THE ENTREPRENEURIAL ALLIANCE: FRANCHISING IN REAL ESTATE AGENCY

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ABSTRACT

Business format franchising debate has rarely extended to investigation of specific industry applications or to the unique entrepreneurial nature of the franchising alliance. This paper reports the two-phase second part of a larger study of franchising in the real estate agency sector. It demonstrates the franchised real estate office is a form of independent small business distinguished by its close relationship with another, larger enterprise. Implicit within the franchising concept are the creation of new forms of innovative ventures in an expanding market. This creativity is linked with the business independence and entrepreneurship considered central to franchising.

INTRODUCTION

Franchising has taken the world by storm. Several explanations for this stellar growth have been advanced. First, franchising is particularly suited to the types of service-based activity and workplace specialisation that underpin many new ventures in modern economies (Naisbett, 1985). The business format model is appropriate where a large number of geographically dispersed outlets are needed to service local markets (Stanworth, 1995). Second, franchising appears to flourish both in times of economic downturn (Hall & Dixon, 1989) and when employment rates are high. For people who face middle management redundancy, retrenchment or unemployment, franchising business ownership and the opportunity to ‘buy a job’ is attractive. However, with the workforce approaching full employment as it is in both Australia and NZ, franchises are as visible and as successful as ever. This is partially explained by the offer franchising presents of new directions and alternatives in an era when people want more than one career challenge in their working lives (Inkson, 1995; Lord, 2006; Mallon, 1999; Picket, 2007). Thirdly, the prospect of self-employment lures many people and with the possibility of making business improvements to provide direct benefit, franchising is appealing to embryonic entrepreneurs (Shane, 2003). Fourth, as more people enter into self-employment the numbers of franchise opportunities are growing in response to escalating demand for services. Fifth, in an era of rapid technological development, new flexible types of businesses are appealing. Lastly, in New Zealand (NZ) for example where there is evidence of increasing small business start-ups, franchising offers a secure, attractive option (Erofeev, 2002).

The real estate agency sector encourages franchising. Owners of local real estate agencies focus on developing their home market and providing services to local market participants whilst real estate franchisors grow the nationwide system creating a brand image of reliability and success. There are benefits from enhanced name recognition, reduction in customer uncertainty, and assistance in marketing and training (Benjamin et al., 2006, p. 67). Further, by implementing the local business model, franchisees are able to leverage franchisor driven research, development and system innovation. A reported difficulty facing growth orientated franchisors is sourcing suitable franchisee owners (Weaven & Frazer, 2005), but in this sector, the problem seems non-existent. There is a continual stream of eager people already working in the industry, often in sales and branch management roles, willing to take ownership. In addition, notwithstanding a recent claim that franchisors do actually extract excess rents in the form of monthly royalties from their franchisees (Benjamin et al., 2006), the lack of an ingoing franchise fee in the real estate industry is seductive.

Since franchisees offer the image of bigness and the autonomy of individual ownership, the recent influx of franchised real estate brokerages is understandable (Whittemore, 1984, p. 135). The link between name recognition and a homeowner’s selection of a listing company gives nationally advertised franchises
an advantage. Franchised brokerage growth in the US has remained constant since the 1990’s and today 23% of all firms are affiliated to a franchise group, accounting for 55% of the total US broker sales force.

Of the one million realtors listed with the National Association of Realtors (NAR), approximately one third works in a franchised firm (Benjamin et al., 2006). Seventy-six percent of franchised businesses in the US real estate sector deliver US $29.2 billion output while still only accounting for just under 5% of all real estate businesses. In Australia the number of franchised agencies, particularly in Tasmania, New South Wales and South Australia, has significantly increased with 44.5% now franchised. Like the US model, small businesses of up to 10 people still predominate at 70% of the sector. Franchised real estate agents generated nearly half of a total income of $7.5 million in 2002-2003 and there are 23 franchise groups affiliated to the Australian Franchise Association. Within the NZ property sector the practice of converting existing independent firms into franchise organisations has grown over the last two decades. Today approximately 699 franchisee businesses account for around 38% of all real estate agency businesses, an increase of about 10% since 2004.

THE ENTREPRENEURIAL PERSPECTIVE

The link between entrepreneurship and franchising is justified by the fact that franchising research is about entrepreneurial co-operation between two different types of entrepreneurs, the franchisor and the franchisee (Shane & Hoy, 1996). Kaufmann and Dant (1999) recommend franchise researchers study the entrepreneurial link because it is generally agreed that at least some franchising activity falls within the entrepreneurship domain (Hoy et al., 2000), an area of focus requiring more attention (McElwee & Atherton, 2005). More recently Tuunanen and Hoy (2007) suggest that “franchising is entrepreneurship and franchising cannot appear without entrepreneurship” (p. 60). In fact franchising is one of the major, unexplored areas of co-operative entrepreneurship and there is a recognised paucity of knowledge on why some entrepreneurs become franchisees (Stanworth & Curran, 1999). Business format franchising creates a situation of quasi-dependency between the partners to the franchise contract. Franchisors and franchisees experience aligned incentives with the ultimate goal of wealth creation. Such symbiotic relationships facilitate increased competitiveness by establishing enabling knowledge networks (Dana et al., 2002, p. 20) or the ready transfer of material and immaterial resources. The ability of both parties to benefit from each party’s capital resources provides a measure of mutual protection in competitive environments (Pizanti & Lerner, 2003). Spinelli et al., (2004) support the existence of a sophisticated entrepreneurial alliance that provides an effective pathway to wealth creation for both parties and accounts for the ubiquity of franchising. The franchisor recognises an opportunity, assesses the market and competition, creates a product, develops a system of service delivery and then begins developing a brand and growing the system. The acquisition of franchisee owners is a way of mobilising resources that ensures financial input, minimises costs and then garners ownership commitment and expertise. In return the franchisees can dramatically shorten the entrepreneurial path by recognising how to exploit an already proven business opportunity and minimise risk by utilising franchisor support mechanisms.

Franchising offers an avenue of inquiry into both recognition and exploitation of opportunity and the resulting consequences achieved by entrepreneurs. It is relatively simple to apply the entrepreneurship label to the actions of franchisors however what seems less certain is the entrepreneurial role of the franchisee. Notions of corporate entrepreneurship fit the operative control function of the franchisor but franchisee business owners who show an ability to benefit from the residual financial rewards generated are also entrepreneurial. The question of whether some entrepreneurs select franchising because they perceive less risk and uncertainty is contentious. Research is therefore warranted into how franchisees search and find the opportunity, what resources they gather, how independent they are and what types of entrepreneurial actions they undertake.

Spotlight on the franchised real estate agency reveals an environment where individual entrepreneurship and corporate entrepreneurship flourish and interact. It is an ideal context to explore entrepreneurial behaviour of franchisees. Franchisee owners are largely drawn from industry ranks. Most have been successful real estate salespeople and have developed their own individual sales contracting businesses. Thus they have prior business experience and net worth, both considered important precursors to entrepreneurship (Clarkin & Rosa, 2006). They are also acculturated in industry ways before taking on business ownership roles, so franchisors recruit potential franchisees by virtue of the ‘corridor’ principle (Ardichvili et al., 2003; Ronstadt, 1988; Tuunanen & Hoy, 2007, p. 58.). Timmons and Spinelli (2003) claim 85% of all successful entrepreneurs spend at least 3 to 5 years in their industry learning the language
and niches before setting out in that industry to start a business. In the franchise relationship the franchisor transfers its experience and bundles it with the entrepreneurial talents of the franchisee, so the opportunity is leveraged and scaled (Spinelli et al., 2004). Furthermore, legislative constraints to real estate office ownership mean there has to be sufficient motivation to complete prescribed educational qualifications. Real estate franchise firms tend to foster this motivation and provide opportunities to achieve qualifications in order to maintain a steady stream of potential franchisees within the system.

One perspective of entrepreneurship suggests an ability to identify and take advantage of profitable opportunities (Shane & Venkataraman, 2000). Since the real estate market is characterised by a high degree of disequilibrium many entrepreneurial opportunities exist. Real estate agents perform the task of information gatekeepers and control a vast amount of the knowledge underpinning property value. Furthermore, transactions in the sale and purchase of property are complex processes requiring professional guidance from agents and supplementary advisors. Given the plethora of competition amongst a large number of real estate agencies, mainly because entry barriers are relatively low, entrepreneurial endeavours find a perfect breeding ground. In industries where there are many small firms operating in a state of aggressive competition, entrepreneurs will emerge (Porter, 1980).

The presence of change in the real estate industry also encourages entrepreneurial activity. Largely because of more stringent consumer legislation in NZ and elsewhere and the increasing use of information technology (ICT) the role of both real estate firms and agents has changed dramatically (Crowston et al., 2001). There are now many opportunities for innovation. Faced with intense competition, firms and agents compete by adding new activities or redefining their business approach (Mintzberg & Quinn, 1991). One way of competing is to seek the advantages inherent in the franchising organisational form. In addition, in sectors where there are competitive individuals who desire mastery (Littunen, 2000) and are motivated to complete a task, entrepreneurship is fostered. Therefore, the real estate environment is a perfect nurturing ground for entrepreneurs.

Today consideration of the entire entrepreneurial process including both the actor and the action is central to more advanced understanding of the phenomenon (Tan & Tan, 2005). Shane & Venkataraman’s (2000) idea of the entrepreneurial process is developed further when Sarason et al., (2006) conceive entrepreneurship as a nexus of opportunity and agency, where opportunities are idiosyncratic to the individual and entrepreneurial ventures are the outcome of an individual’s actions. Thus structuration theory suggests that the individual and the opportunity are inseparable and must be understood as a duality. According to resource based theory, being entrepreneurial depends on the availability of a number of resources - financial, human, social, organisational, physical and technological (see for example Brush et al., 1997, 2001; Cooper et al., 1994; Greene & Brown, 1997; Stevenson & Gumpert, 1985). Elements and combinations of resources, skills, processes and information can be utilised to create entrepreneurial value (Firkin, 2003) and values shift according to different imperatives at different stages in the entrepreneurial process (de Bruin, 2003). For instance, personal resources like skills and knowledge developed by a contracted real estate salesperson must be extended into organisational resources in the new agency business when he/she seizes the opportunity to become a franchisee owner, so a successful business operation can emerge. In the real estate context most franchisees inculcate as self employed entrepreneurial salespeople, but still have to mobilise a different set of capital when they become business owners, albeit assisted by the established business structures of their franchisor.

Correct mobilisation of the resource base enables the firm to compete in the commercial world. For example, the Harcourt Group’s strong company cultural bonds backed up by innovative and ongoing process development enabled it grow to the largest real estate franchise group in NZ. Likewise, the most successful of its cloned franchisee businesses develop not only parallel but also distinctive combinations of resource competency to compete in the highly competitive real estate environment. Thus, real estate franchising can be seen as an entrepreneurial process.

THE ENTREPRENEURIAL FRANCHISE ALLIANCE

Real estate franchise systems are founded on standardisation but nevertheless, as full legal owners of their businesses franchisees are ideally placed to innovate and create individual competitive competency. In practice, dependency and autonomy co-exist and an alliance of high dependency/ high autonomy is achieved especially by multi-unit franchisees or those with considerable financial commitment. Interaction amongst entrepreneurs and intra-action within organisations is driven by interpersonal and associated
relations among people and firms. As linkages made are complementary and collective action can increase market efficiency it is not surprising that many entrepreneurs opt for interdependence rather than independence (Dana, 2006). Earlier articles raised the notion of interdependence as a new strategic competence (Baucus et al., 1993; Dana et al., 2002) and the idea that co-operation brings increased opportunity and multiple firm benefits (UlJn & Fayolle, 2004). In real estate franchising there is both horizontal and vertical co-operation amongst entrepreneurs. Franchisees interact and share ideas at special manager/owner conferences and franchisors communicate with their franchisees through dedicated support teams and regional managers.

One perspective of co-operative entrepreneurship is the presence of entrepreneurial teams in franchising. Clarkin and Rosa (2005) discuss teams of entrepreneurs who pool ideas at both venture creation and later strategic growth phases (Storey, 1994; Timmons, 1994) with the ultimate aim of creating wealth, itself an entrepreneurial act. Little is known about entrepreneurial teams in franchise research but there is some evidence in the study reported here that it is common for real estate franchisees to utilise a team approach to enhance their business effectiveness. Interviewees report the pooling of ideas for business innovations and recruitment of key specialists in various markets. By using the input of others in their businesses, real estate franchisees can grow business competencies in ways beyond their own personal capabilities. In sectors where there are a high number of multi unit franchisees, as in the real estate agency sector, there is by necessity a requirement for management proficiency and sophistication. In such an environment and in instances where the relationship is highly evolved, the potential for entrepreneurial behaviour and teamwork based on trust exists (Clarkin & Rosa, 2005). Teamwork occurs amongst individuals as well as the whole franchise organisation and individual firms (Shane & Hoy, 1996). So rather than focusing on the individual, the entrepreneurial process and the types of organisational factors that promote creative partnerships give a clearer picture (Hoy, 1994; Millar, 1983).

Clarkin and Rosa (2005) claim organisations that develop nested teams or area managers and master franchisees create an environment more conducive to entrepreneurship in franchising. They also raise the issue of the presence of entrepreneurial characteristics in cases of passive ownership. In real estate for example, the franchisee may not be qualified and therefore structures the company under a suitably qualified person in order to achieve an entrepreneurial ambition. There is evidence of such creative ownership found in the survey conducted in this study. The amalgamation of the concept innovator (the franchisor) and the concept implementer (the franchisee) produces the operational, entrepreneurial team. An adapted franchise relationship model (FRM) developed by Spinelli, Rosenberg and Birley (2004) for specific use in the real estate agency sector serves to illustrate this teamwork. The model (see Figure 1) shows the framework used to grow parallel business operations in real estate franchise systems.

The model shows the interaction between real estate franchisors and franchisees and the different focal points (business system resources and real estate services). The franchisor provides the business format resource and the franchisee feeds into the delivery of services to market participants. The input from both interacts to provide a business concept that will be as successful as the quality of the interaction between the parties to the franchise contract. The relationship created in real estate franchisees has key aspects that must be attended to for the system to grow and succeed. Role responsibilities must be clearly defined and the division and assignment of these responsibilities is labelled Responsibility Recognition. The franchisor develops a business format, to be delivered locally through the franchisees, that meets the buying, selling and property management needs of the market participants. Responsibilities are defined in the franchise contract and operational guidelines are contained in a franchise operations manual. Most real estate franchisees develop their own individualised operations manuals outlining individual business rules and procedures. Where an ability to achieve economies of scale is important, such as bulk purchase of resources and provision of sales and management training, responsibility rests with the franchisor. Thus, real estate franchisees illustrate co-operative and mutually beneficial behaviour between two types of entrepreneurs. To gain entry to the Chinese market; local knowledge and expertise, together with cultural assistance for community acceptance and less risk exposure (Dana et al., 2002), the giant real estate brokerage firm of Coldwell Banker recently joined the Taiwanese firm Sin Yi (Alon & Bain, 2005). As part of its international franchising growth strategy, Harcourts International linked with Roy Weston, M&M Real Estate and Brock Real Estate in Australia and expanded its resource base, whilst the Australian agencies used both their own trade name and the generic Harcourts brand. Dana et al., (2002) call this symbiotic marketing in which the
franchisor gains access to a restrictive local market using the local brand name whilst the franchisee benefits from the generic brand name, technical expertise and scale dependent benefits.

In symbiotic networks entrepreneurs benefit from working near one another in clusters or with each other in multi-polar networks (Dana, 2006). The symbiotic relationship between real estate franchisees and franchisors stimulates symbiotic entrepreneurship by ensuring access to role models, information, tacit knowledge, assistance and skills (p.196). The notion of collective action enhances entrepreneurship and contrasts with traditional, independent entrepreneurs. Entrepreneurs who choose an interdependent path give their businesses access to cost effective exterior resources without compromising their independence (Gundolf & Jaouen, 2005). Where the goals of both parties intersect (Baucus et al., 1996; Castells, 2000) for the collective good (Mouritson & Thrane, 2005) competitive advantage is enhanced. Clearly networking inherent in franchising addresses this issue as the benefits gained are of value both collectively for the system and individually for each franchised business.

Hamid and Kling (2005) present compelling evidence to demonstrate the importance of networks in competitive environments together with optimal use of new technologies (Badrinath & Wignaraja, 2004). Franchising networks offer the transfer of fast paced technological information and skills to the franchisee in need of assistance (Bolisani & Scarso, 2004). A new interest in the conditions that foster innovation from policy makers and academics has led to the conclusion that firms that operate in clusters, like franchising, tend to be more innovative (Gebhardt et al., 2004). Moreover, inter-firm networks provide small firms with access to wider sources of information and knowledge that is regarded as crucial in the shift towards a knowledge-driven economy (MacKinnon et al., 2004).

Franchised real estate agency networks illustrate the key aspects of good networks (Kash & Rycroft, 2000) – strong existing relationships based on trust gained through industry acculturation and excellent resource capabilities developed by the franchisor. The strong inter personal and inter organisational relationships that develop enable nascent entrepreneurs to gather the necessary resources from others.
(Ostgaard & Birley, 1994) plus emotional support (Hoang & Antonic, 2003) to begin their own ventures as franchisees.  

THE PERSPECTIVE OF REAL ESTATE FRANCHISEES

The franchisee perspective has received scant attention especially from an entrepreneurial viewpoint (Grunhagen & Mittlestaedt, 2000) and in this section of the paper empirical observations from sample groups of franchisee owners who formed the second phase of a larger study of franchising in real estate agency is reported. The key intention was to explore the idea that an entrepreneurial partnership exists by examining franchisee's perceptions, skills and processes. Allied franchisor and franchisee entrepreneurs cooperate to obtain mutual benefit and are able to leverage ‘entrepreneurial value’ (Firkin, 2003) from a combined competency in developing their resource base. The notion of resource competency is central to the operationalisation of real estate franchises.

In the first phase of the study fine grained qualitative data from a small group of NZ franchisee business owners was collected and analysed. In the second phase a quantitative approach was used in which survey data from a larger population of franchisees from the Asia Pacific region invited a more objective viewpoint. The process was sequential and rather than predetermining what questions to ask in the survey phase, questions emerged from the interview phase (Patton, 1982). A mixed methodological approach allowed a traditional deductive approach to be melded with direct interaction with the subjects so that there was less need to rely solely on quantitative data and the assumptions required.

THE FRANCHISEE STUDY: QUALITATIVE PHASE

The sample group of twenty two consisted of NZ real estate franchise owners. They had spent two to 25 years and a median of nine years as franchisee owners. Their median age was 56 years; they had an average of 23 years in the agency sector and all had experience in self employment either in a sales role in real estate prior to becoming a franchisee owner or as small business owners in another sector. All but one of the participants had entered ownership either directly from a sales position or from a combined sales/management role. One person came directly from a valuation background. Sixty eight percent (15) of the sample owned more than one real estate office at the time the study was undertaken.

When asked to self report their character types, participants described themselves as confident and outgoing (6); demanding, driven and passionate about their job (10) and consultative and consensual (5). Sixty five percent of the group had just three years secondary schooling. Twelve had become owners as a deliberate career strategy, eight had been offered the opportunity to become owners when their respective groups undertook franchising expansion; one took the option to move from a franchisor corporate role and one chose to become the vanguard for a price driven franchise group spreading into NZ from Australia.

Three broad themes emerged from the interviews (see Figure 2). First, evidence was found of a high degree of independence, illustrated by aggressive growth plans and development of innovative processes. Franchisees had plans to open more offices with more salespeople; introduce specialist advisors and specific property sector profit centres and even pursue new venture opportunities outside agency work. It was found that multi office franchisees were more likely to gather further offices but that around four linked offices was considered optimal. All expressed pride in their innovative processes that included new marketing techniques, strategic alliances and teamwork and an emphasis on the importance of ‘soft’ human relationship values. The level of innovation undertaken by the franchisees was linked to their level of autonomy. The more innovative they were the more independent they were seen to be. Second, although fiercely independent and autonomous, they were also committed to the franchise system, recognising role divisions and the power of the generic branding. In this environment dependence and autonomy are not mutually exclusive and links with extant literature were born out.

There were varying perceptions about the quality of the relationship with some complaints about the value of support given in relation to the high monthly franchise fee. On balance, however, there was a belief that the franchisor fulfilled their role successfully and considerable weight was given by the interviewees to the power of the system brand name to deliver competitive advantage and attract clientele. The third theme linked franchisees’ risk propensity, competitiveness and past business experience to their perception of themselves as entrepreneurial. Only two out of twenty two interviewees in the sample said
they saw themselves as entrepreneurs but this is not unexpected considering people have difficulty defining exactly what an entrepreneur is. All exhibited entrepreneurial tendencies through a propensity for self employment and wealth creation. In addition, they all took risk by investing in the brand, albeit managed risk, and all displayed strong feelings of independence and high competitiveness, while still showing commitment and connectedness to their chosen franchise group.

Figure 2: Phase One Themes and Contributing Factors

<table>
<thead>
<tr>
<th>Broad Themes</th>
<th>Contributing Factors</th>
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<tr>
<td><strong>Independence</strong></td>
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<tr>
<td>sub branding</td>
<td>Growth Plans</td>
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<td>maverick behaviour</td>
<td>number of offices</td>
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<td>marketing techniques</td>
<td>specialisations &amp; profit centres</td>
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<td>negative perception of the franchisor</td>
<td>growth of the sales team</td>
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<td>individualised procedures</td>
<td>new ventures outside real estate agency</td>
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<td></td>
<td><strong>Innovations</strong></td>
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<td></td>
<td>marketing techniques</td>
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<td></td>
<td>soft values human resource management</td>
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<td></td>
<td>strategic alliances, ideas teams</td>
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<tr>
<td><strong>Connectedness</strong></td>
<td></td>
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<tr>
<td>dependence</td>
<td>Quality of the Relationship</td>
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<tr>
<td>loyalty</td>
<td>varying perceptions</td>
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<td></td>
<td>role divisions</td>
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<td></td>
<td><strong>Importance of the Brand</strong></td>
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<td>image</td>
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<tr>
<td></td>
<td>value</td>
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<tr>
<td><strong>Entrepreneurial Perceptions</strong></td>
<td>Risk Propensity</td>
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<td></td>
<td>strategies for managing risk</td>
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<td></td>
<td>exit strategies</td>
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<td>backup and support</td>
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<td></td>
<td><strong>Competitiveness</strong></td>
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<td>desire for success</td>
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<td><strong>Past Ventures</strong></td>
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<td>business ownership experience</td>
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Given these findings, certain areas to explore on a larger stage emerged. This qualitative phase thus provided the basis for questioning in phase two of the study where it was felt data collected would allow a more objective determination of the extent to which real estate agency franchisees as a whole could be considered entrepreneurial.

THE FRANCHISEE STUDY: QUANTITATIVE PHASE
The on line survey of the second phase was emailed to 275 franchisee owners in a wider Asia Pacific region and consisted of 29 questions designed to measure variables and factors considered aspects of entrepreneurship. The variables were based on themes that had emerged in step one, although variable labels were changed slightly after the results of an exploratory factor analysis. For example, the term ‘autonomy’ was used rather than ‘independence’ and ‘dependency’ rather than ‘connectedness’ and franchisees’ perceptions of their entrepreneurial nature were amalgamated under the labels ‘values’ and ‘wealth’. Innovation and risk were measured as part of ‘autonomy’ (see Figure 3).

There were 92 franchisees in the sample. Seventy percent of the respondents were middle aged, 45 to 64 years; only one person was aged below 35 and four over 65. The majority (86.9%) had been in the real estate agency industry for a medium (6 to 11 years) to long term (12+ years). For the majority, their present venture was not their first experience of business ownership with 63% having owned at least two businesses before. Almost 59% had been franchisee business owners for several years (6 to 12 years) and 41% were considered new franchisees with 1 to 5 years experience. There was a tendency (over half of the sample) for multi office ownership. Generally multi office franchisees indicated they had been in the business for several years, which could suggest that experience increases the propensity to franchise.

Almost all the respondents (97%) were working in the real estate industry immediately prior to their present venture, providing further evidence of acculturation. 49% had a role in management with a further 11% combining sales and management roles. Just over 37% were contracted salespeople before becoming a franchisee owner. When asked to reveal their gross incomes prior to becoming franchisees over 40% of the respondents earned in excess of $100,000. The gross business revenues indicated that 54.4% achieve gross revenue from sales of between $1,000,000 and $5,500,000. Based on evidence in the literature, real estate agency businesses with gross incomes in excess of $800,000 across Australia and NZ can expect an operating surplus of around 15% (Bevan & Crews, 2001; Crews, 2003). Thus an average income of $1,750,000 across the sample group would produce a $262,500 operating surplus. However this result should be taken with caution as the amounts stated were self reported and not directly verified.

Figure 3: Phase Two Variables

<table>
<thead>
<tr>
<th>Set of Questions</th>
<th>Measures of Entrepreneurship</th>
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<tbody>
<tr>
<td><strong>Dependency</strong></td>
<td>(brand and franchisor supports)</td>
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<tr>
<td><strong>Autonomy</strong></td>
<td>(innovation; business venturing; self employment; risk propensity)</td>
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<tr>
<td><strong>Value Structure</strong></td>
<td>(Personal &amp; Business)</td>
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<td></td>
<td>(entrepreneurial perceptions ; job satisfaction; satisfaction with franchising)</td>
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<tr>
<td><strong>Wealth Creation</strong></td>
<td>(making money; desire for success; competitiveness)</td>
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In terms of the level of general education, 36.9% had completed three to four years secondary schooling, with 23.9% indicating attendance at a tertiary institution to diploma level. A trade certificate had been attained by 21.7% and 14.1% had an under graduate or post graduate degree.
The data was examined in relation to the entrepreneurial nature of the franchisees and to those questions and parts of questions in the survey that provided multiple measures of the variables ‘autonomy’ and ‘dependence’, and franchisee values like ‘perceptions of self and business’, ‘innovation’ and ‘risk taking propensity’. Frequencies, means and paired sample tests were performed where appropriate. Secondary procedures like cross tabulations and chi square tests were undertaken to add further to the understanding of the attitudes and entrepreneurial characteristics of franchisees, the nature of their businesses and their interaction with the franchisor. Support was found for the hypothesis that real estate agency franchisees are entrepreneurial.

Despite a strong desire for and a perception of their independence, the respondents believed alliance with a franchise gave them much needed advantage in a competitive environment. The reputation assigned to the brand attracted market participants by assuring them of a standardised, professional service and franchisor resource competency ensured franchisees of business support where it was needed to grow individual businesses and develop local markets. Hence evidence was found of the co-existence of autonomy and dependence or the mutually beneficial relationship dynamic described in the literature (Dana et al., 2006; Clarkin & Rosa, 2005; Bordon-Juste & Polo-Redondo, 2004) and confirmed in the qualitative section. These feelings tended to fluctuate on a continuum basis so at times and in some roles the franchisee was dependent and at others autonomous (Pizanti & Lerner, 2003).

The franchisees seized the opportunity to become business owners. The majority were acculturated in the industry, especially in a particular franchise group so felt comfortable with the network and collegial atmosphere of real estate franchising. All had a strong desire to build wealth through self employment. The majority had been involved with other business ventures and almost all had experience in a contract sales role. Most of the respondents saw themselves as possessing entrepreneurial traits including leadership and business strategising capabilities and they demonstrated their competitiveness when a majority ranked their own firm culture as more important than the organisational culture and their business performance as better than their competitors. Most were involved in developing innovative processes in their offices.

Real estate franchisees certainly take risk, an aptitude accredited to entrepreneurs (Begley & Boyd, 1987). They hold full ownership rights to their business operations and are therefore exposed to any breakdown in the relationship with the franchisor and the franchisor’s efforts in maintaining brand image as well as the poor performance of other franchisees. Like any business owner however, they managed the risk by making the strategic decision to franchise, consciously offsetting the disadvantages and risk with the benefits to be gained.

**CONCLUSION**

Interpretation of the two steps of the franchisee study led to the conclusion that most real estate agency franchisees are able to leverage entrepreneurial value from the mature resource competencies of their franchisor and that many add significantly to the resource pool and are entrepreneurial in their own right. Many own several separate agencies and grow their own mini chains. This is encouraged by the franchisors because multi office franchisees are amongst their most loyal system members with high levels of capital investment. Most franchisees chose to become business owners in a franchise system because they perceive association with the brand bestows competitive advantage and often because they are acculturated in the group and hold strong bonds of loyalty. They enjoy the support structures set in place and the resource competencies developed by the franchisor in an environment where it is necessary to keep up with rapid changes. The majority believe they are better placed in a franchise system to stay ahead of the competition. However, this does not mean franchisees are not as entrepreneurial as the franchisor. In every aspect of operations, real estate franchisees feel independent. They are self employed, in control of their lives and consider their businesses very similar to independent businesses. Most feel franchisor supports are adequate compensation for the monthly royalty fee required. Entrepreneurial franchisees grow their businesses as parallel, separate entities alongside system growth and have the benefit of a mutually beneficial interdependent relationship with the franchisor.

Recent studies have given greater consideration to different types of entrepreneurs (Ucbasaran et al., 2001; Tuunanen & Hoy, 2007) and this study has highlighted that real estate agency franchisees are a type of entrepreneur who exhibit behaviour consistent with being entrepreneurial. It has been suggested that multi unit franchisees are more entrepreneurial than single unit franchisees (Weaven, 2004, p. 309), however all the franchisees in this study showed motivation to achieve and be successful. They showed
aggressive, competitive tendencies and most were innovative in their own businesses. Furthermore, most indicated a desire to grow their business wealth and placed high value on seizing opportunity. Despite strong feelings of independence, entrepreneurial franchisees also hold feelings of commitment and loyalty to their group, rating their franchisor’s marketing, ICT development, business help and communication as underpinning competitive advantage. So by its nature, franchising encourages those entrepreneurs who value co-operative behaviour and who see belonging to a group as a type of insurance policy for success. They become business owners in a networked group because they perceive advantages and protection for themselves in their entrepreneurial pursuit of wealth. Within the context of the real estate agency sector the vast majority of franchisees are nurtured in their parent organisations and move from sales and management positions into full ownership, so they are fully acculturated into the industry and often in the organisation itself. There is a very high degree of satisfaction with franchising in the sector and owners of franchised agencies feel indistinguishable from independent owners with one exception – their entrepreneurial ventures are less exposed to the almost cannibalistic competition that characterises the real estate agency world.

NOTES
1 The dominant franchisee profile in Australia is a 30-50 year old male (Weaven & Frazer, 2005, p. 36).
2 The number of small and medium sized enterprises (SMEs) increased by 4% in the year to 2006 and self employed people account for 11% of the NZ labour force (Ministry of Economic Development, SMEs in New Zealand: Structure and Dynamics, July, 2007).
3 In Australia, figures gathered by the Australian Bureau of Statistics group real estate agencies as ‘franchised’ if they belong to either a franchise group; a marketing group or a co-operative.
6 Statistics gathered from The Real Estate Institute of New Zealand [Inc], List of Licensed Real Estate Agents, April, 2007. These totals represent all agency businesses that are currently trading under a franchise group name and are on the Institute’s records.
7 In the USA there are 4500 franchise groups and 600,000 outlets with potential to account for 40% of retail sales (Spinelli et al., 2004 p.2).
8 Real estate salespeople in Australasia contract their services to a licensed real estate agent and are generally, although not exclusively, remunerated by way of commission.
9 Franchisor resource competency is discussed the first phase of the larger study and refers to sophisticated support structures.
10 An example is the accusation of misleading advertising levied against a Harcourt’s franchisee and reported in the NZ Herald, May 30, 2007.

REFERENCES


