.2.4 Number of years of experience

It is a generally held view that repeated activities done over and over again over a period of time (years) can be classified as an experience gained from that activity. But the question remains as to whether that experience can assist the franchise owner/manager to make their business successful. Toft-Kehler, Wennberg and Kim (2013) posit that existing literature suggests that entrepreneurs who have more experience found better-performing ventures, their experience enabling them to generalize knowledge from one setting and to apply it effectively to a new situation.

### 3.2.5 Level of management role in the business

This section examines the level of management the owner or manager of the current business occupied in their previous jobs, excluding similar business and similar industry. Its aim is to determine whether the level of management one occupied previously will have an impact on the performance of the current business. It is expected that such experience will provide an entrepreneur with skills and knowledge that will better improve performance of the new business they own or manage.

This assumption is supported by results from the study of Bosma et al. (2004), which investigated the value of human and social capital on performance. Not only did they find that human capital influenced the entire set of performance measures, more specifically, they found that experience in leadership increases the firm's survival time. Also, in their studies, Stuart and Abetti (1990) found that previous level of managerial experience showed a high correlation with business performance.



However, just like other studies of experience, there are inconsistencies with results. Jo and Lee (1996) found contradicting evidence when compared to the general expectation. They found that the experience of the highest management level in the previous firm showed no significance, meaning that this experience did not have the expected impact on business performance.

### 3.2.6 Age of entrepreneur

Age is often used as a proxy to explain the experience an entrepreneur has in business, and also, it can explain the new firms' founders, working experience, and education (Mata, 1996).

It is assumed that the older the entrepreneur, the more experienced they are, and the younger the entrepreneur the less experienced they are. This is supported by results of Mata (1996) in which it was found that businesses created by older people are less risky ventures than firms created by younger people. The influence of age in entrepreneurship can engender mixed results.

Furthermore, it is expected that as the entrepreneur is older, and with lots of experience, this should show in their business performance. Basically it is expected that their business will perform better than those with less experience and who are younger. On the contrary, Bosma et al. (2004) found that the age of an entrepreneur has no impact on any performance measures they have studied.

### 3.2.7 Experience in prior general management



In this section, the managerial experience being referred to is the total experience in general management, regardless of management level and the industry an entrepreneur operated in previously or currently. Lack of managerial skills has been highlighted as one of the barriers to business venture (Lerner & Haber, 2001).

Therefore, to remedy the problem, Lerner and Haber (2001) suggested that training in the incubators must provide the entrepreneurs with tailored regional business and management training. Their study also found that, among the various entrepreneur's attributes examined, managerial skills provided the strongest association with the performance measures.

### 3.3 CHAPTER SUMMARY

Several elements that determine owner and manager's experience have been discussed in the above paragraphs. Experience is a broad concept that needs narrowing to the specific to make sense of it. This chapter has discussed elements such as experience gained from entrepreneurial activities one engaged in previously, for example, creating and operating a business. Another type of experience discussed is the experience gained from a specific industry and experience from management of business similar to the one operating currently. This is beneficial to an entrepreneur or manager since this will give them an advantage over others. The last type of experience discussed is the experience gained from prior general management of business entities.

Furthermore, this chapter discussed other elements that contribute to the experience. These are the age of the entrepreneur, number of years of experience and the level of management role one occupied before. The age of the entrepreneur or manager and number of years they have acquired whilst working do create a wealth of knowledge that could be used as an experience. Also, the management level the owner or manager occupied, does give them access to knowledge that low ranking employees will not normally have in managing or operating a business.

## CHAPTER 4: RESEARCH METHODOLOGY

### 4.1 INTRODUCTION

This chapter presents the research method and procedures used to collect data for the study. The requirement for an empirical study to be considered valid is that it provides a clear description of the research design, data collection procedures and data analysis (Creswell, 2009). The chapter describes the research process and is divided into the following sections: objectives of the study; background to the study problem; research question; research design; data collection process; and data analysis. These are discussed in detail below.

### 4.2 OBJECTIVES OF THE STUDY

This study set out to describe the perceptions of Supa Quick franchise owners and managers on factors that contribute to success of their business entities. A second objective was to identify factors that are impediments to the performance of their franchise business. Lastly, the study set out to examine factors that affect the performance of franchises when they operate under the same contractual agreement or Standard Operating Procedures.

### 4.3 RESEARCH QUESTIONS

Following from chapter one the following broad question that frames this study is restated: Does the experience of owners or managers of Supa Quick franchises in Cape Town contribute to the success of their franchises?

The research will focus on finding answers to the following questions:

- How do owners/managers' perceive their experience contributing to the success of their franchises?
- What factors are perceived to affect the positive performance of their franchises?
- What do owner/managers perceive as measures of success in their businesses?
- What role do standard operating procedures for franchises play in the success of the business?

#### 4.4 BACKGROUND TO THE STUDY

The struggles of ensuring the success of small businesses is common to many countries, but more so for developing countries such as SA. According to the GEM Report (2011) the entrepreneurial activity for SA was 8.9% in 2010 and 9.1% in 2011. This is below the average of comparable economies around the world. Thus, business success and survival have become important to the survival of the economy. The positive performance of business leads to profit generation, and thus it is a main aim of many businesses.

The focus of this study is on investigating how experience of owners and managers contributes to the business performance and success. By also identifying factors that impede business performance, the research findings will highlight practical facts on how owners and managers perceive the importance of experience in keeping the business surviving. Furthermore, the research will reveal factors that could be impeding business performance in the automotive parts industry

The study aims to answer the following question: Does the experience of owners or managers of Supa Quick franchises in Cape Town contribute to the success of their franchises?

## 4.5 RESEARCH DESIGN

The study sought to investigate manager or owner perceptions on the impact their experience has on business performance. This descriptive form of research is best served by combined methods to ensure that data collected has both relevant depth and covers the scope of the study.

A combined data approach was applied which, according to Creswell (2009:14), is a process in which the researcher collects both forms of data at the same time and then integrates the information in the interpretation of the overall results. In this study, the researcher asked questions using the questionnaire, and the participants' answers were noted on the survey form. After the data from the survey was collected, the researcher interviewed the urban franchise manager from the head office to verify the findings.

The qualitative data collection technique offers a broad understanding of the phenomena under investigation, providing the researcher with a comprehensive and valid picture (Flick, Karloff & Steinke, 2004). The benefits of using this method approach have been well articulated (Creswell, 2009). One of the benefits is that enriched data is collected.

## 4.6 RESEARCH PROCESS

### 4.6.1 Questionnaire development

Before the research could be undertaken, permission was requested by submitting the research proposal to the Higher Degrees Committee of the Economic and Management Sciences Faculty at the University of the Western Cape in compliance with the Master's degree requirements. After ethical clearance was granted the researcher embarked on the data collection process.

This study utilised a questionnaire as the dominant data collection tool. According to Gates and McDaniel (2007), the questionnaire is a structured set of questions designed to generate necessary data. The structured survey form was informed by a literature review of the relevant theory. The use of questionnaires as a method of data collection in research is well established, with the benefits and drawbacks of using such a method extensively debated (Jones, Murphy, Edwards & James, 2008).

The questionnaire had the following sections: Section A collected personal profile information, such as store location, gender, age, qualification and years of work experience. Section B concentrated on the types of experiences the owners or managers had. Section C examined performance measures and Section D examined standard operating procedures.

During the design phase of the questionnaire, the researcher considered the conciseness of wording, complexity and layout of the questionnaire because of time limits that respondents have. The questionnaire initially had 5 scale Likert type questions (1=strongly agree, 2=agree, 3=I don't know, 4=disagree and 5=strongly disagree). Based on the results of pilot testing of the questionnaire, the "3=don't know" response was removed, and the questionnaire was left with 4 scale Likert type responses.

A pilot test of the questionnaire was distributed to four participants. Two were academics in the field of business studies, and the other two were participants who worked in the head office of Supa Quick. This process was deemed necessary to establish that (a) the survey form was relevant to the industry sector with appropriate language use and, (b) to ensure suitability as an empirical data collecting tool. This study used a qualitative data collection

approach as the dominant form of collecting data; this was a structured interview questionnaire with open-ended questions to obtain explanatory data.

According to Aliaga and Gunderson (2000), quantitative research is explaining phenomena by means of the collection of numerical data for the purpose of analysis using mathematical methods, and this categorization allows a researcher to answer specific questions from complex data sets (Thomas, 2013).

The qualitative approach process of collecting data was done through the use of the interview. According to Creswell (2007), it is important to choose the type of interview that will collect the most useful information to answer the research questions. For this study, the one-on-one interview was deemed appropriate and chosen. The interviews allow participants to share their perceptions about the questions asked in their own words and understanding. The interview with the head office franchise manager was held at the head offices in Montague Gardens.

According to Brynard and Hanekom (2006), the qualitative approach is the research that produces the descriptive data, which is normally the participants' own written or spoken words pertaining to their experience and perceptions. Creswell (2009:4) describes qualitative research "as a means for exploring the meaning individuals or groups ascribe to a human or social problem".

Therefore, this approach was appropriate to be used in this study, because this research sought to understand the perceptions of the owners and managers on the role that their experience has played in the performance and success of their franchise businesses. The participants described their understanding on how their experience contributes towards the success of their franchises. In-depth understanding of the problem or phenomena is a fundamental aspect of the qualitative

method. Hence, the interview and the open-ended questions on the questionnaire were included in the study to elicit answers with in-depth understanding.

#### 4.6.2 Sample selection

A convenience sampling approach was used to select the sample for this study. Convenience sampling is described as the least rigorous sampling technique because it involves selection of the most accessible participants (Marshall, 1996). The sample was easily available because the franchises were divided into two groups of urban and rural franchises by the company for their own ease of operation. The researcher was allocated the urban franchises group which was in the Cape Town Metropolitan area, and which was in close proximity to the researcher's home. The rural franchise group was excluded because it was in the rural areas of the Western Cape which were far away from the home of the researcher.

The target population for this study was the owners or managers of Supa Quick franchises in Cape Town and Stellenbosch metropolitan areas. In total, there are 19 Supa Quick franchises managed by the Urban Franchise Manager, spanning from Cape Town, to the Winelands districts and the West Coast of Western Cape. The researcher contacted the Supa Quick head office in Montague Gardens to obtain information on sites for the sample. The head office allocated the urban franchise list of 19 franchises for this study because of the proximity of these franchises to the researcher's home.

The researcher added the Franchise Manager from the head office to the list of participants to be interviewed to validate the information presented by the franchisees, which increased the number to 20. Out of the possible 20 participants, three were eliminated due to distance; therefore, 17 participants remained as a sample for investigation.

District	Participating franchises	Non Participants (names not mentioned)	Excluded Participants	Total
Central Cape Town	Sea Point, Cape Town, Observatory, Athlone, Claremont, Mitchells Plain, Airport Industria			7
Blaauwberg	Montague Gardens			1
Oostenberg	Kuilsriver			3
South Peninsular	Fish Hoek			2
Tygerberg	Durbanville			2
Cape Winelands	Stellenbosch			1
Head Office	Mrs Kollegenberg (Franchisor Manager)			1
			Malmesbury, Vredenburg, Moorreesburg	3
<b>Totals</b>	<b>13</b>	<b>4</b>	3	20

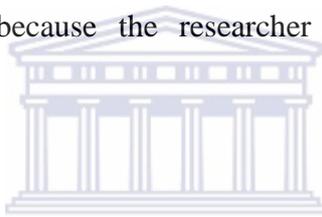
The researcher made contact with 16 franchises and the franchisor manager to make appointments for collecting data, totalling 17 visits. These were confirmed with only 13 participants that were available. There were four franchises that could not participate in the study; three owners showed no interest in participating, and the fourth franchise manager was on leave and the owner didn't return calls or emails sent to him. The researcher found that one participant owned two franchises in (Mitchells Plain and Observatory), and he was interviewed only once. See Table 3.2 below for breakdown.

Occupation	Numbers	Sample %
Owners	3	23%
Managers	9	69%
Head Office Manager	1	8%
Total	13	100%

#### 4.7 DATA ANALYSIS

The information gathered from the respondents through questionnaires and the interview of the representative of Supa Quick management of franchises were categorised and analysed according to the research questions. According to Constantino, Elisa, Raffaghelli and Moran (2012: 125) “categorization is a process of analysis and interpretation of data that can be collected through several strategies, where the attempt of the researcher is to generate some categories arising from this original data”.

Furthermore, the researcher combined the responses from the respondents and their responses were categorised to show patterns and to assist in drawing conclusions from the data. The researcher also had to check with respondents as to whether the answers noted were true reflections of the discussions because the researcher was the one administering the questionnaire.



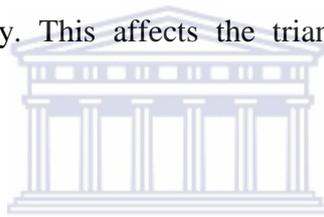
Besides categorisation, the researcher used the simple descriptive stats analysis tools such as tabulations, frequency distributions and percentage distributions. Zikmund (2002) says that descriptive analysis deals with the transformation of raw data into a form that will make it easy to interpret and understand.

#### 4.8 LIMITATIONS TO THE STUDY

The study’s sample consisted of only 19 of the Supa Quick franchises in the urban areas of Cape Town. Therefore, the results found cannot be generalized to the all the Supa Quick franchises or to the entire automotive industry in the Cape, as the sample excluded the rural franchises due to accessibility and distance of these, in the first instance, and secondly, included only Supa Quick franchises.

The high activity in many of these franchise stores made it impossible to have uninterrupted interviews with many of the managers and owners. Disturbances during interviews can cause misunderstanding of questions by the participants. Therefore, misunderstanding of questions due to the interruptions could lead to biased results.

Access to financial reports of the franchises was not allowed because they are independent from the franchisor, and this information was considered sensitive information by the owners and managers of the franchises who are not comfortable with revealing such information. Ayala and Guadalupe (2010) found that, when entrepreneurs are asked about their profits, they tend to declare inferior profits rather than the actual, higher figure and they are suspicious of giving information about their company. This affects the triangulation of some data given by participants.



Due to constraints, the researcher used the convenient sampling strategy to select the sample. One of the criticisms of the strategy is that it is not one of the rigorous strategies; it can result in producing poor quality data and lacks intellectual credibility (Marshall, 1996). Only the owners and managers of the franchises participated in the research; ordinary staff were not involved, which could make the findings one-sided.

The study was conducted using the questionnaire, with the researcher asking questions and completing the questionnaire. A letter explaining the aim and objectives of the study was given to all the participants and their consent was requested afterwards. It was explained to participants that if they wished to withdraw from the study they might do so at any time, and the assurance was given that there would be no consequences for their withdrawal. All

participants to the research were volunteers; no owners or managers were coerced to participate in the study.

Furthermore, the study unit of analysis is the owners and managers of the franchises. The two roles are distinct and have different power dynamics. This might impact on the results of the study.

#### 4.9 ETHICAL CONSIDERATIONS

The aim of ethics in research is to ensure that participants are not harmed or suffer negative consequences from research activities (Cooper & Schindler, 2006). The protection of participants in research must be taken seriously, trust must be developed with them, and misconduct and impropriety that might reflect on their organizations or institutions must be guarded against (Israel & Hay, 2006; Creswell, 2009:87). Important to research are the following ethical considerations (but by no means all of them): the participant's privacy, informed consent and avoidance of impropriety (Cooper & Schindler, 2006).

The right of the subject's confidentiality and anonymity was respected and upheld at all times. No names were requested, but the location of the shop was requested for the purpose of analysis. The assurance was given that only the researcher would have access to the questionnaire. This entailed making sure that the information provided by the owners or managers was kept confidential at all times, as it might be of a sensitive nature. The anonymity of their identity was secured. The questionnaires were secured at all times; they were locked in a safe at the researcher's office and only the researcher and the supervisor could have access to them.

Values of honesty and trust were upheld at all times making sure that the study was conducted with honesty and that the findings were reported truthfully without any bias.

These ethical considerations were taken into account for this study.

#### 4.10 CHAPTER SUMMARY

The chapter was concerned with the presentation of the methodology used to conduct the study. The research method selected was a survey by means of questionnaires as the main source of collecting data. The participants were selected from Supa Quick Franchise Company based in Montague Gardens. Twelve out of 19 owners and managers participated in the study. The other 3 owners and managers were not selected due to the distance and the other 4 did not participate.

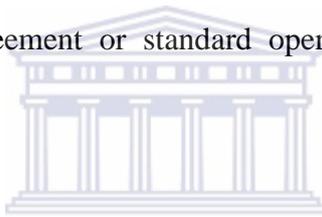
Furthermore, the chapter described the development of the questionnaire. Pilot testing was done and the results assisted in shaping the final questionnaire used to collect the data. The analysis of data was done through analysis of research questions and categorised data from open ended questions in the questionnaire. Issues such as ethics and study limitations were also highlighted in this chapter.

## CHAPTER 5: RESULTS PRESENTATION

### 5.1 INTRODUCTION

Having described the methodology used in this study, the chapter will report on the findings and then follow up with the discussion. As stated in the previous chapter, the tool used for gathering the data was a structured interview questionnaire.

This study is primarily aimed at exploring whether the experience of the owners or managers influences the success of Supa Quick franchises in Cape Town. The secondary goal of the study was to examine why these franchises perform differently from one another when they operate under the same contractual agreement or standard operating procedures dictated by the franchisor.



Success is defined in different ways depending on the context. For this study, the definition is derived from Wickham (2006:196), who defines success “as a point in which the organization uses its performance to meet, or better to exceed, the financial, social and personal growth expectations of the people who have an interest in it” (for the detailed discussion, see Chapter 2, pages 25 – 26). Success in this study will be measured through profit and customer growth. However, success means different things to different people, and it depends on the individual entrepreneur’s or the organization’s expectations. Also the meaning of success to business owners depends on the reasons why they started their business.

The results will be discussed in relation to the objectives of, and the questions designed for, the study, and they will be presented under the following headings:

- Biographical data of respondents
- Importance of owner-managers' experience in the performance of their current business
- If profit was important for them and their business
- Other performance measures they may use to consider their business as successful
- If Standard Operating Procedures have any impact on the success of the business

## 5.2 BIOGRAPHICAL DETAILS OF RESPONDENTS

The structured interview questionnaire probed the respondents on various social variables, which included job title in the company, age, gender, tenure at the company, academic qualifications, total work experience, and previous managerial position held. These findings are set out in Table 3, below:



Table 3- Biographical details of the respondents			
<b><u>Variables</u></b>	<b><u>Description</u></b>	<b><u>Frequency</u></b>	<b><u>Percentages</u></b>
Race	African	0	0
	Coloured	2	17
	White	10	83
Gender	Male	12	100
	Female	0	0
Age	< 20	0	0
	21 – 30	1	8
	31 – 40	5	42
	41 – 50	5	42
	51 – 60	0	0
	> 60	1	8
Current occupation	Owner	3	25
	Manager	9	75
Tenure at Supa Quick (in years)	Less than 1	2	17
	1 – 10	7	58
	11 – 20	3	25
Tenure in the current industry	1 – 10	6	50
	11 – 20	3	25
	21 – 30	2	17
	> 30	1	8
Total work experience	< 10	1	8
	11 – 20	4	34
	21 – 30	6	50
	31 – 40	0	0
	41 – 50	1	8
Education	Below matric	1	8
	Matric	6	50
	Diploma	2	17
	Undergraduate	2	17
	Post-graduate	1	8
Highest Managerial position	Supervisory	3	25
	Middle Management	2	17
	Senior Management	6	50
	Non-management	1	8
Previous business management	Yes	11	92
	No	1	8
Have they started their own business before?	Yes	5	42
	No	7	58
Is Business profitable?	Yes	10	84
	No	2	16
Required to adhere to SOP?	Yes	12	100
	No	0	0

Table 3 presents an analysis of demographic variables of respondent's owner or managers of 12 Supa Quick franchises in Cape Town and Stellenbosch metropolitan areas. In total, there are 19 Supa Quick franchises managed by the Urban Franchise Manager, spanning from Cape Town, Winelands districts and the West Coast of Western Cape.

Due to their locations being far from the researcher's home, three franchises were excluded. These were in the Vredenburg, Moreesburg and Malmesbury with distance of between 120 and 150 km from Cape Town. Furthermore, three franchises in Bellville, Brackenfell and Tokai did not participate (see Table 4 below) the reasons for their non-participation range from staff not available for interviews, other just not interested to participate in the study. One owner interviewed, owned two franchises (Mitchells Plain and Observatory).



Table 4- Participating Franchises		
	<b>Participating franchises</b>	<b>Total</b>
Targeted Population	Sea Point, Cape Town, Observatory, Athlone, Claremont, Mitchells Plain, Airport industria, Montague gardens, Kuilsriver, Kraaifontein, Brackenfell, Fish Hoek ,Tokai, Durbanville, Bellville, Stellenbosch, Malmesbury, Vredenburg, Moorreesburg	19
<i>Non-Participants</i>	<i>Not mentioned to protect franchise image</i>	- 4
<i>Excluded Participants</i>	<i>Malmesbury, Vredenburg, Moorreesburg</i>	- 3
<b>Total Participants</b>		<b>12</b>

### 5.2.1 Race

The data for this variable show that only two races were represented in the study. The study recorded that 10 out of 12 respondents (83%) were White. The other 17% was made up of two Coloured respondents. Furthermore, the Supa Quick franchisor records showed that the three non-respondent owner and managers were all White.

### 5.2.2 Gender

All respondents that participated in the research were male. This could be a reflection both of the broader industry in which the respondents trade, as well as what is happening around the world in terms of women entrepreneurship. This finding is supported by the GEM Report (2011:15) which highlights how women entrepreneurs in this sector are outnumbered by their male counterparts in many developing countries. The report further stated that “in just 8 of the 54 economies surveyed, the rates of female early-stage entrepreneurship are comparable to those of their male equivalents, the eight are Panama, Venezuela, Jamaica, Guatemala, Brazil, Thailand, Switzerland and Singapore”.

### 5.2.3 Age

Table 3 shows that 1 out of the 12 respondents falls in the 21 – 30 years age bracket. One individual is recorded as above the age of 60, making him the oldest person amongst the respondents. The other 5 respondents (42%) were between the ages of 31 and 40, and the other five (42%) in the age range of 41 – 50.

### 5.2.4 Respondents' Work Position

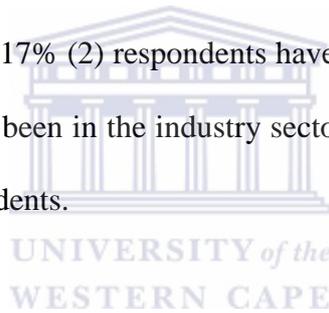
The composition of the respondents was: 25% were the owners of the franchises and 75% were the managers of the franchises.

### 5.2.5 Tenure in years at Supa Quick

Table 3 shows that 2 respondents have been with the company/franchisor for less than one year. They are very new in the company, having been there for only a couple of weeks. The majority of the respondents (58%) have been with the organization between 1 year and 10 years. The other 25% of the respondents have been with the organization for between 10 and 20 years.

### 5.2.6 Tenure in the industry

The results in Table 3 also show that 50% (6) respondents have been in the industry between one and 10 years, which reflected the same number of years that the majority of respondents have spent in the company. Twenty-five percent of the respondents have spent between 10 and 20 years in the industry. Another 17% (2) respondents have spent between 20 and 30 years in the industry. One respondent has been in the industry sector for over 47 years. He is also the oldest person amongst the respondents.



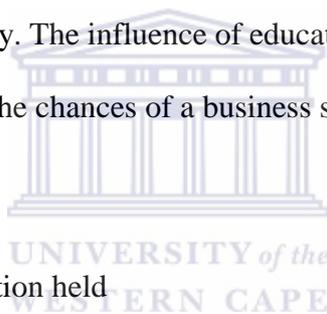
### 5.2.7 Work experience

This question looked at the total work experience of the respondents, that is, the total amount of experience they have acquired since they started working after leaving school. The study found that only one of the respondents has worked for less than 10 years; he is the youngest amongst the respondents. The second level of respondents that have work experience of between 11 and 20 years comprised 4 people, which accounts for 34%. The majority of the respondents, namely 6 (50%), have work experience of between 21 and 30 years. Lastly, only 1 respondent (8%) has 43 years working experience.

### 5.2.8 Education of the respondents

With the exception of one manager, 92% of the respondents have matric and above qualifications. Table 3 shows that 50% of the respondents have achieved the matric qualification, the remaining 42% of the respondents have achieved above matriculation qualifications: one person with a post-graduate qualification, two with diplomas and two with undergraduate degrees.

Despite the fact that the majority of the respondents do not have post matric qualifications as the others, their businesses are performing successfully, as we shall see from the data on success. This could be because the franchisor offers the industry-specific training to equip them to run their businesses successfully. The influence of education on performance lies in the fact that knowledge gained enhances the chances of a business succeeding.



### 5.2.9 Highest management position held

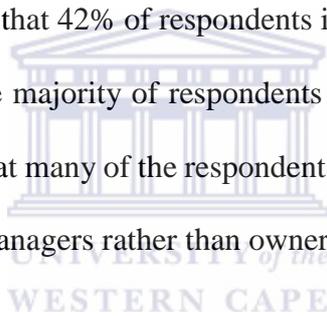
Table 3 shows that 25% of the respondents' highest managerial position held was the supervisory position. Furthermore, another 17% of the respondents reported middle management level as their highest managerial position. The respondents who had previously held senior management positions comprised 50%. One respondent reported that he had never held any management position before his current managerial position.

#### 5.2.10 Previous business management experience

The vast majority (92%) of the respondents indicated that they had managed businesses before. Only one respondent reported that he had never managed a business before. Some of the respondents elaborated further by making the following statement: “What I have learned in the previous business has definitely helped as performance of the new business is better than the previous one”. Another respondent said: “I learned the tricks of trade from the previous business, and gained product knowledge”.

#### 5.2.11 Business initiation experience

Findings from the survey showed that 42% of respondents indicated that they had started their own business before, whereas the majority of respondents (58%) indicated that they had not done so. This seems to indicate that many of the respondents are not entrepreneurial, hence the majority of the respondents are managers rather than owners.



#### 5.2.12 Business profitability

This question probed whether their current business was profitable. The majority of the respondents (84%) indicated that their businesses were profitable. Only two of the 12 respondents (16%) indicated that their businesses were not profitable. However, in her interview with the researcher, the franchisor manager stated that all franchises are profitable. It was determined that the discrepancies arise from the formula that one franchisee is using to determine his profit, which is different from what others are using. The second franchise that was said not to be making any profit had been recently bought over from the previous owner and the new owner was only in his second week of trading. The respondents further elaborated

that profit drives growth of the business; without profit the business will collapse. One of the respondents said: “If the business does not make profit, what is the use of having it?”

#### 5.2.13 Adhering to the Standard Operating Procedures

To determine if the surveyed franchises complied with the SOPs, participants were asked if they were required to adhere to the SOPs. Table 3 shows that all franchisees are required by the Supa Quick to adhere to the standard operating procedures (SOP). All the respondents (100%) indicated that they are required to follow the SOP and are adhering to them. These results show compliance with the requirements laid down by the franchise agreement/contract.

#### 5.2.14 Profiling the typical Supa Quick franchisee

From the analysis of biographical details above, all participants were males and predominantly White and there were no Africans. The majority fell into the age group of 31 to 50 years. Many of the respondents were managers and had been with the company for 10 years or less, and have spent the same number of years in this industry. The majority of the respondents have accumulated work experience of between 21 and 30 years. The majority of them have matric as their highest education qualification and have occupied senior management positions. The majority of them have previous business management experience, and had never started their own business before. Their businesses are profitable, and they believe that following the Supa Quick Standard Operating Procedures has contributed to their business profitability.

### 5.2.15 Discussion

The biographical data highlighted in Table 3 shows the reality in terms of women involvement in business in South Africa. Women entrepreneurs are still outnumbered by their male counterparts in many developing countries (GEM, 2012). Furthermore, more young males are getting involved in business at an early age, often because they are mentored by their fathers to take over the business when the fathers retire or die. While the study did not probe this possibility during the interviews, we see young men represented in the population studied thus possibly confirming the findings in the GEM report.

What is also noteworthy is the profitability of these franchises, given that many of their owners or managers do not have post matric education levels, as more than half of the respondents (58%) have only achieved matric and below. The other 42% of the respondents have achieved higher qualification than matric. These results contradict the widely held view that the higher qualifications an entrepreneur or manager possesses, the better the chance of a positive performance of their business, compared to those with less or no qualifications. However, Ganotakis (2012) says that for that to happen, such education has to be accompanied with business or managerial expertise.

The Supa Quick franchise manager stated that franchisees are provided with both formal classroom training and product knowledge training from suppliers. It may be deduced that this training has contributed to the profitability of the businesses. This therefore seems to confirm the findings of Soriano and Gastrogiovanni (2012) that education/training has a positive impact on performance leading to increased profitability or productivity, through the general business knowledge acquired once the business is functioning.

It is further argued by Ganotakis (2012:496) that “successful entrepreneurs need to have appropriate organizational skills that have to be based on the acquisition of both professional qualifications and the appropriate working experience, and that it is these abilities (human capital) of an entrepreneur which will ultimately define a firm’s performance”.

Other studies have found contradicting results on the impact of an owner or manager’s education level on firm’s performance. Barbieri and Mshenga (2008), in their study, they have found that in the case of Agritourist farms, although the level of education of the owner is positively related to the amount of the gross income earned, the strength of this relationship is not statistically significant.

In the current study, the results show that the franchisees are equally distributed between the ages 21 – 40 and 41 - 60, and that 84% of the respondents say that their franchises are profitable, meaning that both young and old owners-managers regard their franchises as profitable. Literature on age and firm performance points to the evidence that both young and senior managers and owners have advantages as well as disadvantages for firm performance, and that there are conflicting results regarding the relationship between age and firm performance (Roddy & Stearns, 2013).

Oshagbemi (2004) argued that older leaders tend to be rigid; they don’t accept change easily and don’t like to learn new ways. However, their vast experience can assist them in improving the business performance (Bonn, Yoshikawa & Phan, 2004). Young entrepreneurs on the other hand, can be creative, take risks and be innovative. These characteristics are important for achieving superior performance in business (Reuber & Fischer, 1999). Oshagbemi (2004) and Reuber and Fischer (1999) too found a positive relationship between age and firm performance. There are other studies that contradict their findings, such as Bosma et al. (2004), who found

in their study that the age of an entrepreneur has no impact on any performance measures they have studied.

Furthermore, Table 3 shows that 92% of the respondents had prior business management experience, which could justify the fact that 84% of them have said that their businesses are profitable. These results are concurrent with results of Roddy and Stearns (2013) in which they found that previous managerial experience has a positive relationship with firm performance. Furthermore, Lin (1998) says that when entrepreneurs have more experience, they tend to create an environment in which their businesses can thrive by establishing networks with suppliers, customers, and other relevant parties.

Also, profitability of the franchise could be the results of adherence to Supa Quick Standard Operating Procedure (SOP). Chiou and Droge (2015) found that their results support their main hypothesis that standardization requirements and perceived trust are important precursors to franchisee sales and service performance. All the respondents (100%) in this study have indicated that they adhere to Supa Quick SOP.

Furthermore, the study found that 84% of the respondents' businesses are profitable; therefore, there could be a link between the adherence to Supa Quick SOP and the franchises' profitability. If there is wide geographical dispersion across a firm's markets, franchising can also promote innovation and solutions to local problems and merchandise mix. These benefits suggest that franchised businesses should result in improved performance (Hesford, Pizzini & Potter, 2014).

### 5.3 IMPORTANCE OF OWNER/MANAGER'S EXPERIENCE IN THE PERFORMANCE OF THEIR CURRENT BUSINESS

As highlighted by several researchers, the importance of experience in business success has been acknowledged and studied with varying results. For example, Chrisman, McMullan and Hal (2005) found in their study that the knowledge gained from previous experience is essential for small business success, whereas, Ensley, Pearson and Sardeshmukh (2007) found that, to achieve high growth, a technology based start-up firm must possess both technical and business knowledge. Furthermore, Lee and Tsang (2001) categorise this knowledge and skills into three main components: entrepreneurial, industrial and managerial experience. Table 5, below, shows the results on experience:

	Strongly Agree	Agree	Total	Disagree	Strongly Disagree	Total
Experience from other industry assisted in improving the franchise performance	9 (75%)	3 (25%)	<b>12</b> <b>(100%)</b>	0	0	<b>0</b>
My previous work experience had a positive impact in the performance of current business	8 (67%)	4 (33%)	<b>12</b> <b>(100%)</b>	0	0	<b>0</b>
Did your previous business management experience influence current business performance?	6 (50%)	5 (42%)	<b>11</b> <b>(92%)</b>	1 (8%)	0	<b>1</b> <b>(8%)</b>
Does prior business management experience in similar industry give a competitive advantage?	8 (67%)	3 (25%)	<b>11</b> <b>(92%)</b>	1 (8%)	0	<b>1</b> <b>(8%)</b>
Entrepreneurial experience is important in influencing business performance	5 (42%)	6 (50%)	<b>11</b> <b>(92%)</b>	1	0	<b>1</b> <b>(8%)</b>
Prior entrepreneurial experience in a similar industry gives a competitive advantage	6 (50%)	5 (42%)	<b>11</b> <b>(92%)</b>	1 (8%)	0	<b>1</b> <b>(8%)</b>

### 5.3.1 Experience from other industry improves franchise performance

According to Table 5, all the respondents (100%) interviewed have agreed (in varying degrees) that experience accumulated from other industries helped owners or managers to improve the franchise performance.

### 5.3.2 Previous work experience assists in performance of current business

Regarding the previous work experience assisting in current business performance, all of the respondents (100%) agree and strongly agree that the previous work experience they have accumulated over a period of time does have a positive impact on the performance of their current businesses. The 100% is made up of 8 out of 12 (67%) strongly agreeing and 4 out of 12 (33%) agreeing.



### 5.3.3 Previous business management experience influences current business performance

Table 5 also reports on the influence of previous business management experience on current business performance. Fifty percent of the respondents strongly agreed (which is 6 out of 12 respondents) that previous business management experience does have an influence on the performance of the current business. Five out of 12 respondents (42%) have agreed less strongly that previous business management experience does have an influence on performance. However, one of the 12 respondents has disagreed with the others; he agreed that there is a positive influence, but not when the two industries are completely different, as he comes from the entertainment/hospitality industry where he worked as a bar-man.

#### 5.3.4 Does previous business management experience in a similar industry give a competitive advantage?

Table 5 further reports on whether the respondents think that prior business management experience in a similar industry gives a competitive advantage to the owner or manager. At least 92% of the respondents agree in varying degrees that there is some competitive advantage to be gained in this way. Only 1 respondent differed with the rest of the respondents.

#### 5.3.5 Entrepreneurial experience is important in influencing business performance

Regarding the entrepreneurial importance in influencing business performance, Table 5 shows that 42% of the respondents strongly agreed and 50% agreed that entrepreneurial experience is important in influencing business performance. Only 1 respondent believed that entrepreneurial experience is not important in business performance. They believe that you don't need such experience to make it, because there are many managers who have made it in their businesses without their having started any businesses before.

#### 5.3.6 Prior entrepreneurial experience in a similar industry gives a competitive advantage

In total 92% of the respondents agreed in varying degrees that prior entrepreneurial experience in a similar industry gives one a competitive advantage over others who don't have such experience. Only one respondent disagreed: in his opinion, a one's managerial skills must be transferable from industry to industry.

### 5.3.7 Discussion

In this study, the researcher wanted to find out whether the experience of an owner or manager was important in improving or having any impact on the performance of their business. As can be seen in Table 5, the majority of owners or managers who participated in this study have strongly agreed and agreed with the following questions:

- Experience from other industry assisted in improving the franchise performance.
- My previous work experience had a positive impact in the performance of my current business.
- Did your previous business management experience influence current business performance?
- Does prior business management experience in similar industry give a competitive advantage?
- Entrepreneurial experience is important in influencing business performance.
- Prior entrepreneurial experience in a similar industry gives a competitive advantage.

The results are clear that there is a strong agreement that owner or manager experience does contribute to a positive performance of their business. In each question asked about the experience, the overwhelming majority of respondents agreed with the statements, response percentages ranging from 83% to 100%. The most significant finding was that all respondents agreed 100 percent that previous work experience of the owner or manager does contribute to the business performance in some way or another. These results concur with the findings of Chandler and Hanks (1998) when they state that, given the diverse nature of these tasks, the breadth of experience that the owner-managers possesses can reflect his or her ability to adapt to changing environments, thus enhancing firm performance.

These results are comparable to the findings of the following studies: Jo and Lee (1996:167) found that “experience in the line of business shows a positive effect overall, and specifically shows a close connection with firm growth. This means that experience working as an employee in the related field plays an important role in developing the firm”. The results of this study compare favourably with those of Soriano and Gastrogiovanni (2012) with regard to previous work experience, previous business management experience and prior business management experience in a similar industry giving a competitive advantage, as they found that these three factors have a positive relationship with business success.

Although the majority of respondents agreed on the positives of owner or manager experience, one respondent disagreed with the statements about experience. The reason for the disagreement is significant as it relates to experience in a different industry to the current one. In his opinion, experience does not necessarily assist a person if their previous industry is not related to the current one. This finding is in line with Jo and Lee’s (1996) findings that for one’s experience to have an impact it must be from the same line of business. However, it differs from Soriano and Gastrogiovanni’s (2012) study that experience gathered from another industry is positively related to success. This finding effectively challenged the notion that experience from another industry can bring success in a different industry.

Entrepreneurs normally expect that any subsequent business the entrepreneur starts should be successful because of the wealth of experience they possess and their ability to formulate and execute their plans in new ventures. This statement is supported by the current study results, which shows that, together, 92% of the respondents strongly agreed and agreed that entrepreneurial experience is important in influencing business performance and prior entrepreneurial experience in a similar industry gives a competitive advantage. Stuart and Abetti (1990) also found in their study that entrepreneurial experience in the highest level of

management, prior to start-up, is positively related to the success of a new venture. Also Baum and Locke (2004), in their study about the relationship between entrepreneurial traits, skills and motivation to a subsequent venture growth, found that entrepreneurs' traits, skill and motivation categories were significant direct or indirect predictors of venture growth.

#### 5.4 BUSINESS PERFORMANCE MEASURES

Performance measurement is a broad term that encompasses many factors that are used in assessing how the business is performing. Business performance is often used as a measure of business success. Success has different meanings to different people. Its measures are many, and the most popular measures that people tend to use are the financial measures, such as profit and sales. Wickham (2006) named financial measures amongst other measures he highlighted, such as: market presence (market share, market position), growth (increase in sales, increase in profits), innovation (rate of new product introduction) and customer assessment (customer service level, customer rating).

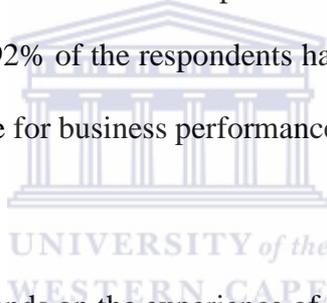


In this study the researcher focussed on two factors of performance measures: Profit and Growth. The table below illustrates how significant these were to the respondents as measures of business performance:

Table 6- Respondents views on profit and customer increase						
	Strongly Agree	Agree	<b>Total</b>	Disagree	Strongly Disagree	<b>Total</b>
Is profit an important measure of business performance?	11	1	<b>12 (100%)</b>	0	0	<b>0</b>
Business profitability depends on the experience of owner or manager.	3	6	<b>9 (75%)</b>	3	0	<b>3 (25%)</b>
Is the increase in your customer base an important measure of business performance?	8	4	<b>12 (100%)</b>	0	0	<b>0</b>
Does increase in customers depend on the experience of the owner or manager?	3	6	<b>9 (75%)</b>	3	0	<b>3</b>

#### 5.4.1 Is profit an important measure for business performance?

As reflected in Table 4.3 above, 92% of the respondents have strongly agreed and 8% agreed that profit is an important measure for business performance. Agreement was thus unanimous.



#### 5.4.2 Business profitability depends on the experience of the owner or manager

With regard to profitability being dependent on the experience of the manager/owners, there are varying perceptions. Only 24% of the respondents strongly agreed as compared to 51% of respondents who only agreed. Interestingly, another 25% of the respondents disagreed with the notion that profitability is dependent on the experience of the owner or manager.

#### 5.4.3 Customer increase as a measure of business performance and its dependence on manager's experience

As can be seen in Table 6 above, all 12 respondents agreed, albeit in varying degrees, that increase in customers is a measure of business performance. Eight out of 12 (68%) of the

respondents strongly agreed, and 4 out of 12 (32%) just agreed. With regard to whether increase in customers depends on the manager's/owner's experience, the table shows disagreements amongst the respondents. Seventy-five percent of the respondents agreed that increase in customers depends on the manager's experience and the other 25% disagreed.

#### 5.4.4 Discussion

According to the results, 100% of the respondents considered both profit and customer growth to be important measures of business performance. The significance of these findings is that 11 of the respondents have strongly agreed with the statement that profit is an important measure of performance, while one respondent just agreed.

These results are further supported by a comment made by one of the owner respondents who said: "They are in business to make profit". This finding can be compared with the research of Walker and Brown (2004) in which they found that making money was important to the entrepreneur. The respondents in their study further elaborated in statements that making money was the primary criterion for judging the success of the business.

Furthermore, the majority of the respondents (75%) agree with the statements on profitability and customer increase being dependent on owner or manager experience. This is comparable to the research of Omerzel and Antoncic (2008) in which their results support their hypothesis that "companies, in which entrepreneurs have more knowledge, are more successful". This further highlights the importance of how owners' and managers' experience impacts their businesses.

However, the other 25% disagreed with these statements. They don't believe that owner's and manager's experience has an impact on profitability and customer increase. They believe that other factors are involved. One of the respondents that disagreed with the statements said that "customer increase depends only on quality of workmanship and products sold and not on the owner or manager experience". Furthermore, another two respondents disagreed with the statement that profitability depends on the experience of the owner or manager; both these respondents said that "this depends on the employees rather than the owner or manager". These findings might be worth researching further.

## 5.5 OTHER MEASURES OF SUCCESS IN BUSINESS AND THOSE THAT IMPEDE BUSINESS PERFORMANCE

The respondents were asked to indicate which other factors besides profit and customer base they considered as measures of success in their business (Table 7). The respondents highlighted the following factors as measures of success in their business, and those that impede business performance (Table 8). Each of these items is briefly discussed.

Table 7- Other measures of success in business
<ul style="list-style-type: none"> <li>- Positive feedback from customers</li> <li>- Referrals by other customers</li> <li>- Good customer service</li> <li>- Happy customers</li> <li>- Happy staff</li> <li>- Growth of business</li> <li>- Increased product offering</li> <li>- Managing the costs of doing business</li> <li>- Increasing transactions</li> </ul>

Table 8- Factors impeding performance of business
<ul style="list-style-type: none"> <li>- Economic factors (petrol increases)</li> <li>- Poor service</li> <li>- Industrial unrest and legislation</li> <li>- Unprofessional/untrained staff</li> <li>- Location of the shop</li> <li>- Image of the shop/untidiness</li> <li>- Theft</li> <li>- Unhappy staff</li> </ul>

### 5.5.1 Discussion

These factors are different from those that Wickham (2006) has listed as measures of success. However, these factors complement the traditional measures of success mentioned by Wickham (2006). The results of this study show that the non-financial success measures are important as the traditional financial measures to the owners and managers of the franchises.

These results complement the results in the study of Malaysian SME owner/managers' perception of the business success construct in which they highlighted the following four categories in which they see business success: financial and non-financial performance, business growth, and performance relative to competitors (Ahmad, Wilson & Kummerow, 2011). The respondents in this study highlighted four factors that are non-financial, which relate to happy customers. Customers in any business are an important stakeholder, and no business can survive without them. The other five factors listed in Table 7 relate to the financial factors on which success can be measured. Managing the cost of doing business is important, as are growth of business through new employees or growth in number of stores being opened and increased sales.

Furthermore, the study investigated what the owners and managers considered as impediments to their businesses. Table 8 displays the factors that emerged. The respondents highlighted

economic factors such as petrol price increases, contracting economy and industrial unrests and strict industrial legislation as factors that leave people with less money in their pockets to spend on the basic necessities, leaving even less for luxuries. The South African economy has not been doing well, according to Stats SA (2015): “South Africa experienced an average growth rate of approximately 5 percent in real terms between 2004 and 2007. However, the period 2008 to 2012 only recorded average growth just above 2 percent; to a large extent the effect of the global economic”.

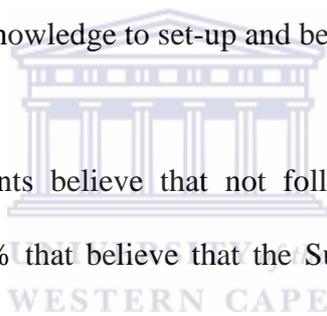
Furthermore, the human factor comes up as an element that affects business success. This includes things such as the unprofessionalism of the staff towards the customers, possibly as a result of being untrained or badly trained. This eventually leads to unhappy customers, who will decide to take their business to another store. Also, the position and the outlook of the store plays a major part in the success of the franchise. If the franchise is in an obscure or shady place, the customers may not want to go there, therefore the location plays a major part in success of the business. The significant finding in this question is that many respondents highlighted the same issues as impediments to the success of their franchises. The long list of factors was grouped into the above categories.

## 5.6 STANDARD OPERATING PROCEDURE

The survival of any franchising strategy depends on adherence to the franchisor/franchisee contract. In the contract, adherence to the standards set by the franchisor is paramount because the business model was tried and tested, and the winning model was adopted, hence the franchises can be sold to those who want to be involved with the winning formula. Franchisors recognize that the success of their franchise system is directly influenced by their ability to design and enforce rigid SOP across their network of retail units (Davies et al., 2011; Cochet

& Garg, 2008). The concerns of the researcher were to find out why some franchises struggle/fail and others succeed while all of them are using the same set of standard operating procedures.

Table 9 (below) illustrates the score of 100% achieved on respondents agreeing with the statements that SOP does contribute to the performance of the business and that SOP makes operating the business manageable. This finding concurs with Finnegan’s (2014) reasons for why the SOP is developed in the first place. He says “the franchisor, when developing the Operations manual, needs to have already defined and documented the requirements for running a successful business based on his/her own business or on an already established pilot franchisee”. Furthermore, he says that “these processes/procedures are then written in a format that will give the franchisee the knowledge to set-up and begin trading”.



However, 42% of the respondents believe that not following the SOP will make them competitive, as compared to 58% that believe that the Super Quick business model is the winning model.

	Strongly Agree	Agree	Total	Dis-agree	Strongly Disagree	Total
The SOP contributes to the performance of the business	6	6	<b>12</b> <b>100%</b>	0	0	<b>0</b>
Having SOP makes operating business manageable	4	8	<b>12</b> <b>100%</b>	0	0	<b>0</b>
Not having to follow SOP will make your business competitive	1	4	<b>5</b> <b>42%</b>	4	3	<b>7</b> <b>58%</b>

### 5.6.1 Discussion

One of the important aspects of franchising is contractual agreement or SOP between the franchisee and the franchisor. The contract's intention is to benefit both the parties in the agreement. On the one hand, the franchisee benefits by buying into the tested and successful business model created by the franchisor. Whilst on the other hand, the franchisor will benefit by receiving the fees from the franchisee.

However, sometimes the franchisees do deviate from the agreement and engage in what is called free riding. Examples of franchisee free riding include underinvestment in areas like advertising, failure to comply with production or quality standards, and insufficient staff supervision (Carney & Gedajlovic, 1991). On the one hand, some franchisees adapt to their local contexts so much that they deviate from the chain's standardized know-how and even alter the nature of the franchise concept (El Akremi, Mignonac & Perrigot, 2011).

Finding the extent to which the franchisees of Supa Quick perceive the importance of standard operating procedures is one of the key questions the study is undertaking to answer. Looking at the results in Table 8 it is clear that the Supa Quick franchisees do follow and respect their contract with the franchisor.

As reflected in Table 3, all the respondents (100%) indicated that they are required to adhere to the SOP. Besides being forced to follow the SOP, the respondents believe that having to adhere to it will help their businesses to perform better and also to be manageable to operate. Table 9 shows that about 58% of the respondents disagree with the notion that if they don't follow the SOP it will make them more competitive. One respondent that supports the use of SOP said that "following the SOP of Supa Quick will make them competitive, because Supa

Quick is a good, well known and trusted brand”. This is further supported by Chiou and Droge (2015) when they say that during the growth stage, high standardization requirements positively affect franchisee sales and service performance, whereas low ones are detrimental.

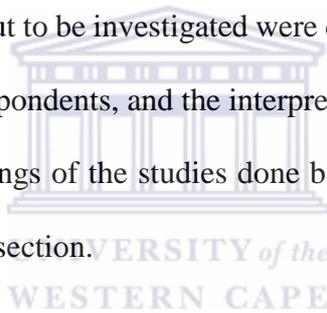
However, Watson et al., (2005) say that the franchisees adaptation to their local markets can add value to the whole system. This means that franchisees deviation from the SOP can add value to the franchise group. El Akremi et al., (2011) says that some franchisors do give permission to the franchisees to deviate from the SOP in response to the local market conditions. Therefore, deviation from SOP sometimes might not be a bad thing, as long as the franchisee responds to the local market’s challenges. This supports the 42% of the respondents who believes that deviation from SOP will make them successful.

The respondents believe that the protocols that Supa Quick provides them in the franchise agreement contributed to their business performing better than those who are not in the Supa Quick franchise. Several respondents have highlighted that Supa Quick is the strong brand, hence it positively contributes to their business performance. Others have mentioned that the SOP is there to regulate how they do business and not to stray from the working formula.

## 5.7 CHAPTER SUMMARY

The primary purpose of this study was to explore and describe the views of owners or managers on how their experience contributes to the success of their franchises in Cape Town and to identify the impediments to their business performance. The research methodology used in this research is the empirical approach, which used the interviews and questionnaires. The respondents of the questionnaires were owners and managers of Supa Quick franchises in the area of the Cape Metropolitan Municipality. Furthermore, the franchise manager from Supa Quick head office was interviewed.

In this chapter the main findings of the study were presented, discussed and interpreted. The research questions that were set out to be investigated were discussed in detail according to the information received from the respondents, and the interpretation done through comparing the findings of this study to the findings of the studies done by other researchers that have been discussed in the literature review section.



This comparison led to the conclusion that the owner or manager's experience does contribute positively to the performance of the business. The current study results add to the variety of conclusions that other research has elicited, in which researchers found the supporting evidence to their theory. It should, however, be noted that other researchers found negative results that do not support their theory that experience has a role to play in influencing business performance. Furthermore, the results provided us with the owner and manager's perceived measures of success and impediments to the success of the business.

## CHAPTER 6: SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 6.1 INTRODUCTION

This study set out to describe the perceptions of Supa Quick franchise owners and managers on the influence of their experience on business performance and the factors that contribute to success of their business entities. This chapter will firstly give a summary of the research chapters, and then summarise the findings and their implications for various stakeholders, such as aspiring entrepreneurs and the Supa Quick franchise group. It also includes a discussion on the limitations of the research, the conclusion of the study and some recommendations.

### 6.2 SUMMARY OF THE RESEARCH CHAPTERS

#### 6.2.1 Introduction to the study



This chapter introduced the study to the reader. It also explained the importance and the aims of the study. The four research questions presented were the main focus of the research and these elicited the perceptions of owners and managers on how their experiences contributed to the success of their franchises in Cape Town.

The study was limited to the Cape Town and Stellenbosch metropolitan areas and focused only on the owners and managers of the Supa Quick franchise businesses. Furthermore, the methodology chosen was introduced by giving a detailed explanation about the sampling method and the survey procedure. The introductory chapter also presented a brief focus on each chapter of the study.

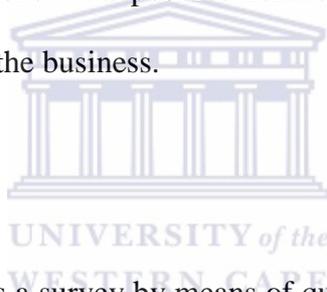
### 6.2.2 Literature review

The chapters 2 and 3 presented an overview of the literature consulted during the study. It analysed the literature from international, national and local frameworks. Generally, the literature revealed the importance of small business survival to the economy of any country. Furthermore, literature showed that franchising has become a better option for new entrepreneurs, rather than their starting a new business from scratch.

Literature further highlighted that there are many varying results on the impact of the owner or manager's experience in the success of their business. Some studies have shown a negative relationship between experience and business success, meaning that there was not conclusive evidence to suggest that experience of owner or manager played a part in the success of the business. Whereas, others have shown a positive relationship, namely, experience had a positive impact on the success of the business.

### 6.2.3 Research methodology

The research method selected was a survey by means of questionnaires as the main means of collecting data. In this regard, the data were collected from a sample of 12 Supa Quick owners and managers in Cape Town and Stellenbosch areas. The researcher administered the questionnaire personally. The questionnaire was developed based on information extracted from the literature and the discussion with experts in the field, i.e., business people and academics. After a pilot-test run and some changes were suggested to the questionnaire, the survey was carried out.

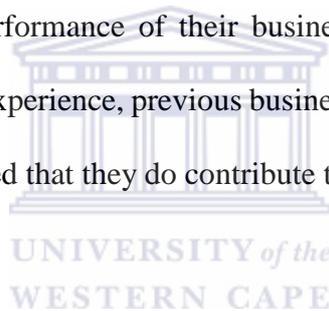


## 6.2.4 Summary of the findings and discussion

These findings were presented according to the research questions asked. The chapter presented and discussed the data from the owners and managers of the Supa Quick franchises with regard to the research questions posed. The simplified data were presented by means of tables and figures and the discussion followed after every data presentation. Each set of data and discussion is summarised in terms of the research questions (see Chapter 1 and Section 4.4).

### 6.2.4.1 Does experience of the owner or manager contribute to the success of their franchise?

Regarding the contribution made by the owner or manager's experience in the success of the franchise, the results are clear that there is a strong agreement that owner or manager experience does contribute to a positive performance of their business. All the aspects of experience investigated, for example, work experience, previous business management and the experience from the related industries, showed that they do contribute to the franchise success in one way or another.



These results are comparable to the results of Soriano and Gastrogiovanni (2012), where they found that the three factors – work experience, previous business management and the experience from the related industries – do have a positive relationship with business success. This study shares reports that the experience of owners/managers do play a part in the success of their franchises; however, the current study does not make claims of causality. Therefore, there is no doubt when looking at the results that owner or manager experience does play a part in the success of their franchise.

Although there was a high percentage of agreement in relation to the owner or manager's experience contribution towards the success of the franchise, there was a differing view from

one respondent. He did not agree that any kind of work experience contributes toward franchise success. He believes that, for experience to make a positive contribution towards franchise success, the previous work experience has to be related to the current industry. This is in line with Jo and Lee's (1996) findings that experience in the line of business shows a positive effect overall, specifically displaying a close connection with firm growth.

#### 6.2.4.2 Are profit and customer growth important measures of business success?

Performance measurement is a broad term that encompasses many factors that are used in assessing how the business is performing. Furthermore, business performance (the failure or growth of business) is often used as a measure of business success. Success has different meanings to different entities. Its measures are many, and the most popular measures that tend to be used are the financial measures, such as profit and sales.

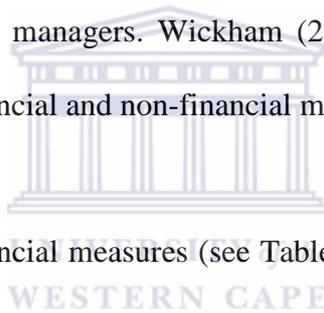
Wickham (2006) named financial measures, amongst other measures, that are important in evaluating business success or performance. One of these is profit. The results of this study confirmed the known fact that profit is still one of the important measures of business performance and its success, as all the respondents agreed that it is an important measure. Statements such as, "We are in business to make profit", confirms profit as an important measure of business success, and are also comparable with the results of Walker and Brown (2004) in which they found that making money was important to the entrepreneur. The respondents in their study further elaborated in statements that making money was the primary criterion for judging the success of the business.

Furthermore, it was found that profitability of the franchise is influenced by the owner or manager's experience.

The study also found that customer growth is another factor that owners or managers consider as a measure of business success; as they said: “the less people comes through the doors of a franchise, the less successful the franchise will be”.

#### 6.2.4.3 What are other measures that owners or managers use to measure success in their business?

The study found the following measures, by which they measure their stores’ performance, to be important to the owners and managers of the franchise stores. This is a collation of what all the respondents gave as the measures they use. While there was some overlap in the measures that were reflected in the responses, the results show that different sets of measures were important to different owners or managers. Wickham (2006) highlighted several different measures which include both financial and non-financial measures.



The list includes mostly non-financial measures (see Table 7), which was also similar to the results found of the Malaysian owners and managers of SME’s perception of the business success construct, which they highlight satisfaction with both financial and non-financial performance, business growth and performance relative to competitors as important measures (Ahmad, Wilson & Kummerow, 2011).

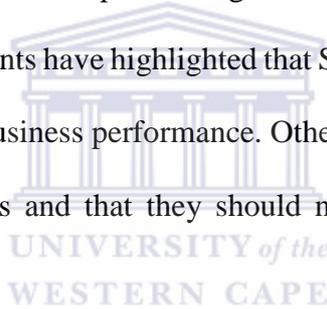
#### 6.2.4.4 Factors that impedes business performance

In an attempt to find factors that impedes the business performance and success, the study found a long list of the factors which owners or managers attribute to business not performing well (see Table 8).

#### 6.2.4.5 Standard operating procedure

With regard to standard operating procedures, all the respondents (100%) indicated that they are required to adhere to the SOP. They also believe that adhering to the procedures will assist their business to perform better and be more manageable to operate. The majority of the respondents disagree with the notion that not following the SOP would make them more competitive. Some showed a strong belief in the SOP through statements such as: “following the SOP of Supa Quick will make [us] competitive, because Supa Quick is a good, well known and trusted brand”.

The respondents believe that the protocols that Supa Quick provides them in the franchise agreement contributed to their businesses performing better than those who are not in the Supa Quick franchise. Several respondents have highlighted that Supa Quick is a strong brand, hence it positively contributes to their business performance. Others mentioned that the SOP is there to regulate how they do business and that they should not stray from the formula that is working.



## 6.3 RECOMMENDATIONS

Based on the above findings, the following recommendations are proposed for the franchisor, potential franchisees and the education and training institutions:

### 6.3.1 Recommendation for Supa Quick:

- When Supa Quick selects the franchisees it needs to ensure that potential franchisees have some experience in the industry, as it is important for the survival and growth of the franchise. Although the franchisees are doing well currently, this will guarantee growth for the organization.
- They should educate franchisees thoroughly on the implications of the various clauses contained in the Standard Operating Procedures or contract. There needs to be standardization on processes, for example how profit is calculated.
- To comply with the recommendation of economic empowerment, the franchise holder should consider race and gender.
- The franchisor should encourage managers and owners to further their training in business management. Since the majority of participants have matric and below, they will benefit by improving their knowledge and skills base of the important components to successfully lead and manage a business.

### 6.3.2 Recommendations for educational institutions and researchers

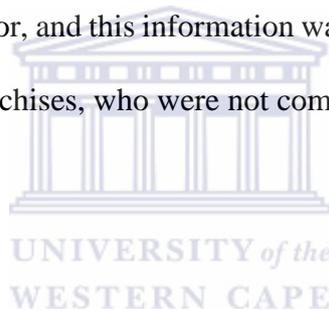
- Replicate the study on a national basis and then draw national comparisons.
- Research should be conducted on competing franchises in the same industries

#### 6.4 LIMITATIONS OF THE STUDY

The study's sample consisted of only 19 franchises from Supa Quick franchises and only in the urban areas of Cape Town and Stellenbosch. Many franchises were excluded due to distances. This could limit the generalization of the results to the broader industry. However, generalization can be done across the Western Cape Supa Quick franchises

Furthermore, the study concentrated only on the perspectives of the owners and managers, and it excluded the opinions of general staff. Further research can include the opinions of this group.

Access to financial reports of the franchises was not allowed, because owners of the franchises are independent from the franchisor, and this information was considered sensitive information by the managers of the urban franchises, who were not comfortable to issue such information.



## 6.5 CONCLUSION

This study considered the perceptions of owners and managers on factors that influence the success of Supa Quick franchise outlets in Cape Town. Franchising is a business format that is supposed to assist entrepreneurs who don't want to start businesses from scratch, but would rather buy a business format that has first been tried and tested in the market. The format is supposed to assist the entrepreneur to avoid challenges that are related to starting a business from scratch, as well as the high failure rate of new businesses.

The study has demonstrated that the experience of owners and managers is an invaluable asset for the survival of a franchise business. The aspects of experience that have been investigated, for example, work experience, previous business management and the experience from the related industries, have shown that they do contribute to the franchise success.

Furthermore, the study showed that owners and managers had varying perceptions on factors they use to measure the success of their businesses and on the factors that impede it. Traditional financial measures were still being regarded as too highly important to ignore, but non-financial measures were also considered to be highly important.

Regarding the standard operating procedures, the study found that all the owners and managers considered that following the SOPs would assist their business to perform better and be easy to manage. Furthermore, they trusted in and believed the Supa Quick brand to be a successful franchise system, which would enable them to perform better than their competition. The literature found that if the SOPs were not enforced by the franchisor, the behaviour of the franchisees in non-compliance would undermine the brand image and business success.

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# APPENDICES

## APPENDIX 1: Cover letter to the participants



UNIVERSITY of the  
WESTERN CAPE

SCHOOL OF BUSINESS AND FINANCE



EMS

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06 May 2013

Dear Sir

### MR FRANS MAMABOLO: SUCCESS FACTORS IN FRANCHISE BUSINESSES

The purpose of this letter is to confirm that Mr Frans Mamabolo is registered for a master's degree in the School of Business and Finance at the University of the Western Cape. The title of his envisaged project is "The impact of owners'/ managers' experience on the success of a franchise business in Cape Town."

The underlying theme of the research study is to determine and develop an understanding of the influence that owners and managers have on the success of their respective enterprises.

This study has a potentially broad impact on lessons prospective entrepreneurs can learn from existing successful franchise enterprises in South Africa.

The data collected will remain anonymous and confidential.

Should you require any additional information, please contact me at the links in the address above.

Yours faithfully

A handwritten signature in black ink, appearing to read 'K Visser'.

Prof Kobus Visser PhD  
(Study Leader)  
Professor of Management

A handwritten signature in purple ink, appearing to read 'F Mamabolo'.

Mr Frans Mamabolo  
(Researcher)

APPENDIX 2: Information letter to participants

**UNIVERSITY OF THE WESTERN CAPE (UWC)  
FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES**

**School of Business and Finance**

**INFORMATION SHEET FOR RESEARCH PARTICIPANTS**

Dear Participant

**Student Name: Frans Mamabolo,  
Student number: 2425949.  
Course: Masters in Management**

The title of my thesis is:

**Perceptions of owners and managers on factors that influence the success of Supa Quick franchise outlets in Cape Town**

Please take time to read through this information sheet carefully in order for you to be knowledgeable about what is required of you as a research participant in this study.

As a participant who gave consent of your participation in this study, you will be required to:

*To answer questions from the questionnaire administered by the student researcher. This will take 30 minutes of your time. In which you will be asked different questions with the aim of reflecting on your own experiences and views as a owner or manager of a franchise business in Supa Quick franchises, in relation to the impact of your experience in the performance of your business.*

Your participation in this research project is voluntary and your responses will be treated as confidential. It will assist me to achieve the objective of the study which is to identify the factors that inhibit learners from low socio-economic backgrounds to accessing higher education and find solutions or ways in which they could be overcome and/ or prevented in order for more learners to access higher education successfully.

Should you have any questions regarding this study or wish to report any problems you have experienced related to the study, please contact me at: **My email is: [frans.mamabolo@uct.ac.za](mailto:frans.mamabolo@uct.ac.za).**  
**My supervisor is Professor Kobus Visser, and his email 9 is: [kvisser@uwc.ac.za](mailto:kvisser@uwc.ac.za) .**

*I hereby consent voluntarily to participate in this study. I have been given a copy of this form.*

---

**Name of Participant**

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**Date**

Thank you for participating in my study.

**Interview Questionnaire**

**Section A: Personal Profile**

Please tick appropriate item in the box

1. Franchise location: \_\_\_\_\_
2. Position held/ Job title: \_\_\_\_\_
3. Date of birth: \_\_\_\_\_
4. How many years have you been in this company: \_\_\_\_\_

5. Gender: 

Male	Female
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6. Highest Qualification(s):

Below matric	Matric	Diploma	Under-graduate	Post graduate	Other specify

Specify other

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7. Work experience  yrs.
8. How many years of work experience in the current industry  yrs.

9. Prior to your current position what was the highest managerial position held?

Supervisory	Middle	Senior

## Section B: Experience

Where applicable, please tick the appropriate box for your answer to (Q10, Q11, Q14, Q17,

For all other questions indicate: 1 = Strongly Agree, 2 = Agree, 3 = Disagree and 4 = Strongly Disagree

10. Did you work in any other industry before:

YES	NO
-----	----

11. Please list the industries you have worked in prior to the current one:

Agriculture	Automotive	Chemicals	Retail	Financial sector
Transport	Food and Beverages	Clothing	Personal services	Construction

Other .....

12. If yes in 10, has this experience assisted you in your current position to improve the franchise performance?

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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13. My previous work experience has a positive impact in the performance of my current business.

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree	5 do not Know
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14. Did you manage any business before this one?

YES	NO
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If yes go to 15, if no go to 17

15. Did your previous business management experience influence the current business performance?

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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16. Does prior business management experience in similar industry give a competitive advantage?

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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17. How would you describe your management style with your current employees

Autocratic	Consultative	Democratic	Persuasive
Delegative			

18. Does the above management style influence the performance of your business?

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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19. Have you started a business from scratch before:

YES	NO
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20. Entrepreneurial experience (for e.g. experience in conceptualizing or creating businesses) is important in influencing the business performance.

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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21. Prior entrepreneurial experience in a similar industry gives a competitive advantage.

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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**Section C: Performance Measures**

Where applicable, please tick the appropriate box for your answer to (Q21).

For all other questions indicate: 1 = Strongly Agree, 2 = Agree, 3 = Disagree and 4 = Strongly Disagree

22. Is the franchise profitable?

YES	NO
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23. Is profit an important measure for business performance in your business?

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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**24.** Business profitability depends on experience of owner/manager.

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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**25.** Are there other factors that influence business profitability?

Please list factors,

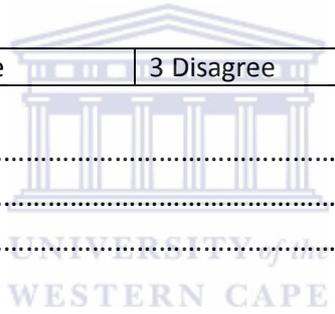
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**26.** Is the increase in your customer base an important measure for business performance?

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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**27.** Does increase in customers depend on the experience of the owner/manager?

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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**28.** Can you list additional factors that customer increase depends on.

Please list factors,

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**29.** Which other factors (Excluding customer base and profit) do you consider as measures of success in your business?

Please list

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**30. What factors do you think impede on the performance of your business?**

Please list

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**Section D: Standard Operating Procedures**

**Where applicable, please tick the appropriate box for your answer to (Q30).**

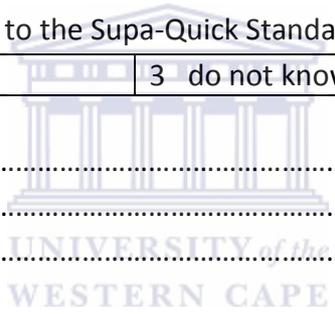
**For all other questions indicate: 1 = Strongly Agree, 2 = Agree, 3 = Disagree and 4 = Strongly Disagree**

**31. Must this franchise adhere to the Supa-Quick Standard Operating Procedures (SOP)?**

1 Yes	2 No	3 do not know
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Briefly explain,

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**32. The SOP contributes to the performance of the business.**

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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**33. Having the SOP makes operating the business manageable.**

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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**34. Not having to follow the SOP will make your business competitive.**

1 Strongly Agree	2 Agree	3 Disagree	4 Strongly Disagree
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Briefly explain,

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**35.** Any other thing you may wish to add:

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Thank you for your cooperation.

