Rotterdam School of Management, Erasmus University

LEADERSHIP IN FRANCHISE ORGANIZATIONS

A study on the influence of leadership on franchise organizations performance

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Management summary

Manufacturers and retailers work together in a franchise organization to achieve better results. Within this cooperation, there is a need of coordination in order to overcome external and internal influences. To excel in competitive markets, franchise organizations require a form of leadership within their organization that affects the performance of the franchise organization. By researching which types of leadership affect the performance within a franchise organization and how market transformation and the relation between franchisor and franchisee moderate this effect, this study contributes to the insights in the success of franchise organizations. Hypotheses are constructed and reviewed based on the existing literature on franchising for the elements of performance, transformational and transactional leadership, market transformation and the relational distance between franchisee and franchisor. The data collection took place in the Dutch automotive market, where the highest ranked management within a dealership that is in direct contact with the board of the franchisor, participated in a questionnaire to test the hypothetical relationships in practice. The empirical findings show that both transformational as transactional leadership styles have a positive effect on the financial performance of a franchise organization. Besides the different leadership styles which have a direct effect on the financial performance, the results showed that the number of years the franchisee is part of the franchise organization and the relative franchisee size within the franchise organization also have a direct effect on the performance. However, transformational leadership has a negative effect on the strategic performance due to a higher chance of the appearance of opportunistic behavior. The relational distance between frachisee and franchisor is proven to have a negative effect on the relationship between transactional leadership and strategic performance. Whereas for other types of performance and leadership styles results were not significant. Market transformation positively moderates the relation between the perceived leadership styles and performance, such that for higher levels of market transformation the relation between the perceived leadership styles and performance becomes positive. Whether this leadership is from a transactional or transformational nature is not relevant. This study underlines the importance of the the effect of both transformtional as transactional leadership on the financial performance of a franchise organiztion. These results contribute to the existing literature and insights on transformational and transactional leadership, market transformation and disruption, the relational distance between franchisee and franchisor and how these elements affect the performance of a franchise organization.

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1. Introduction

Almost all large car manufacturers in The Netherlands make use of a franchise structure to manage their retail/outlet organization. This gives an extra dimension to the retail process compared to inter-company retailers. The difference between franchising and inter-company retail outlets are that the retail outlets are privately owned by an entrepreneur in the franchise construct (the franchisee). In the Dutch automotive sector, dealerships are responsible for the retailing of lightweight passenger vehicles. The manufacturer, steered in each country by a National Sales Company (NSC), provides the product development, production and brand creation. The car manufacturer (the franchisor) wants to be very closely involved in the way in which vehicles are sold and therefore implement requirements and demands to which the dealerships (the franchisee) must comply. This distribution form, which is implemented in the Dutch Automotive market is called the product-distribution franchising (Emerson, 2009).

Car manufacturers deliberately choose for independent retailers that sell their unique products within the set boundaries and processes, under their brand image. The franchisor makes use of local market intelligence and knowledge of the franchisee and the franchisee makes use of the proven franchise formula of the franchisor. The contradiction in the franchising construction is that autonomy and dependency of the franchisee are simultaneously present (Danta & Gundlachb, 1999). The manufacturers want to cooperate very closely with the dealerships so their products are positioned and sold with conformity to their ideas of the brand in terms of position and image. On the other hand, dealerships do not only want to contribute to the successful franchising formula, but also want achieve autonomy in their organization. This makes the necessary balance between cooperation and autonomous entrepreneurship within a franchise organization a big challenge (Davies, Lassar, Manolis, Prince, & Winsore, 2011). The urge for autonomy of franchisees can lead to opportunistic behavior. The averting of opportunistic behavior is one of the most researched topics within franchise organizations. Research shows that formal control mechanisms can restrict opportunism within franchise organizations (El Akremi, Mignonac, & Perrigot, 2011). However, formal control mechanisms are expensive to create and implement. Moreover, these formal control mechanisms do not contribute to the large benefits of franchising (Barthélemy, 2008). Informal control mechanisms such as, social interaction between different franchisees (El Akremi, Mignonac, & Perrigot, 2011) and social interaction between franchisor and franchisee (Kidwell, Nygaard, & Silkoset, 2007) also contribute to prevent opportunistic behavior of franchisees. To achieve a balance between the desired autonomy and the interaction between franchisor and franchisee an effective coordination of the relation between them is required (White, 2010). As leadership plays a role in this coordination, it is remarkable that research done regarding different leadership styles within a franchise organization is very scarce.

Prior research on franchise organizations primarily describe why a franchise design is implemented in a certain situation (Combs & Ketchen, 2003) or what the antecedents and effects of a franchise structure are on the management and leadership of the franchisee (Barthélemy J. , 2008). The factors that influence the performance of the franchisees or the collaboration of the entire franchise organization are little researched (Grewal, Iyer, Javalgi, & Radulovich, 2011). As mentioned that autonomy and dependency of the franchisee are simultaneously present, there can be stated that factors adjacent to or affected by the cooperation in franchise constructs are relevant to be researched. As leadership style is such a factor, it would make relevant subject for further research beforehand. Moreover, leadership is not only one of these factors, due to the nature of the position that a leader has in an organization, leadership has the potential to be one of the most important factors.

In this research, I aim to clarify how different styles of leadership of the franchisor influence the performance of the franchisee and thereby the performance of the franchise organization. Earlier research implies that research on franchise organizations would benefit from more a more broad approach in terms of theoretical diversity, by researching the role of the management in successful franchise organizations (Combs, Michael, & Castrogiovanni, 2004). Differences in leadership style may explain why one franchise organization is more succesful than another franchise organization. In franchising it is important to comply with the franchising formula, to maintain uniformity in the of the brand of the franchisor. Simultaniously it is vital to share market developments and intelligence within the market of the franchising organization in order to further develop the franchinsg formula. This shows the importance of cooperation of franchisee and franchisor. The question could be raised wether a certain leadership can lead to better performance of the franchise organization. Is a more controlling and task-setting style of leadership, a transactional leader, better performing in a franchise cooperation? Or is a more inspiring leader who takes individual intrests into account, in the form of a transformational leader, better performing?

The automotive market is assumed to be highly influenced by internal and external effects due to trends as digitalization, hyper-competition, the switch from fossil fuel-driven to electric-driven vehicles and environmental legislation on carbon (fleet) emissions (Rabobank, 2017). Due to the dense competition, all brands in the Dutch automotive branch will strive to an optimal coverage of the market formed by a franchised dealership network. This is strengthened by the development of the growth in franchise outlets in the Dutch automotive branch (NFV, 2017) and the increasing volume of light weight passenger vehicles sold over the last three years (Stichting BOVAG-RAI, 2017). This is frequently achieved by a multi-outlet franchising, due to a higher cost efficiency, and ensures that co-location occurs when franchisors fill market gaps left by franchisees (Perryman & Combs, 2011). In some cases, franchise groups of retail outlets have more employees serviced than the national sales company itself. This makes the market transformation more severe and transformations have high magnitude on the processes of a franchise organization (Castrogiovanni, Combs, & Justis, 2015). This is also applicable in the Dutch automotive branch. To prevail in the volatile and competitive automotive market, dealerships may require a certain style of leadership. The question could be raised, whether the perception of market transformation of a franchisee is coherent with a certain style of leadership and what effect this has on the performance of dealerships.

The underlying reason for this study is the lack of insight in the role of leadership and management in franchise organizations. The aim of this study is to empirically determine what the influence of different leadership styles are on the performance of franchise organizations in the Dutch automotive branch and expose the underlying mechanisms in this construct. Additionally the moderating effects of the perception of distance between the franchisor and franchisee and the perception of market transformation on the influence of different leadership styles on the performance are taken into account in this study. To research the stated challenges and gaps in the literature, the research question of this study is formulated as follows:

‘What is the effect of different leadership styles within franchise organizations in the Dutch automotive sector on their performance and is this relationship moderated by the perception of market transformation and distance between the franchisor and franchisees?’

The leadership styles which are used in this study are the leadership styles transactional leadership and transformational leadership, as defined by (Bass, 1985). The performance of the franchise organization in this study is measured by the franchisee's perception of performance specified in a period over the last three years.

To successfully answer the formulated challenges stated in the problem definition above, the research question is split up into three sub questions which form the basis of the study from an empirical and conceptual point of view.

The sub questions of this study are formulated as stated below:

1. What is the effect of different dominant leadership styles within the franchise organization in the perception of the franchisee on their performance?

2. What is the effect of the perception of market transformation of the franchisee on the relationship between different perceived styles of leadership and performance of the franchisee?

3. What is the effect of the perception of distance between the franchisee and franchisor on the relationship between different perceived styles of leadership and performance of the franchisee?

This study uses deductive research to answer the sub questions which are stated in the previous paragraph. A theoretical model is developed to support and form the base in the answering of the sub questions with relevant literature. To test the theoretical assumptions which will lead from this theoretical exercise in the field, this study makes use of a questionnaire. This quantitative research based on a questionnaire will be executed in the Dutch automotive sector over different dealerships of different brands. The hypotheses are empirically tested by a statistical analysis of the data which is provided by this questionnaire.

The relevance and contribution to the existing research can be split up in to two parts. First by contributing to empirical findings about the role that leadership type has on franchise performance. Additionally, this study provides insights into how market transformation and relational distance between franchisee and franchisor influence this relationship. Secondly by providing insight in the management of franchise organizations within the automotive sector.

The research could provide an insight in the gap in the existing literature about managing franchise organizations. Most studies are about the reasoning when to start a franchise cooperation (Combs & Ketchen, 2003) from an entrepreneurial point of view. Little research has been done in the field of management and the style of leadership within franchise organizations. To link the style of leadership of an organization with the performance of one, is where the research finds more common ground with existing studies. This research will provide insight in the domain of strategic management as well as the domain of entrepreneurship. New insights in the domain of strategic management will be created by researching how different leadership styles can have an effect on the performance of franchisees and franchise organizations. This is shown in the effects of the perception of distance between franchisee and franchisor and the perception of market transformation of the franchisee.

Besides the academic contribution, this study also has a practical contribution. This study can provide support and insights in the management of a franchise organization which are coping with issues regarding the management and engagement of the performance of their franchisee organization. A better insight in what the effects are of different leadership styles within franchisees and how this affects the performance of the franchise organization is one example. Additionally the effects of the perception of distance between franchisee and franchisor and the perception of market transformation of the franchisee can give insights to a franchise organizations 'management in how to handle certain obstacles in this process.

This study has a clear division in a conceptual part and an empirical part. In the second chapter, the theoretical framework of this study is addressed. This theoretical framework exists of literature subjects which are relevant to the subject. From this literature review, a conceptual model and hypotheses are subtracted. In the third chapter the methodological options and selections for measuring the variables defined in the conceptual model are answered for and additionally, the process of data collection is described. The empirical part starts in chapter four with the findings from the questionnaire. Concluding in chapter five, the results are summarized and followed up by a discussion in which an answer on the research question is formulated. This is followed up by a synthesis of the findings, the contributions and the limitations of the research and the possibilities and opportunities for future research on the topic.

2. Theoretical framework

The theoretical framework is split into two parts, the literature review and the hypotheses development. The literature review provides a base of all the research done within the relevant research topics of franchising cooperation, leadership styles and market transformation. The hypotheses development links these explored topics from the literature review and ultimately hypotheses are formed from these topics.

2.1 Literature review

The literature review is divided in five major sections. The first section covers, broadly, the existent research on franchise organizations, whereas the second section focuses on the performance of franchise organizations. The third section reviews the literature on the leadership styles and its role in organizations. Finally, sections four and five discuss the roles of market transformation and relational distance between franchisor and franchisee.

2.1.1 Franchise organizations

A Franchise organization is formed of a contract between the owner of a production process and a trademark (the franchisor) and a local retail outlet (the franchisee) to sell products or services under the franchisor's trademark employing a production process developed by the franchisor (Michael, 2000). Both the franchisor as the franchisee have a separate role in terms of entrepreneurship (Nijmeijer, Fabbricotti, & Huijsman, 2013). Franchising relates to the study of retailing entrepreneurship. The roles of a franchisee can be divided into different roles, which are specified to franchisors and/or franchisees. The franchisor has a role in creating an innovative concept, which the franchise organization as a whole can implement via a network of retailers. The franchisee does not only have a role to fulfill in bringing the franchisor's concept to new markets, the franchisee also has a role in accepting and taking on the entrepreneurial risk. Additionally, a franchisee must also be able to handle special issues surrounding the pervasive practice of multi-unit franchising (Kaufmanna & Dantb, 1999).

Franchising is commonly explained by two key theories, resource scarcity and agency theory (Combs, et al, 2004). Both theories share the benefits of vertical control over retail outlets without the investment in assets required by full integration.

2.1.1.1 Cooperation in franchise organizations

The goal of cooperation in franchising is to exploit entrepreneurial opportunities for both the franchisor and the franchisee. The franchisee can be an independent entrepreneur, but has to comply with the proven services or products, with the characteristics belonging to it, provided by the franchisor. The franchisor can rapidly increase their sales in local markets or niches because the retailing network of outlets is financed by the franchisee. (Combs, Ketchen, Shook, & Short, 2011). These advantages partly explain the increasing popularity of franchising. despite the popularity of franchising, franchising also has disadvantages. A franchise organization can encounter tensions due to conflicting interests between franchisor and franchisee and opportunistic behavior of the franchisee (El Akremi, Mignonac, & Perrigot, 2011). Especially franchisee opportunism is a repetitive subject in the studies done on franchise organizations (Kidwell, Nygaard, & Silkoset, 2007) and (Barthélemy, 2008).

2.1.1.2 The causal effect of agency theory related to franchising

Agency theory is commonly used as a recurring theme in the existence of franchise organizations. Additionally it also partly explains franchisee opportunism in franchise organizations. With the use of local independent retailers, the (franchise) organization is able to exploit the local market and niches effectively due to franchisees with local knowledge and intel of their market area. The franchisee will always strive to maximize their profit within their market share. The downside of the franchise construct is that the franchisee will ultimately act on behalf of its own interests, which in turn, can lead to franchisee opportunism. The franchisee will try to fulfill the contractual obligations of the franchisor with the lowest (overhead) costs possible (Gillis, Combs, & Ketchen Jr., 2013). To successfully manage a franchise organization, franchisors must somehow surpass the agency theory problem. There are various points of attention, which possibly enhance franchisee survival and should be taken into account in the management of franchise organizations. Firstly, the franchise cooperation will benefit by adopting policies that have tangential benefits for franchisees, even if they restrict franchisees' behavior. Secondly, maintaining sufficient incentive for franchisees to remain engaged will have a positive effect on franchise cooperation. Thirdly, investing in strategic resources will increase the gravity of franchise cooperation. Fourthly, increased understanding of factors that lead to franchisee failure will result in a more satisfying franchise relationship and enhance the probability of survival of franchisees (Michael & Combs, 2007).

2.1.1.3 The role of resource scarcity in franchise organizations

A choice for a franchising construction driven by the lack of key resources of the franchisor such as managerial expertise, local market knowledge or capital is commonly encountered. A choice for franchising based on a limited span of control of an organization in terms of physical distance or cultural differences within their market is also an encountered phenomenon. These are forms of franchising based on resource scarcity arguments. The resource scarcity theory also includes that franchisees enact as an efficient source of for capital and managerial skills for sales organizations in search of growth (Carney & Gedajlovic, 1991). The two roles will be further of resource scarcity and angency theory will

2.1.2 Performance of franchise organizations

The literature is divided into three key franchising constructs. Franchise initiation: ‘why do entrepreneurs start a franchising organization/construct. Subsequent propensity to franchise and moderators, ‘which factors influence the franchise cooperation’. Lastly the franchise performance and consequences, ‘What are the consequences of franchising’ (Combs, Ketchen, Shook, & Short, 2011). The emphasis of this study aim on understanding how franchising impacts organizational performance and how this is influenced by different leadership styles. With this additional theoretical diversity new propositions are offered grounded in the three theories above, which are not yet widely applied to franchising. In this study the review of literature is structured that the following subject will give more insight in the role and the gravity of performance in franchise organizations. Franchisors and franchisees choose for a cooperation to further improve their competitiveness in their market. The ultimate goal of a franchise cooperation is to improve the performance of the franchise organization as a whole (Combs, Michael, & Castrogiovanni, 2004). However, the question could be raised, how does a franchise cooperation lead to a better performance?

As described in the previous paragraph, there are two dominant theoretical explanations to choose for a franchise structure. One reason is the franchising due to resource scarcity and one reason is franchising based on the agency theory. When taking the performance into account, Combs, Ketchen, & Hoover (2004) conclude that the franchising organizations which enter a franchising construction primarily based on the agency theory perform better than the franchising organizations which do so primarily due to resource scarcity issues. The last stated phenomenon of resource scarcity is linked with better performance of the franchise organization. This implies that agency-based factors that affect the cost of motivating and monitoring franchisees are less than the costs accompanied with resource scarcity. A franchise cooperation brings cost reduction in controlling a market with large distances between outlets, because the franchisees will always aim to exploit their market segment to a maximum. This leads to the construct that a large distance between the franchisees and franchisor asks for a more robust and clear demand information sharing and knowledge transfer within the franchise organization. In turn, more robust and clear information sharing leads to better performance of the franchise organization (Jeon, Dant, & Baker, 2016).

The performance of franchisee are also effected by the brand image of the total franchise organization and the type of market. The performance of a franchise organization with a strong brand image can be boosted by maintaining and managing a part of the retail outlets themselves (Barthélemy, 2008). The franchisor can guarantee compliance with the retail standards which they want to implement. These retail outlets owned by the franchisor can then serve as a best practice (Kidwell, Nygaard, & Silkoset, 2007). Franchise organization must find the right mix of centralization and standardization, which will bring efficiency in the adoption in different local markets. If franchisors own retail outlets, this balance is affected and will in turn have an effect on the performance of the franchise organization. Franchisors and franchisees particularly encourage distinct patterns of organizational learning due to different incentives facing franchisors and the franchisees. Franchise-based organizations provide better opportunities for the firm to learn through experimentation. However, most franchise organization will push standardization and centralization through their franchisor-owned retail outlets (Sorenson & Søensen, 2001). The possibility of opportunistic behavior of the franchisee has a negative influence on the franchise organizations ‘performance (El Akremi, Mignonac, & Perrigot, 2011) (Kidwell, Nygaard, & Silkoset, 2007).

As a possible risk of the franchise construct is that franchisees will ultimately act on behalf of their own interests, formulated as the agency problem in franchising, which can lead to franchisee opportunism. Franchise opportunism has a negative influence on franchise cooperation (Barthélemy, 2008). Entrepreneurially minded franchisees are possible better at exploiting opportunities within their market share than the franchisor and are therefore more opportunistically driven, if they are given the chance trough a more relational contracting regime. The danger of this is if the franchisee perceives the contractual framework as being too rigid, it may be more difficult for them to leverage their capabilities and become dissatisfied, which will in turn affect the performance of the franchise organization in the relevant market share (Evanschitzky, Caemmerer, & Backhaus, 2015).

In the studies on the performance of organizations, many different concepts are used to measure the performance of franchise organizations. According to Combs, Crook, & Shook (2005) there is a distinction in measurement of performance of franchise organizations. Based on a synthesis of previous attempts to describe the dimensions of performance. Two types of performance are derrived from this study, organizational performance and operational performance. Organizational performance is based on key factors as growth, Return on investment, and shareholders' value. Operational performance is based on non-financial indicators as quality of the product innovation and marketing results. Another vision on the measurement of perfromance is to split the performance in financial perfromance, which is in line with the organizational perfromance, and strategic performance (Grewal, Iyer, Javalgi, & Radulovich, 2011). Strategic performance is reffered to as the operational performance, which is defined as a base for solid future financial performance. Succesfull franchise organizations can improve their strategic perfromance by an effective franchise cooperation. Due to this effective franchise cooperation, the organization is able to enhance added value to their products, attract new customers and increase loyalty of their existing customer database. By exploiting these values in the future, a franchise organization will be able to improve their financial situation on long term (Yin & Zajac, 2004).

There can be concluded that is very important to take into account different types of performance over a longer period of time when measuring the performance of a franchise organization. Ultimately, performance can be highly influenced by factors from within the franchise organization aswell as influences from outside the organization. An internal effect between franchisor and franchisee are the different dominant leadership styles which are defined more explicitly in the next paragraph.

2.1.3 Leadership styles in franchise organizations

In the contradiction of a franchising construction, which is that autonomy and dependency of the franchisee are simultaneously present, leadership plays a role. In an effective franchise cooperation both parties are able to interact on opportunities in their environment and exploit opportunities freely, nonetheless there is sufficient structure to fulfill the interests of the franchise cooperation (Merrilees & Frazer, 2013). A franchise construction can be approached as one distribution channel, which is supposed to perform as one effective system. In this system roles have to be defined and separated for the franchisor as well as for the franchisee(s) (Oxenfeldt & Kelly, 1968). This franchise construction is a social system in which joint efforts are necessary to achieve goals. For this joint effort one of the parties must take the lead in terms of coordination within the system between franchisor and franchisee (Kistruck, Webb, Sutter, & Ireland, 2011) and (Watson & Johnson, 2010). In franchising organizations, the franchisor mostly has this coordinating role in the franchise construction. Because the franchisor develops and designs the product and manages the brand image and the distribution, they have the largest contribution and added value to the product. The franchisees on the other hand experience the effects of taken directions on shop-floor level (Van Bruggen, Kersi, Jap, Reinartz, & Pallas, 2010).

Leadership is always originated from individual persons, but who are these leaders? Within a franchise organization there are different contexts for leadership. Three different contexts of leadership in franchise organizations are the executives of the franchisor and the franchisees, but there are also leaders of the franchise cooperation itself (Porter & Mc Lauhlin, 2006). This study is aimed at the leadership style boundary personnel of the franchisor, which is defined as the highest ranked managers that are in direct contact with the franchisees as defined by Osborn, Hunt, & Jauch (2002). The leadership style of the franchisee is defined in a transactional and a transformational leadership dimension (Bass, 1985). Transactional leadership emphasizes the responsibilities, expectations and targets which have to be met by the people organization. Whereas transformational leadership emphasizes the identification of joint objectives and goals in an organization. A leader can be transformational as well as transactional in terms of leadership according to Avolio, Bass & Jung (1999). In their view, transformational leadership is an addition on transactional leadership.

2.1.3.1 Transactional leadership

In transactional leadership, leaders emphasize the responsibilities, expectations and targets that have to be met by people in the organization. This is done by proposition of a transaction of the leader to the follower. The leader searches for extrinsic motivation of its followers, which will lead to the accomplishment of the set targets or goals bound by contractual agreements. When this is achieved, an upfront defined reward is granted to the follower (Judge & Piccolo, 2004). Transactional leadership can be split into two elements, contingent rewards, and active management by expectation (Lowe, Kroeck, & Sivasubramaniam, 1996).

To achieve targets transactional leadership makes use of a contingent rewards, which has influence on the personal interest of followers. Which contingent reward is obtained by achieving which target and what is expected from them is clearly explained to all the followers upfront. With the use of contingent rewards, leaders strive to create dedication of their followers to achieve the targets and goals that are defined (Avolio, Bass, & Jung, 1999). The followers will receive rewards for achieving contractual goals, targets and obligations. In addition there is also defined what the rewards are in case of over achieving the set targets or in case of additional performance upfront (Bass, 1985). For a franchise organization, this implies that the franchisor sets targets to franchisees, which stimulates the franchisee to achieve the set targets. These extrinsic rewards creates focus of the franchisee in achieving a specific target or sets of targets. The downside of the contingent rewards is that the creativity and innovation of franchisees are not stimulated; this can even have negative effects on the innovation and creativity within a franchisee (Shane, 1996).

Besides contingent rewards, a transactional leader, also implements active management by expectation. With management by expectation, a transactional leader is actively monitoring abnormalities and deviations from the direction of targets and guidelines that are part of them. The ‘active’ part in the active management by exceptions refers to the role of the manager. With a strong presence of active management of exceptions, a transactional leader will intervene when abnormalities and deviations from the direction of targets occur. Therefore the active management of exception is scoped on the monitoring of (potential) problems and an adequate solution if necessary in order to keep the process in line with the predefined targets and directions (Avolio, Bass, & Jung, 1999). Although transactional leadership style is considered as a first stage in leadership, which can evolve into transformational leadership style, it does not mean that transactional leadership style has a negative effect on performance. In certain situations a contingent rewards and management by expectation might have a positive effect on firm performance. Additionally the focus on target achievement might have a positive effect on firm performance in certain situations, although franchisee opportunism might disrupt this over time.

2.1.3.2 Transformational leadership

A transformational leader tries to let its followers identify with the common/joint goals and target of the organization and empower them in this manner. One can speak of transformational leadership if the leader succeeds in creating awareness and acceptance of achieving the targets of the organization and simultaneously increase the involvement of the followers, which makes them search for improvement and satisfaction beyond their own interests (Bass, 1985). In addition, (Judge & Piccolo, 2004) imply that this is applicable to followers in a broad definition and not only limited to employees. Which implies that this construct is also relevant for the relationship between franchisor and franchisee.

A transformational leader can create consciousness and awareness about the common joint targets of an organization when he takes the intrinsic motivation of followers into account (Avolio, Bass, & Jung, 1999). The focus on the intrinsic motivation of followers has a positive effect on the innovation and creativity of the follower, because their passion strengthens their motivation to achieve goals and targets (Lowe, Kroeck, & Sivasubramaniam, 1996).

Transformational leadership exists of four elements, charisma, inspiration, intellectual stimulants and individual considerations (Bass, 1985). Charisma creates pride to serve the organization and its leader and respect for the leader. A transformational leader challenges its followers with inspiration they get and the way that they project higher aspirations and expectations for the future trough this inspiration from the transformational leader. The higher intellectual stimulants provides that followers become more aware and ask themselves the questions why do perform in a certain manner, this creates opportunities for self-improvement, learning and creativity. Individual consideration imply the way the maximum potential is filled in by the follower. Taken into account their individual needs and requirements in the creating of opportunities and the stimulating environment for growth. As confirmed by Bass (1985) and Den Hartog et al. (1997) transformational leaders, when compared to transactional leaders were linked to better firm performance and more effective working workgroups. This is strengthened in additional studies and in line with other findings that transformational leadership is seem as the more evolved form of transactional leadership.

2.1.4 Perception of market transformation

Franchise organizations in the Dutch automotive market are highly influenced by internal and external market transformation or disruption. These disruptions and are perceived by every different dealership in a different manner and affects the daily business of a dealership.

To measure the effect of perception of market disruption or transformation on a franchise organization is difficult, as this is primarily done by extending the analysis of business failure to franchising. This data availability constraint means that franchise system failure is difficult to measure, therefore new ways to measure these external influences must be developed (Frazer, 2001). There are two main indices associated with disruption within franchise organizations, communicative problems, leading to disputes and the conversion of franchised outlets to some other form of ownership (Oxenfeldt & Kelly, 1968). When a communication problem between franchisor and franchisee leads to either discussion or mediation procedures, it will have a negative impact on the performance of and franchise organization. These disruptions change the way franchisees perceive the external and internal influences within the franchise organization.

As described, managers of franchisees are guided by the franchisor, formulated as the role of the channel captain. If the environmental turbulence is present, the importance of this guidance is emphasized. Research on environmental turbulence primarily suggest that organizations in dynamic, uncertain and turbulent environments should adopt a less centralized and a more organic structure in order to perform as desired (Kraatz & Zajac, 2001). Additionally this forms reasoning why an organization initiates a franchising strategy (Combs, Crook, & Shook, 2005). Environmental turbulence as described by (Calantone, Garcia, & Dröge, 2003) can be spilt into two types of turbulence, these are market and technological turbulence. Technological innovations may cause environmental turbulence due to the accelerating rate of change in both scientific/product development as well as in the market characteristic development. An organization may enjoy only temporary competitive advantage as product obsolescence occurs more quickly. Market turbulence is characterized by continuous changes in customers' preferences/demands, in price/cost structures, and in the composition of competitors. Market turbulence can also be described by the dissolution of traditional industry boundaries. Despite the market and technological turbulence organizations are able to maintain a sustainable competitive advantage within their market. To achieve this sustainable competitive advantage, an organization is reliant on its ability to quickly adapt to the changing environment (Haleblian & Finkelstein, 1993). The fact that franchisees come in action in their business in a certain manner and gratitude is reliant on the way they perceive the external influences.

When defining the environmental turbulence of the Dutch automotive market in terms of market and technological turbulence and disruption, various trends can be described. Technological turbulence and product developments as autonomous driving, fuel efficiency improvements and digitalization of the product, which are improved and implemented at a high pace from all market actors, form a short lasting competitive advantage. The market turbulence of the Dutch Automotive branch is caused by in the disruptions of customer demands and political legislative influence. Customers change perspective of the traditional car ownership and therefore new business models and lease constructions are implemented which fit best in the legislative climate of The Netherlands, an example of this is the trend car sharing. The largest impact of market transformation is in the governmental influence on the CO2 emission reduction of cars. This factor influences not only the transition of fossil fueled cars to electrified driven cars on a global scale, but also pressures customers in The Netherlands into certain bandwidths in terms of their CO2 emission of the vehicle accompanied with more strict regulation on CO2 measurement from the Dutch government. Taking into account the role of strategy implementation in a turbulent market, results suggest that organizational culture and competencies that affect implementation of an organizations’ strategy are more critical determinants of the performance of a relatively small organization than the match of strategy and environment (Pelhamama, 1999). In the case of franchising this implies that the effect of strategy implementation of a franchisor will always be affected by the culture and competency of the franchisee and in a less critical manner affected by the environmental turbulence. In addition this is also the case for the enviropreneurial marketing of a franchisee, as market turbulence also affects new product development success, it does not have an impact on the enviropreneurial marketing (Baker & Sinkula, 2005). This suggests that enviropreneurial marketing formation is driven and formed by the franchisor rather than external influences. It can be concluded that the stronger the environmental turbulence is present, the stronger it will be perceived and taking into account on a strategic and operational level by franchisees. Although this states for all franchisees, as previously described, perceptions can vary due to various different characteristics of the franchisees and the entire franchise organization.

2.1.5 Perception of distance between franchisor and franchisees

As perception of distance between franchisor and franchisee, from a franchisees point of view negatively affects the perception of cooperation in a franchise organization, good cooperation is considered to be the opposite of distance between franchisor and franchisee. To achieve excellence in performance in a franchise organization and fully utilize the markets potential, the franchisor and franchisees must fully trust each other and cooperate (Davies, Lassar, Manolis, Prince, & Winsore, 2011). If a franchisee perceives the cooperation in the franchise organization to be insufficient, this will affect the bond between the two. This implies that effective commitment to the franchise organization is positively related to franchisee objective performance (Mignonac, Vandenberghe, Perrigot, El Akremi, & Herrbach, 2013). Repetitive elements in the literature on effective franchise cooperation are abiding the franchising formula (Kidwell, Nygaard, & Silkoset, 2007), creating trust between franchisor and franchisee (Combs, Michael, & Castrogiovanni, 2004) and the exchange of knowledge and market intelligence (El Akremi, Mignonac, & Perrigot, 2011). These three elements will ultimately indicate the form and intensity of collaboration in a franchising system (Carney & Gedajlovic, 1991). Abiding the uniform retail standards are of importance for displaying of the brand image correctly in the market. The exchange of knowledge and market intelligence are of importance to reach the full potential of the market and anticipate swiftly on market disruptions. The trust within a franchise organization is importance to provide a solid base of collaboration between franchisor and franchisee. These three factors will form the structure for the measurement and description of the perception of distance between franchisor and franchisees from the franchisee's point of view (Gillis & Combs, 2009). The trust in a franchise organization is intertwined with the perception of distance between franchisor and franchisee. If the franchisee has a strong feeling of distance between them and the franchisor, they will ultimately withhold information and feedback to the franchisor. Which will in turn lead to further decay of transparency and information sharing in the franchise organization. This perception will then have a direct negative effect on the collaboration in the franchise organization.

Unique resources and capabilities, such as product and organizational superiority, and complexity prevent imitation and protect brand value and thereby prolong exceptional performance of a franchise organization (McEvily & Chakravarthy, 2002). Although the uniqueness of the resources is a very important phenomenon, the franchisee still has to be well organized and structured in order to exploit the resources effectively. The most important examples of resources which come from a franchisor are the brand image and name, but also the concept of organizational management, the so called franchise formula (Barthélemy, 2011). The franchisor is responsible for the brand image and execution of the retail standards. Therefore the franchisor must guard the unique franchise formula and see to it that all franchisee enbody the franchising formula in the correct way with respect to the brand image (Baucus & Baucus, 1996). This is why the franchisor cofirms the retail standards and procedures in the franchising contract. The franchise contract describes the demands in terms of corporate identity, business equipment and personel of a franchisee. Additionally it contains a set of rules and/or guidelines to which the franchisee must comply within their distribution channel. The strictness of these rules, procedures and guidelines are the hardness of the franchise cooperation (Sorenson & Søensen, 2001). These rules and guidelines are very important from the point of view of the franchisor, as a negative experience or deviation in the retail standards may lead to negative impulses of the brand. If the perception of cooperation in the franchise organization is far apart from eachother, the feedback mechanism in brand display and execution of retail standards will be inactive. This will lead into a mismatch of the common understanding in retail standards and usiness insights between franchisee and franchisor due to the different perception of the information they are willing to share with eachother.

Another element of effective cooperation within a franchise organization are the built-in routines for the sharing of knowledge and market intelligence (Carney & Gedajlovic, 1991). The fanchisor requires intelligence and insights in the local market or distribution channel. The franchisees have first hand knowledge and insights of the market. With this knowledge and market intelligence insights they have a function of finetuning the franchise formula. On the other hand the franchisee needs to be supported to execute the retail standards in a right manner. This information and steering needs to come from the franchisor, additionally the franchisor needs to instruct the franchsiee on the underlying dynamics of the retail standard (Dant & Kaufmann, Structural and strategic dynamics in franchising, 2003). An agency theory based view on franchising implies that there is an unbridgeable gap between the franchisor and the market. This is why the franchisor is dependable on the support of franchisees to search for innovative new ways to strive for excellence in the retailing of a specific market segment. Based on these innovations and adjutments on the retail standards it is possible that the current retail standards can then be ademented and that these findings can be shared with the other franchisees. This is how the franchise formula evolves over time (Gillis & Combs, 2009). In addition there is another source of effective cooperation within a franchise organization, which can be defined as the level of trust in the relationship between franchisor and franchsiee. Trust of the franchisor in the franchisees and vice versa stimulates the share of the knowledge described in the previous paragraph. In addition trust will help the franchisor to implement and structure changes in the retail standards and in the processes of the franchisee. This is how trust forms a sort of control mechanism in the franchise formula (Chiou & Droge, 2015). Therefore franchisees which have a high level of trust in the management actions and directions of the frachisor are therefore more willingly to follow and execute the retail standards (Davies, Lassar, Manolis, Prince, & Winsore, 2011). In the relation between franchisor and franchisee, the franchisor has the leading role to generate this trust (Dant, Weaven, & Baker, 2013). When the franchisor and franchisee trust eachother, it will be more likey that they will keep to their obligations in the franchising contract. By creating a high level of trust between the franchisor and franchisee the mutaul bond will improve, which in turmn has a positive effect on the performance of the franchisee. Additionally trust can reduce the oppertuinistic behaviour of a franchisee and thereby improve the fulfillment of the stated retail standards (Barthélemy, 2008). Concluding, the perception of relational distance between the franchisee and franchisor affects the trust and feedback mechanisms in the franchise organization, which in terms leads to oppertuinistic behaviour and lack of transparant communication within the organization. Additionally when a franchisee has a strong perception of distance between itself and its franchisor it will be more likely for them make management decisions based on their on situation and gathered intel. This might ineffective deployment of resouces or mismatches in the franchise organization due to a strong perception of distance between franchisee and franchisor.

2.2 Hypotheses development

In the hypotheses development the structured topics in the literature review are brought together from which hypotheses are formulated.

2.2.1 Leadership and performance of franchisee

In this paragraph, the hypotheses are developed complementary to the direct effect of a present leadership style in the franchise organization on the franchisees' performance. The presence of transactional leadership will ensure contingent rewards and management by expectations, which has influence on the personal interest of the franchisees' management. With the use of contingent rewards and the management by expectations, the franchisors' boundary personnel will strive to create dedication of their followers to achieve the targets and goals that are defined (Avolio, Bass, & Jung, 1999). The followers will receive rewards for achieving contractual goals, targets and obligations. However, this does not take into account whether the target is difficult to achieve. As a high target might invoke opportunistic behaviour of a franchisee, this might lead to inefficient performance of the franchise organization. Additionally when a franchisee precieves a strong presence of transactional leadershipstyle from the franchisor, they tend to be focussed on the completion of their target with the accompanied rewards for it. Over time this might lead to a lower performance and comes with risks. As the target setting will be higher over time the target might become unreachable in a certain time and environment for a franchisee. When this occurs there might be no strong relational base of trust to fall back on due to the transactional approach over time. Therefore the first hypothesis combining leadership and franchisee performance is formulated below:

H1a: The presence of a transactional leadership style of the franchisor in a franchise organization has a negative effect on the performance of the franchise organization.

A presence of transformational leadership can create consciousness and awareness about the common joint targets of an organization when taking into account the intrinsic motivation of the franchisee (Avolio, Bass, & Jung, 1999). The focus on the intrinsic motivation of the franchisee management has a positive effect on the performance of the franchisee, because their passion strengthens their motivation to achieve goals and targets is challenged (Lowe, Kroeck, & Sivasubramaniam, 1996). Therefore the second hypothesis combining leadership and franchisee performance is forumulated below:

H1b: The presence of a transformational leadership style of the franchisor in a franchise organization has a positive effect on the performance of the franchise organization.

2.2.2 Perception of market transformation and leadership styles

As described, there are three main indices associated with disruption within franchise organizations, communicative problems leading to disputes, the conversion of franchised outlets to some other form of ownership and disruptions due to technological product development (Oxenfeldt & Kelly, 1968). When a communication problem between franchisor and franchisee leads to either discussion or mediation procedures, it will have a negative impact on the performance of and franchise organizations. These disruptions change the way franchisees perceive the external and internal influences within the franchise organization. When there are more transactional leaders in a franchise organization, the strategic management will be dominant from the franchisors perspective. This will decrease the feedback and specific market knowledge from the franchisee, therefore the local market intelligence will be neglected. The stronger the franchisee perceives the transformation of its surroundings the more negative the relation of transactional leadership on performance will be. When the franchisee experiences a high degree of transformation, the more important the guidance of the franchisor and the feedback mechanism between the franchisor and franchisee becomes. This guidance is the least strong in an environment where transactional leadership is dominantly present from the franchisors side. In addition, the franchisee which has a strong perception of its environment due to disruptions will seek for guidance from its franchise organization, this is more inveterate in a transformational dominant environment. This implies that the stronger the perception of market transformation from the franchisee will be, the more the negative effect of the transactional leadership on franchisee performance will be. Therefore the first hypothesis combining the perception of market transformation and the effect of leadership styles affecting franchisee performance is formulated below:

H2a: A strong presence of market transformation strengthens the negative effect of transactional leadership style on the performance of the franchise organization.

Transformational leadership will ensure higher intellectual stimulants that provides followers to become more aware and ask themselves the questions why do perform in a certain manner, this creates opportunities for self-improvement, learning and creativity. When the perception of market transformation is very present, franchisees will try to provide as much feedback and market intelligence towards the franchisor in order to improve its performance. This facilitates the sharing of information between franchisor and franchisee in a more effective manner. The opposite of the construct in the previous hypothesis is in order. When the perception of market transformation is high, franchisees will seek for a more ways to navigate in their market. This is better facilitated in an environment in which transformational leadership is dominant. More emphasis will be placed in the feedback mechanism between franchisor and franchisee, as well as information and market intelligence sharing in the franchise organization, will become more important to overcome disruptions and effectively lead the franchise organization to better performance. Therefore the second hypothesis combining the perception of market transformation and the effect of leadership styles affecting franchisee performance is forumulated below:

H2b: A strong presence of market transformation strengthens the positive effect of a transformational leadership style on the performance of the franchise organization.

2.2.3 Perception of distance in a franchise system and leadership styles

To achieve excellence in performance in a franchise organization and fully utilize the markets potential, the franchisor and franchisees must fully trust each other and cooperate (Davies, Lassar, Manolis, Prince, & Winsore, 2011). For transactional leadership this distance between franchisor and franchisee has a limited effect as this cooperation is stronger based on management by rewards. In addition there is another source of effective cooperation within a franchise organization, which can be defined as the level of trust in the relationship between franchisor and franchsiee. Trust of the franchisor in the franchisees and vice versa stimulates the sharing of the knowledge. Trust will also help the franchisor to implement and structure changes in the retail standards and in the processes of the franchisee. This is how trust forms a sort of control mechanism in the franchise formula (Chiou & Droge, 2015). This form of tust does not play a very big role in transactional leadership, as the directions from the franchisor are primarially based on rewards and orders. Therefore the first hypothesis combining the perception of distance between franchisor and franchisee and the effect of leadership styles affecting franchisee performance is forumulated below:

H3a: A strong presence of distance between franchisee and franchisor has limited negative influence on the negative effect of a transactional leadership style on the performance of the franchise organization.

Relational distance between franchisor and franchisee is a vital part for transformational leadership. The relatonal distance is most affected by the level of trust of a frachisee and the urge to follow its franchisor regardless of the outcome of the specific situation. Key indicators of transformational, such as individual consideration, inspiration and intellectual stimulation can only be present with a certain level of trust, not only in the franchisor, but also between the franchisor and franchisee. This is why the described control mechanism which trust creates is seen as a requirment of transformational leadership. As transformational leadership seeks to succeed in creating awareness and acceptance of achieving the targets of the organization and simultaneously seeks increase the involvement of the followers, this is accompanied with a close bond between franchisor and franchisee. Therefore the second hypothesis combining the perception of distance between franchisor and franchisee and the effect of leadership styles affecting franchisee performance is forumulated below:

H3b: A strong presence of distance between franchisee and franchisor weakens the positive effect of a transactional leadership style on the performance of the franchise organization.

2.2.4 Sub questions and hypotheses

The sub questions provide the structure of the theory and literature review, from which the hypotheses are formulated. The hypotheses are displayed below in figure 2: sub questions and hypotheses.

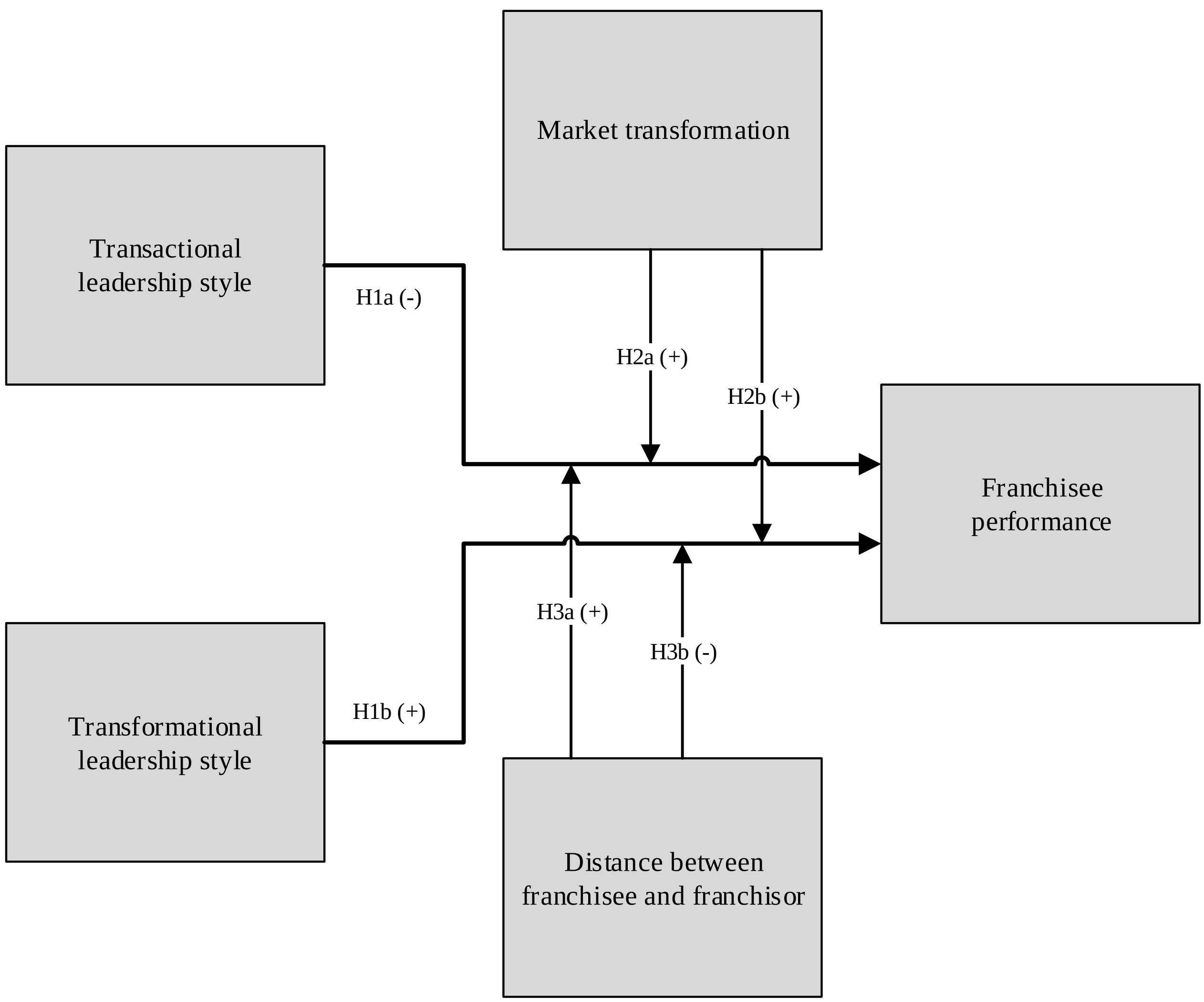
Figure 1: Sub questions and hypotheses

Sub question		Hypotheses	Results
1.	What is the effect of different leadership styles on the performance of the franchisee.	**H1a:** The presence of a transactional leadership style of the franchisor in a franchise organization has a negative effect on the performance of the franchise organization. **H1b:** The presence of a transformational leadership style of the franchisor in a franchise organization has a positive effect on the performance of the franchise organization.	**H1a:** No support found for this hypothesis. **H1b:** Partially support found for this hypothesis.
2.	What is the effect of the perception of market transformation of the franchisee on the relationship between different styles of leadership and performance of the franchisee.	**H2a:** A strong presence of market transformation strengthens the negative effect of transactional leadership style on the performance of the franchise organization. **H2b:** A strong presence of market transformation strengthens the positive effect of a transformational leadership style on the performance of the franchise organization.	**H2a:** No support found for this hypothesis. **H2b:** No support found for this hypothesis.
3.	What is the effect of the perception of distance between the franchisee and franchisor on the relationship between different styles of leadership and performance of the franchisee.	**H3a:** A strong presence of distance between franchisee and franchisor has a strengthening influence on the negative effect of a transactional leadership style on the performance of the franchise organization. **H3b:** A strong presence of distance between franchisee and franchisor weakens the positive effect of a transactional leadership style on the performance of the franchise organization.	**H3a:** Hypothesis is partially supported. **H3b:** Hypothesis is supported.

2.2.5 Conceptual model

In addition to the research question a conceptual research model is displayed below in figure 1. This model implies that the to-be researched subject, franchisee performance, is effected by the style of leadership within the franchisee. The effect of the leadership style is defined in a dimension where the presence of transformational or transactional leadership is measured and scaled. This effect is moderated by the perception of distance between the franchisor and franchisees and the perception of market transformation of franchisees.

Figure 2: Conceptual research model and hypotheses effects



3. Methodology

In this chapter, the methodological options and selections for measuring the variables defined in the conceptual model are answered for. Additionally the process of data collection is described in terms of how the data is collected and why this is done in a certain manner for each variable.

3.1 Sample

From the conceptual model the theoretical variables, concepts, and the relations between these variables, hypotheses, are defined. In the empirical phase of this study, the counterparts of the defined variables, indicators, are addressed. Additionally the presumed relationship of theses variables are tested. These tests make use quantitative data from statistical analysis. This quantitative data is obtained from a questionnaire.

The empirical research is executed in the Dutch automotive branch. The answers to the questionnaire of franchisees, defined as franchised car dealerships (retail outlets), can provide insights to the argued relationships. The results of this study in the Dutch automotive branch are possible generalize for other product-distribution franchise constructs in which there is a similar cooperation between franchisor and franchisee. The automotive industry is currently subjected to many changes in legislation, product technology and competition. This makes the choice of industry very appropriate to research taken the hypothesis of this study in consideration. Additionally, the choice was made to execute this study in the Dutch automotive branch, because this is a large branch in terms of generated revenue and size. In 2016 the Dutch automotive market, for lightweight passenger vehicles, accounted for 2.120 franchised retail outlets (dealerships), which were responsible for a total revenue of € 4,4 billion euro and an employment number of 88.773 employees in total (Stichting BOVAG-RAI, 2017). To make use of one specific branch, as in this study, the internal validity is increased (Judge & Piccolo, 2004). The influences of difference in the form of product in the franchise organization or the differences in the use of marketing channels can thereby be excluded.

3.2 Data collection & methods

As (Combs & Ketchen, 2003) stated, when research is executed within franchising organizations one must emphasize the effect of construct validity. By making use of primary data instead of archived data one can limit the amount errors due to incorrect measurements and thereby increase the accurateness of the measurements. In this study, the questionnaire is aimed at the franchisees' perception of their performance over the last three years, affected by the perception of a dominant leadership style of the boundary personnel of the franchisor. This is moderated by the perception of environmental market transformation and relational distance between franchisor and franchisee. The boundary personnel is defined as the highest ranked managers that are in direct contact with the franchisees as defined by (Osborn, Hunt, & Jauch, 2002). The questionnaire will be filled in by the highest ranked manager of the franchisee outlet which is in direct contact with the franchisor, the franchisee board, as defined by (Barthélemy, 2008).

The questionnaire was sent to managers and/or owners of car dealerships in the Netherlands in the light weight personal vehicles segment of different manufacturing brands. The brands to which the questionnaire was sent were dealerships of BMW, MINI, Mercedes-Benz, Toyota, Peugeot, Opel and Ford. In total the questionnaire was sent to the direct email address of 446 managers within dealerships obtained from the Dutch national dealership branch organization. After one week a reminder was sent to the respondents which did not fill in the questionnaire. Confidential handling of data is a mandatory condition for executing a questionnaire for the dealer branch organizations. By explicitly communicating that the data handling and respondent results will be handled strictly confidential, the chance of social desirable answers are therefore tried to be kept to a minimum. From the total of 446 respondents, 82 filled in the entire questionnaire, which leads to a response rate of 19,5%.

To test the non-response bias, the outcomes of the respondents which filled in the questionnaire after the reminder and the ones which responded directly were compared. A T-test is performed to check whether there were significant differences between the outcomes of both groups. The T-test does not show significant differences. Thus, there is no non response bias. Aside from extensive analysis in general descriptive of all variables and items an explorative analysis with factor analysis was executed for all variables.

3.3 Variables

For the variables which are stated in the conceptual model empirical indicators are designated to test the resumed relationships between the variables. In this study multi-item scales are used to measure all different variables. All of these used multi-item scales are used and validated in other previous research.

The questions/items which were used in the questionnaire are displayed in appendix A.

3.3.1 Transformational and transactional leadership

To measure transformational and transactional leadership the Multifactor leadership Questionnaire (MLQ) is used. The modern paradigm within leadership questionnaires is the theory of transformational and transactional leadership proposed by (Burns, 1978), and further developed (Avolio, Bass, & Jung, 1999), Version 5X. In the last twenty years, the Multifactor leadership Questionnaire has been developed and validated further (Antonakis, Avolio, & Sivasubramaniam, 2003). It is now the standard instrument for assessing a range of transformational, transactional leadership scales. Additionally, the effectiveness of transformational leadership has been proven in various settings and in many countries (Judge & Piccolo, 2004). A review of the MLQ based on the latest version of the MLQ, version 8Y, a version was translated in Dutch by (Den Hartog, Van Muijnen, & Koopman, 1997). The items from the MLQ are common used and known as a valid way to measure transformational en transactional leadership style (Antonakis, Avolio, & Sivasubramaniam, 2003).

With twenty six questions from the MLQ, dealership managers and/or manager-owners are ask for their perception of leadership of the total franchise organization, defined as their perspective of the franchisors' leadership style. The questions can be ranged in a 7-point Likert scale, which is defined from 1 = "Strongly disagree" till 7 = "Strongly agree".

3.3.1.1 Transformational leadership

To measure the indicator transformational leadership (α = 96) seventeen questions are asked, divided over four dimensions. Six items are defined to measure charisma, six items for inspiration, two items for intellectual stimulation and three items to measure individual consideration.

Previous research shows that the indicator for transformational leadership does not show discriminant validity (Vaccaro, Jansen, Van Den Bosch, & Volberda, 2010). Additionally in line with previous research, the average is taken from all the seventeen items to value the indicator transformational leadership.

3.3.1.2 Transactional leadership

To measure the indicator transactional leadership ($\alpha = 0.88$) nine questions are asked, divided over three dimensions. The items are defined to measure the dimension contingent rewards, three items for active management by exception and lastly, two items are defined to measure the dimension passive management by exception.

The average of all the nine items used to define the indicator transactional leadership form a joint indicator to measure the variable transactional leadership (Vaccaro, Jansen, Van Den Bosch, & Volberda, 2010).

3.3.2 Perception of market transformation

To measure the indicator perception of market transformation ($\alpha = 0.76$) eight questions are asked. The first five items are based on a seven-point scale of environmental dynamism (Miller & P.H., 1982). The sixth, seventh and eighth items are based on a seven-point scale of environmental hostility (Khandwalla, 1976). Together these eight questions were used to measure the perception of market transformation. These variables are not separated in the analysis, as the separated Cronbach's Alpha was below ($\alpha = 0.70$). Additionally, both item scales have been proven to be significantly positively correlated with performance (Naman & Slevin, 1993). The questions are asked in the form of a 7-points scale which has at the beginning and at the end a proposition, the highest ranked manager of the franchisee outlet which is in direct contact with the franchisor has to fill in to which proposition they can relate the best. The average of all the eight items are used to define the indicator perception of market transformation. There is no distinction in sub-variables, which are measured combined, as the validity is higher and the pre-grouped items did not had a significant correlation.

3.3.3 Perception on relational distance between franchisee and franchisor

To measure the indicator perception of relational distance between franchisee and franchisor ($\alpha = 0.88$) seven questions are asked. The scale for the indicator exists of two domains, the communicative domain and the domain that measures the opportunism of the franchisee in the collaboration between Franchisee and franchisor (Gassenheimer, Bacus & Bacus, 1996). The questions in the domain opportunism are very coherent to questions in the transformational leadership indicator. Due to this reason, all the items in the domain of opportunism are left out. The question outcomes are ranged in a 7-point Likert scale, which is defined from 1 = “Strongly disagree” till 7 = “Strongly agree”. The reverse coded average of all the seven items are used to define the indicator perception of market transformation, this is to ensure that the variables follows the logic that, the higher the average scores are, the higher the perception of distance is.

3.3.4 Franchisee performance

Successful franchises leverage a trusted brand and simultaneously expand their business model to attain a greater scope of operations for increased revenues. To measure the indicator franchisee performance five questions are asked. The indicator franchisee performance measures the perception of the franchisees’ performance over the last three year compared to the field of competition. The indicator franchisee performance has two domains. The first domain is strategic performance ($\alpha = 0.79$), this domain contains items as brand equity and customer loyalty. The second domain is financial performance ($\alpha = 0.87$), which exists of items as sales, profitability, return on investment over the last three years. Strategic performance relates to the development of market-based assets that can be harnessed over a longer term to achieve superior financial performance (Grewal, Iyer, Javalgi, & Radulovich, 2011). The questions outcomes are ranged in a 7-point Likert scale, which is defined from 1 = “Strongly improved” till 7 = “Strongly worsened”. In figure 3 below, key outcomes of the exploratory factor analysis on performance are displayed.

Figure 3: Exploratory factor analysis Performance

Items	Financial performance	Strategic performance
Brand equity	0,23	**0,88**
Customer loyalty	0,22	**0,87**
Sales (volume)	0,55	0,52
Return on investment	**0,95**	0,16
Return on equity	**0,90**	0,24
Cronbach's Alpha	0,87	0,79
Eigen Value	4,606	1,371
Variance explained (%)	65,796	19,589
Cumulated variance explained (%)	65,796	85,385

KMO Bartlett .655; Approx Chi-square 225.272; df. 10; sig. 000
Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser
Normalization Rotation converged in 3 iterations

The average of the items in both categories define the indicator perception of strategic and financial performance. The items brand equity and customer loyalty are combined as the variable strategic performance due to a relative high average correlation (r = 0,88). The same count for the items return on investment and return on equity (r = 0,93), which are combined as the variable financial performance, due to high average correlation between the items. The item sales (volume) is excluded in the analysis due to the same moderate correlation with both types of performance. The explorative factor analysis shows that there are no additional underlying variables.

3.3.5 Control variables

Possible alternative explanations can be formed by control variables. The most common control variables in research on franchise organizations are size and age (Combs, Michael, & Castrogiovanni, 2004). These variables are also taken into account as a control variable is this study. The share of total sales in percentage of the total sales in the franchise organization can measure the size of a franchisee dealership in the current year. The variable age can be measured by how long the franchisee is part of the franchise collaboration. The size of the franchisee has cohesion with relative power of the franchisee within the franchise organization. It could be that larger franchisees are relatively less affected in terms of leadership of the franchisor. Age could have impact on other variables, as franchisees which are relatively long part of a franchise construct could benefit from the bond they built up with the franchisor over a longer period. This might influence the relational distance between franchisee and franchisor. Another control variable is the role of the questioned franchisee manager or owner. It is relevant to know whether the questioned person is not only the highest ranked manager but also the owner of the franchisee outlet or multiple outlets. This dichotomous variable of ownership of the franchisee might influence the perception of market transformation and might affect the way the franchisee is influenced by the leadership style of the franchisor. The highest achieved level of education of the manager or manager/owner is also taken in to account as a control variable. This variable is ordinal scaled in five levels of education. This is relevant as the level of education might change the view and perception of leadership of the franchisee. This perception is captured in all the variables as these variables are based on the perception of the franchisee on the relevant topic.

4. Analysis and results

All outcomes of the statistical analysis are displayed in this chapter. The chapter is split in two paragraphs. The first paragraph is where the values and correlations between the variables are displayed. The second paragraph covers the hierarchical regression analysis, which show the interactions of all the control, dependent and moderating variables on the independent variables.

4.1 Correlations and variable inflation factors

In the correlation matrix below (figure 4) the highest correlation which is observed is the correlation between transformational leadership and (relational) distance between franchisee and franchisor ($r = 0,756$ $p < 0,01$). This might result in a degree of multicollinearity, therefore a separate test for multicollinearity is executed to ensure the scales do not measure the same phenomenon.

Figure 4: Correlation matrix including descriptives

	Mean	Std. Dev	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) Strategic performance	5,60	0,96									
(2) Financial performance	4,93	1,08	,461**								
(3) Distance (relational)	2,23	1,01	,120	,278*							
(4) Market transform.	4,08	0,80	,149	-,056	-,033						
(5) Transactional lead.	5,19	0,88	,056	,373**	,708**	-,078					
(6) Transformational lead.	5,03	1,01	,013	,264*	,756**	,087	,749**				
(7) Ownership	0,22	0,42	-,178	-,101	,023	-,217	-,072	-,182			
(8) Level of education	2,90	0,91	-,145	,068	,036	,078	,123	,049	,122		
(9) Relative dealer size	3,34	1,36	,126	,143	,094	-,137	,109	,076	,040	,007	
(10) Franchisee age	5,61	0,86	-,314**	-,178	-,164	-,221*	-,019	-,220*	,243*	,109	,158

** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).

To test whether there is multicollinearity in the analysis, the variable inflation factors are calculated for all variables. Together with the correlation matrix these tests can exclude that certain variables measure the same phenomenon. The outcome is that the maximum VIF value in the model is found in the relation of the level of education and transformational leadership (3,679). The highest VIF value besides this relationship is between (relative) dealer size and transformational leadership (1,962). The rest of the VIF values are widely below the threshold value of ten which is used as rule of thumb to assess the presence of multicollinearity (Hair, 2014). Therefore the outcomes of the variable level of education might have a slight correlation with the variable transformational leadership. However there is not enough evidence of multicollinearity to exclude this variable.

4.2 Hierarchical regression analysis

The hierarchical analysis results for leadership style and performance are displayed in this paragraph, in figure five and figure eight. The results are divided into the types of performance and models within these types of performance. Model 1 are the control variables, in model 2 the dependent variable is added (leadership style), in model 3 the moderating variables (relational distance and market transformation) are added and lastly in model 4 the interaction terms are added.

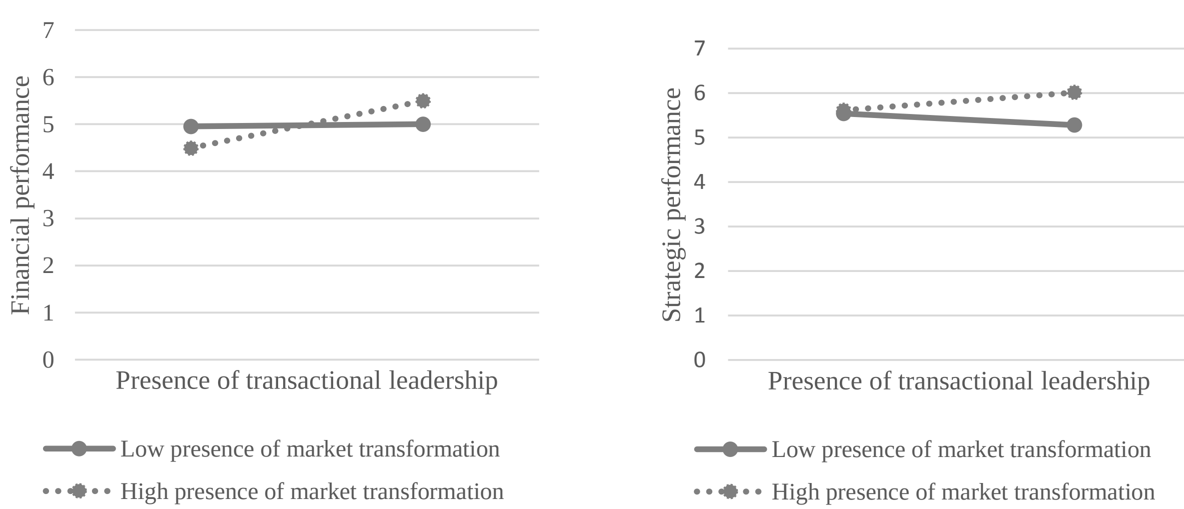
Figure 5: Hierarchical regression analysis results: Transactional leadership and franchisee performance

	Financial performance				Strategic performance			
	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4
Control variables								
Type of ownership	-0,072	-0,042	-0,054	-0,119	-0,098	-0,095	-0,83	-0,108
Highest level of education	0,097	0,050	0,059	0,021	-0,101	-0,106	-0,116	-0,134
Dealer size (volume)	0,176	0,136	0,130	0,163	0,179*	0,174	0,181	0,192
Franchisee age	-0,199*	-0,188	-0,204	-0,296*	-0,307**	-0,306**	-0,275*	-0,340**
Dependent variable								
Transactional leadership		0,345**	0,352	-0,378		0,037	-0,002	-0,867
Moderating variable								
(relational) Distance			0,020	0,682			-0,069	0,708
Market transformation			-0,072	-2,142***			0,106	-1,470*
Interaction terms								
Transactional leadership * (relational) Distance				-1,080**				-0,455
Transactional leadership * Market transformation				2,550**				1,975*
R^2	0,074	0,189	0,194	0,384	0,151	0,152	0,165	0,239
Adjusted R^2	0,026	0,136	0,118	0,307	0,107	0,097	0,086	0,144
Δ Adjusted R^2	0,074	0,115	0,005	0,190	0,151	0,001	0,012	0,144
F-value	1,548	3,549*	2,548	4,994***	3,428	2,734	2,087	2,513*

N = 82, Sig: * p <0.05, ** p<0.01, *** p<0.001

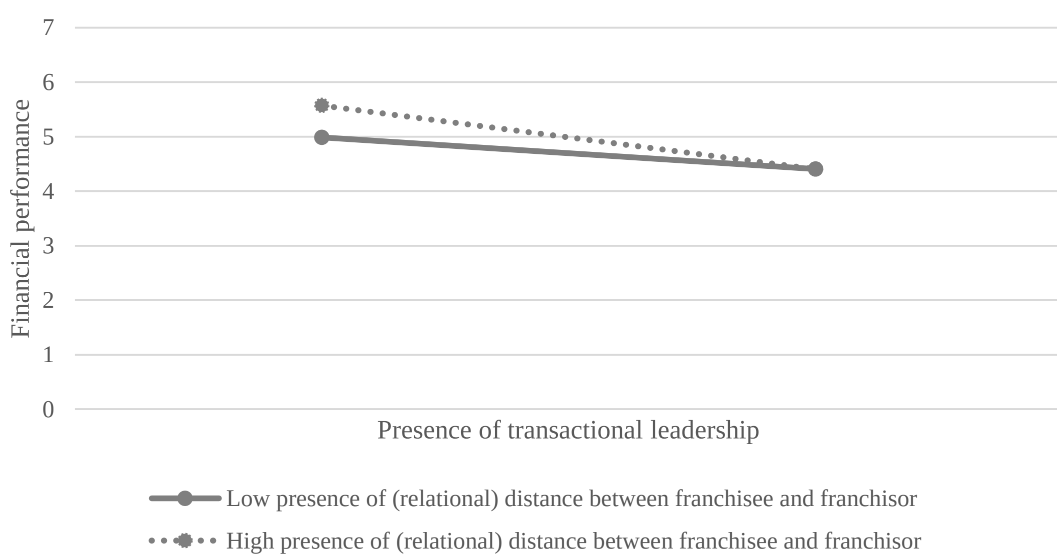
Within model one, two control variables seem to have a direct significant effect on performance, Franchisee age and dealer size. The franchisee age has a direct negative significant effect on financial performance (b = -0,199 p < 0,01) as well as strategic performance (b = -0,307 p < 0,001). The control variable dealer size has a direct positive effect on only the strategic performance (b = 0,179 p < 0,01). When the transactional leadership style is taken into account a significant positive effect is shown in the relation between transactional leadership and financial performance (b = 0,345 p < 0,05). There is no significant effect between transactional leadership and strategic performance. This makes the assumed hypothesis (H1a), which states that transactional leadership has a negative effect on performance, not supported. On the contrary, the effect of transactional leadership on strategic performance is even positive. The moderation variables itself do not have a significant direct effect on the performance in this regression model for market transformation as well as for (relational) distance between franchisee and franchisor. The moderation effects of market transformation on the relationship between transactional leadership and performance is significant weakening the negative effect of transactional leadership on performance, for financial performance (b = 2,550 p < 0,01) as well as for strategic performance (b = 1,975 p < 0,05). This makes the assumed hypothesis (H2a), which states that market transformation will have a strengthening effect on the relation between transactional leadership and performance, not supported by statistical evidence. As shown in figure six below in the moderation effect plots, the effect of high market transformation in combination with transactional leadership results in a higher financial and strategic performance. The exact opposite is assumed in the hypothesis.

Figure 6: Moderation effect plots of market transformation and the relation between transactional leadership and performance



The moderating negative effect of the (relational) distance between franchisee and franchisor on the relationship between transactional leadership and performance is partly supported, as this relation is only significant for the financial performance. The moderation effects of (relational) distance between franchisee and franchisor on the relationship between transactional leadership and financial performance is significant strengthening the negative effect ($b = -1{,}080$ $p < 0{,}01$). This makes the assumed hypothesis (H3a), which states that (relational) distance between franchisee and franchisor will have a strengthening effect on the relation between transactional leadership and performance, partly supported by statistical evidence. As shown in the moderation effect plot of in figure seven below, it shows that the negative effect of transactional leadership on financial performance of is strengthened by (relational) distance between franchisee and franchisor.

Figure 7: Moderation effect plot of distance and the relation between transactional leadership and performance



Similar to the hierarchical regression analysis for transactional leadership, the results are divided into the types of performance and models within these types of performance in the regression analysis for transformational leadership in figure eight below. Model 1 are the control variables, in model 2 the dependent variable is added (leadership style), in model 3 the moderating variables (relational distance and market transformation) are added and lastly in model 4 the interaction terms are added.

Figure 8: Hierarchical regression analysis results: Transformational leadership and franchisee performance

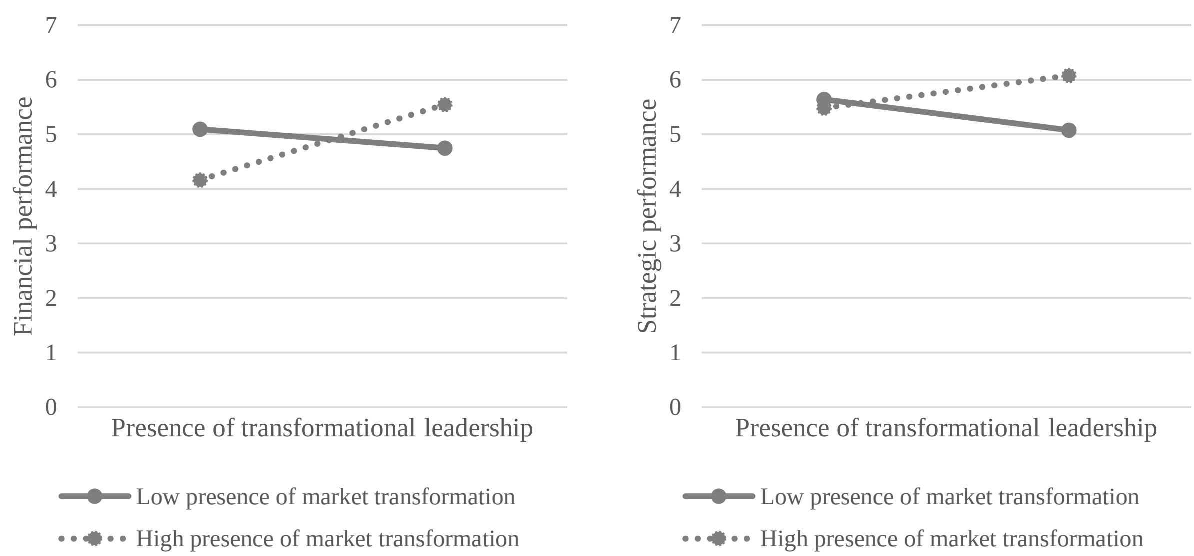
	Financial performance				Strategic performance			
	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4
Control variables								
Type of ownership	-0,072	-0,041	-0,92	-0,104	-0,098	-0,112	-0,145	-0,147
Highest level of education	0,097	0,79	0,94	0,28	-0,101	-0,093	-0,101	-0,136
Dealer size (volume)	0,176	0,153	0,136	0,154	0,179*	0,189*	0,191*	0,203
Franchisee age	-0,199*	-0,155	-0,165	-0,116*	-0,307**	-0,327**	-0,293*	-,266*
Dependent variable								
Transformational leadership		0,207*	0,067	-1,773*		-0,090	-0,347*	-1,465*
Moderating variables								
(relational) Distance			-0,184	0,652			-0,328*	0,023
Market transformation			-0,100	-2,508***			0,128	-1,221
Interaction terms								
Transformational leadership * (relational) Distance				-0,344				-0,108
Transformational leadership * Market transformation				3,562***				2,009*
R^2	0,074	0,114	0,139	0,266	0,151	0,158	0,211	0,250
Adjusted R^2	0,26	0,55	0,57	0,175	0,107	0,103	0,136	0,156
Δ Adjusted R^2	0,74	0,39	0,25	0,128	0,151	0,007	0,052	0,039
F-value	1,548	1,950*	1,701	2,905**	3,428*	2,862*	2,821*	2,665**

N = 82, Sig: * p <0.05, ** p<0.01, *** p<0.001

Within model one, two control variables seem to have a direct significant effect on performance, Franchisee age and dealer size. The franchisee age has a direct negative significant effect on financial performance (b = -0,199 p < 0,01) as well as strategic performance (b = -0,307 p < 0,001). The control variable dealer size has a direct positive effect on only the strategic performance (b = 0,179 p < 0,01).

When the transformational leadership style is taken into account a significant positive effect is shown in the relation between transformational leadership and financial performance ($b = 0,207$ $p < 0,05$). The effect of transformational leadership on strategic performance is significantly negative ($b = -0,347$ $p < 0,05$). This makes the assumed hypothesis (H1b), which states that transformational leadership has a positive effect on performance, partly supported. The effect is solely measured in financial performance and not in strategic performance. Taking into account the moderating variables, it stands out that the (relational) distance has a direct negative significant effect on the strategic performance ($b = -0,328$ $p < 0,05$). Due to the addition of the direct effect of the (relational) distance on strategic performance, another direct negative significant effect of transformational leadership on strategic performance is shown ($b = -0,347$ $p < 0,05$). In the fourth model the direct negative effect of market transformation on financial performance is significant ($b = -2,562$ $p < 0,001$). The moderation effects of market transformation on the relationship between transformational leadership and performance is significant weakening the negative effect of transactional leadership on performance, for financial performance ($b = 3,562$ $p < 0,01$) as well as for strategic performance ($b = 2,009$ $p < 0,05$). This makes the assumed hypothesis (H2b), which states that market transformation will have a strengthening effect on the relation between transformational leadership and performance, not supported by statistical evidence. As shown in figure nine on page 41, in the moderation effect plots, the effect of high market transformation in combination with transformational leadership results in a higher financial and strategic performance. The exact opposite is assumed in the hypothesis.

Figure 9: Moderation effect plots of market transformation and the relation between transformational leadership and performance



The moderating effect of the (relational) distance between franchisee and franchisor on the relationship between transformational leadership and performance is not supported, as this relation is not significant for any type performance. This makes the assumed hypothesis (H3b), which states that (relational) distance between franchisee and franchisor will have a weakening effect on the relation between transformational leadership and performance, not supported by statistical evidence.

5. Discussion and conclusions

In this chapter the results with outcomes and implications will be discussed. Additionally recommendations are done for future research and the implications of this study are summarized. Ultimately the main findings are once more summarized in this chapter.

5.1 Discussion

Although the number of franchise organizations rapidly grows due to the advantages of franchising, the need of coordination in order to overcome external and internal influences are undebated important. To prevail in the volatile and competitive Dutch automotive market, franchise organizations require leadership within their organization, which affects the performance of the franchise organization ultimately. Whether the perception of market transformation of a franchisee is related with a certain style of leadership and if the relational distance between the franchisee and franchisor affects this relation, is equally relevant in this setting. To research the stated challenges and gaps in the literature, the research question of this study is formulated as follows: ‘What is the effect of different leadership styles within franchise organizations in the Dutch automotive sector on their performance and is this relationship moderated by the perception of market transformation and distance between the franchisor and franchisees?’. By structurally going through each sub question and accompanying hypotheses, an answer to the research question is formulated.

Sub question 1 states: ‘What is the effect of different leadership styles on the performance of the franchisee?’. The results of this research confirm that transformational leadership as well as transactional leadership have a positive effect on financial performance without any moderating effects taken into account. Additionally a negative effect of transformational leadership on strategic performance is shown. The reason that transformational leadership has a positive effect on financial performance might be due to the focus on motivation for achieving results as a franchisee. As known, the focus on the intrinsic motivation of the franchisee management has a positive effect on the performance of the franchisee, because their passion which strengthens their motivation to achieve goals and targets is challenged (Lowe, Kroeck, & Sivasubramaniam, 1996). This outcome is in line with the hypothesis and prior research. For transactional leadership this not the case. However, the effect of transactional leadership also has a positive effect on the financial performance, which was opposite to the hypothesis. The reason for this might be the possibility and execution of opportunistic behavior. A franchise construction can be approached as one distribution channel which is supposed to perform as one effective system. In this system roles have to be defined and separated for the franchisor as well as for the franchisee(s) (Oxenfeldt & Kelly, 1968). With transactional leadership this role is more predefined and clear in a mandatory setting, as with transformational leadership this role separation is not always directly visible. This might result that in a franchise organization with a dominant transactional leadership style, opportunistic behavior is less likely to occur. Within franchise organizations one party must take the lead in terms of coordination within the system between franchisor and franchisee (Kistruck, Webb, Sutter, & Ireland, 2011) and (Watson & Johnson, 2010). This leads to a situation where mostly the franchisor has this coordinating role in the franchise construction. This is in line with the transactional leadership style as the coordination role matches the management by exceptions and contingent reward management style quite well. This might be the reason that transactional leadership has a positive effect on financial performance aside from minimizing the opportunistic behavior within the franchise organization. The opportunistic behavior of a franchisee might damage the cooperation between franchisor and franchisee on the long term. This might be an explanation that the transformational leadership has a negative effect on strategic performance due to the higher chance of opportunistic behavior. As a concluding outcome, it shows that leadership styles have a positive effect on the financial performance of a franchise organization. However, transformational leadership has a negative effect on the strategic performance due to a higher risk of the appearance of opportunistic behavior. Besides the different leadership styles which have a direct effect on the financial performance, the results showed that the amount of years the franchisee is part of the franchise organization and the relative franchisee size within the franchise organization also have a direct effect on the performance. The relative franchisee size has a positive effect on the strategic performance. As strategic performance can referred to as a basis for financial performance, a franchise organization will be able to improve their financial situation on long term due to the solid strategic performance (Yin & Zajac, 2004). As larger franchisees can benefit from economies of scale and are forced to structure their processes due their size, this effect is expected. The other variable which directly influences performance, strategic as well as financial, is the amount of years the franchisee is part of the franchise organization. This effect has a negative impact on performance. The reason for this effect might be that the longer a franchisee is active, the more likely it will be that there are certain routines, biases and directions that a franchisee will have. With a rapidly changing environment and competition, this might result into a lower performance due to the franchisees' incapability to react to its environment.

Sub question 2 states: 'What is the effect of the perception of market transformation of the franchisee on the relationship between different styles of leadership and performance of the franchisee?'. The results of this study imply that the perception of market transformation has a weakening effect on the negative relationship between transformational as well as transactional leadership on the performance of a franchise organization, both from a financial point of view as strategically. The perception of market transformation itself has a direct negative effect on financial and strategic performance. This is an expected effect, as there is more disruption and transformation within the market it will be harder to manage the franchise organization which experience these effects. As described, managers of franchisees are guided by the franchisor, formulated as the role of the channel captain (Kraatz & Zajac, 2001). If the environmental turbulence is present, the importance of this guidance is emphasized. Research on environmental turbulence primarily suggest that organizations in dynamic, uncertain and turbulent environments should adopt a less centralized and a more organic structure in order to perform as desired, which is more harnessed in a transformational dominant environment. Additionally when the perception of market transformation is high, franchisees might seek for more ways to achieve a better result in not only their market, but also the market a whole. This can be seen as opportunistic behavior from the franchisee. More emphasis might be placed in the feedback mechanism between franchisor and franchisee, as well as information and market intelligence sharing in the franchise organization. This will become more important to overcome disruptions and effectively steer the franchise organization to better performance. This is might also be better facilitated in an environment in which transformational leadership is dominant. However, the opposite was expected from transactional leadership. As it is expected that this guidance is the least strong in an environment where transactional leadership is dominant. One explanation that market transformation positively moderates the relation between leadership and performance such that for higher levels of market transformation the relation becomes positive between leadership and performance, might be that this guidance is not relevant in the Dutch automotive branch and franchisees stick close to their orders within their franchising organization. If transactional leadership is dominant these disruptions and transformations are handled by the franchisor mainly. The franchisee which perceives a strong presence of its environment transformation due to disruptions will seek for more guidance from its franchisor. The franchisor might support this by transactional management trough contingent rewards and the management by exceptions in line with goals that counter these disruptions. This implies that a stronger perception of market transformation from the franchisee will lead to a demand of transactional leadership within the franchisee organization, which ultimately leads to better performance. Concluding, when the franchisee experiences a strong sense of market transformation, the effect of the perceived leadership style will have a more positive effect on the performance of a franchisee. In such a manner, that market transformation positively moderates the relation between the perceived leadership styles and performance, such that for higher levels of market transformation the relation between the perceived leadership styles and performance becomes positive. Whether it is from a transactional or transformational nature does not matter.

Sub question 3 states: ‘What is the effect of the perception of distance between the franchisee and franchisor on the relationship between different styles of leadership and performance of the franchisee?’. The results of this study imply that the role of (relational) distance between franchisee and franchisor has a strengthening effect on the negative relationship between transactional leadership and strategic performance. This is in line with the hypotheses defined. As the other researched hypotheses are not of significant effect it shows that the relational distance plays a small role in the effects on performance of the franchise organization. A reason for this might be the hardness of the franchise contract, which leaves the effect of distance relatively small in terms of effect. The franchise contract describes the demands in terms of corporate identity, business equipment and personnel of a franchisee including a set of rules and/or guidelines to which the franchisee must comply. The strictness of these rules, procedures and guidelines are the hardness of the franchise cooperation (Sorenson & Søensen, 2001). Due to this hardness, there might be a sense of (relational) distance, although abidance of the franchise contract is present. An agency theory based view on franchising might also give explanation to limited effect of distance. As this theory implies that there is an unbridgeable gap between the franchisor and the market. This is why the franchisor is dependable on the support of franchisees to search for innovative new ways to strive for excellence in the retailing of a specific market segment and how it evolves over time within the franchise contract (Gillis & Combs, 2009). The effect on performance for transactional as well as for transformational leadership, are weakening for missing values in trust and communication between franchisee and franchisor, which is in line with earlier studies. As for transforamtional leadership the sharing of information is one of the key elements and in turn, more robust and clear information sharing leads to better performance of the franchise organization (Jeon, Dant, & Baker, 2016). This makes the distance variable combined with transformational leadership a logically negative impacted variable. The same count for transactional and transformational leadership and trust. Trust will also help the franchisor to implement and structure changes in the retail standards and in the processes of the franchise organization. This is how trust forms a sort of control mechanism in the franchise formula (Chiou & Droge, 2015). Concluding, the (relational) distance between frachisee and franchisor is proven to have a weakening effect on the relationship between transactional leadership and strategic perforamnce in the Dutch automotive branch. Although it is not shown in this study, it is more broadly accepted that this is the case for performance in general.

5.1 Implications

The results of this study offers both managerial and theoretical implications. Managers in the automotive branch or other franchise-based branches can use the insights gained from this study in their decision-making process. One can approach franchisees in a certain manner that so they can minimize negative effects of transformational and/or transactional leadership. As this is related to a higher financial performance, this behavior can help steer towards particular results. Additionally this study can help a manager to become more aware of the role of perception of market transformation of the franchisee. As it is shows that the market transformation has a weakening effect on the negative relationship between perceived leadership and performance, one can try to influence and challenge the direct environment of a franchisee in order influence the leadership he/she displays and thereby ultimately influence the financial performance of the franchise organization positively. Furthermore one can take into consideration that the relational distance does not necessarily influence the effect of its own leadership displayed on the strategic and financial performance.

The study provides an insight in the gap in the existing literature about managing franchise organizations and the role of leadership, combined with market transformation. As most studies are about the reasoning when to start a franchise cooperation from an entrepreneurial point of view (Combs & Ketchen, 2003). The most valuable contribution of this study is the finding that transformational and transactional leadership have a positive effect on financial performance in a franchise organization. With these findings it proves that transformational leadership is not necessarily better in terms of performance than a transactional leadership style, as stated by (Den Hartog, Van Muijnen, & Koopman, 1997). As this study confirms that transactional leadership has a stronger positive effect on (Financial) performance. Additionally, this study considers the variable performance in a broader sense than previous research. As the effects are measured on both strategic and financial performance. Most studies only test the effect of leadership on financial performance, this gives new insights. Ultimately the study also takes business environmental and relational moderators into account, which makes the outcome of this study more broadly applicable.

5.2 Limitations and future research

Although this study provides more insights in the role of leadership in franchise organizations and how this affects franchisee performance, including the moderating effects of market transformation and relational distance between franchisee and franchisor, there are limitations to this study which need additional research.

A first limitation is that the hypotheses are tested on franchise dealerships in the Dutch automotive branch. The performance of these franchise dealerships are measured. In future research one could add the performance of the total franchise organization, including franchisor. This might have an effect on not only the style of leadership within the franchise organization, but also gives more insight about the variation of performance between dealerships and the franchisor.

The second limitation is that the results of this study are all diverted from one single source. All the data comes from the questionnaire filled in by Dutch car dealerships, this might have a common method bias on the research topic. Furthermore the study focused on a fixed set of brands with a sample size of 82 dealerships in the Dutch automotive branch. Therefore the generalizability of the results is lower. In the future the data sample must be enriched with additional independent sources from various branches so the sample size and the generalizability of the results will increase.

A third limitation can be found in the measurement of the variable market transformation. To measure the effect of perception of market disruption or transformation on a franchise organization is difficult, as this is primarily done by extending the analysis of business failure to franchising.

This data availability constraint means that franchise system failure is difficult to measure, therefore new ways to measure these external influences must be developed (Frazer, 2001).

The fourth and fifth limitations are the mutual effect which moderators and independent variables have on each other. Strategic and financial performance are used in this study, although there are various dimensions of performance which can be measured in franchise organizations (Combs, Crook, & Shook, 2005). The same counts for the moderating effects, the distance between franchsiee and franchisor can create a higher perception market transformation for a franchisee. The effect of strategic performance on financial performance and the effect of (relational) distance on market transformation can be taken into account in future research to create more inshights.

5.3 Conclusions

Concluding, this study contributes to gain insight in how leadership styles have a positive effect on the financial performance of a franchise organization, and how this relationship is moderated by the perception of market transformation of a franchisee and the relational distance between a franchisee and franchisor. Besides the different leadership styles which have a direct positive effect on the financial performance, the results showed that the amount of years the franchisee is part of the franchise organization and the relative franchisee size within the franchise organization also have a direct effect on the performance. However, transformational leadership has a negative effect on the strategic performance due to a higher risk of the appearance of opportunistic behavior. The (relational) distance between frachisee and franchisor is proven to have a weakening effect on the relationship between transactional leadership and strategic performance. Ultimately, market transformation positively moderates the relation between the perceived leadership styles and performance, such that for higher levels of market transformation the relation between the perceived leadership styles and performance becomes positive. Whether this leadership is from a transactional or transformational nature is not relevant. The study underlines the importance of the the effect of both transformtional as transactional leadership on the financial performance of a franchise organiztion. These results contribute to the existing literature on transformational and transactional leadership, performance in franchise organizations, market transformation and disruption and the relational distance between franchisee and franchisor.

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Appendix A: Questionnaire

Controle variables:

What is your role in the franchisee organization?

- ◯ Manager
- ◯ Owner/manager

What is the highest degree or level of school you have completed?

- ◯ No schooling completed
- ◯ High school graduate, diploma or the equivalent
- ◯ Bachelor's degree
- ◯ Master's degree
- ◯ MBA
- ◯ Doctorate degree

What is your relative dealersize in terms of national sales volume of the total franchise organization?

- ◯ <1%
- ◯ 2% - 4%
- ◯ 4% - 6%
- ◯ 6% - 8%
- ◯ >8%

How long has the dealership in which you are active been part of the franchise organization in which it's currently active?

- ◯ <1 year
- ◯ 2 - 5 years
- ◯ 5- 10 years
- ◯ 10- 15 years
- ◯ >15 years

Transformational leadership (Den Hartog et al, 1997)

Please fill in the most relevent awnser:

The board of my franchisor ...

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
talks optimisticaly about the future	○	○	○	○	○	○	○
treats me as individual rather than just a member of the group	○	○	○	○	○	○	○
listens to what I have to say	○	○	○	○	○	○	○
serves as arole model for me	○	○	○	○	○	○	○
introduces new projects and new challenges	○	○	○	○	○	○	○
articulates a vision of future oppertuinities	○	○	○	○	○	○	○
shows how to look at problems from new angles	○	○	○	○	○	○	○
provides advice when it is needed	○	○	○	○	○	○	○
makes me instill pride in being associated with them	○	○	○	○	○	○	○
engages in words and deeds which enhances the image of its competence	○	○	○	○	○	○	○
mobilizes a collective sense of mission	○	○	○	○	○	○	○
projects are a powerful, dynamic and magnetic presence	○	○	○	○	○	○	○
makes me back up my opinions with good reasoning	○	○	○	○	○	○	○
displays extraordinary talent and competence in whatever they decide	○	○	○	○	○	○	○
can be trusted to overcome any obstacle	○	○	○	○	○	○	○
have my complete confidence	○	○	○	○	○	○	○
makes me aware of strongly held values, ideals and aspirations which are shared in common	○	○	○	○	○	○	○

Transactional leadership (Den Hartog et al, 1997)

Please fill in the most relevent awnser:

The board of my franchisor ...

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
focusses attention on irregularities, mistakes, exepectations and deviations from what is expected of me	○	○	○	○	○	○	○
keeps careful track of mistakes	○	○	○	○	○	○	○
monitors perfromance for errors needing correction	○	○	○	○	○	○	○
points out what I will receive if I do what is required	○	○	○	○	○	○	○
tells me what to do to be rewarded for my efforts	○	○	○	○	○	○	○
is alert for failure to meet standards	○	○	○	○	○	○	○
works out agreements with me on what I will receive if I do what needs to be done	○	○	○	○	○	○	○
talks about special rewards for good work	○	○	○	○	○	○	○
demonstrates a strong conviction in their beliefs and values	○	○	○	○	○	○	○

Market transformation (Naman & Slevin, 1993)

Please fill in the number in each scale that best approximates the actual conditions in your marketshare

Our business unit must rarely change its marketing practices to keep up with the market and competitors	○	○	○	○	○	○	○	Our business unit must change its marketing practices extremely frequently (e.g., semi-annually)
The rate at which products/services are getting obsolete in the industry is very slow (e.g., basic metal like copper)	○	○	○	○	○	○	○	The rate of obsolescence is very high (as in some fashion goods and semiconductors)
Actions of competitors are quite easy to predict (as in some basic industries)	○	○	○	○	○	○	○	Actions of competitors are unpredictable
Demand and consumer tastes are fairly easy to forecast (e.g., for milk companies)	○	○	○	○	○	○	○	Demand and tastes are almost unpredictable (e.g., high-fashion goods)
The production/service technology not subject to very much change and is is well established (e.g., in steel production)	○	○	○	○	○	○	○	The modes of production/service change often and in a major way (e.g., advanced electronic components)
Very safe, little threat to the survival and well-being of my business unit	○	○	○	○	○	○	○	Very risky, one false step can mean my business unit's undoing
Rich in investment and marketing opportunities	○	○	○	○	○	○	○	Very stressful, exacting hostile; very hard to keep afloat
An environment that my business unit can control and manipulate to its own advantage, such as a dominant firm has in an industry with little competition and few hindrances	○	○	○	○	○	○	○	A dominating environment in which my business unit's initiatives count for very little against the tremendous political, technological or competitive forces

Distance between franchisor and franchisee (Gassenheimer, 1996)

Please fill in the most relevent awnser:

The board of my franchisor ...

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
encourages me to provide input into standards and policies	○	○	○	○	○	○	○
interfaces with our franchisee organization is excellent	○	○	○	○	○	○	○
explains why changes are occurring in the franchise system and their effects on local outlets	○	○	○	○	○	○	○
keeps me informed of expansion projects and new stores in my market	○	○	○	○	○	○	○
encourages me to directly share ideas with other franchisees	○	○	○	○	○	○	○
enables formal mechanisms (e.g., newletters or annual meetings) allow franchisees to share ideas	○	○	○	○	○	○	○
often stimulates that good ideas from franchisees don't get passed along to franchise management	○	○	○	○	○	○	○

Franchisee performance (Grewal, 2011)

Please fill in the most relevent awnser:

How do you rate the performance of your franchisee organization over the last three years in the following catagories:

	Strongly worsend	Worsend	Somewhat worsend	Neither improved nor worsend	Somewhat improved	Improved	Strongly improved
Strategic performance							
Brand equity	○	○	○	○	○	○	○
Customer loyalty	○	○	○	○	○	○	○
Financial performance							
Sales (volume)	○	○	○	○	○	○	○
Return on investment	○	○	○	○	○	○	○
Return on equity	○	○	○	○	○	○	○