Revisiting the contingency theory: dissection of entrepreneurial orientation elements in retail franchisee performance

Samantha Naidu, Gurmeet Singh and Jashwini Narayan
School of Business and Management, The University of the South Pacific, Suva, Fiji

Abstract
Purpose – This study aims to analyze how various contingencies within the contingency theory influence the entrepreneurial orientation (EO) elements and performance of retail franchisees in a South Pacific Island nation.

Design/methodology/approach – This study employs a quantitative approach of data collection from 203 managers in a total of 89 retail franchise outlets. Convenience and snowball sampling techniques were used with data analysis through SPSS AMOS and covariance-based structural equation modelling (CB-SEM).

Findings – The results confirmed that technology, innovation and promotion; competitive edge and value co-creation; high return opportunity capitalization; and empowerment and support influenced franchisee performance, while responsive customer focused leadership and competitor knowledge proved to be insignificant. The findings supported EO's influence on both financial and non-financial indicators, with greater influence on financial indicators. The result revealed that EO accounts for partial impact on franchisee performance, while the remaining impact could be attributed to organization and environment contingencies.

Originality/value – The study proposes a novel context of EO in franchising, where we dissect key elements within the EO dimensions. It also adds to the extant literature on how the broader context of environmental and organizational factors termed as "strategic fit" affects entrepreneurial franchisee performance.

Keywords Contingency theory, Entrepreneurial orientation, Franchisees, Performance, Retail, Fiji

Paper type Research paper

1. Introduction
Franchising contributes meaningfully to the performance of the economy. In the past few decades, franchising has turned into one of the most popular business practices in many countries (Croonen and Brand, 2015; Song et al., 2019) as it can contribute to economic development (Calderon-Monge et al., 2019; Rodriguez-Gutierrez et al., 2015). A report by the International Franchise Association (2021) revealed that franchising has a compelling relationship with the economy, particularly the USA, which is one of the leading countries that has a developed and well-structured franchise system. For example, the report revealed that in 2020, franchised businesses contributed US$867bn of economic output to the US economy and represented 3% of the total nominal gross domestic product (GDP). The report further stated that the projected economic output for 2021 is US$780bn, with total nominal GDP increasing to 7%.

The franchise industry is also responsible for creating huge opportunities for small business ownership and millions of jobs for employees. The International Franchise Association (2021) anticipates that franchise employment will add approximately 800,000 jobs to the US market by hiring 8.3 million workers by the end of 2021. Franchisees have helped workers secure jobs through relevant business skills and career progression opportunities, which generate economic stability (International Franchise Association, 2021). Thus, franchisees have become an interesting area of study.

Franchisees operate in an increasingly competitive environment where entrepreneurial activity is likely to increase. Entrepreneurial activities have been examined as an antecedent...
of growth, competitive advantage and superior performance (Tajeddini et al., 2020). The link
between franchisees and entrepreneurial orientation (EO) is evident in extant literature
(Dada et al., 2015; Watson and Dada, 2017). EO could possibly be a critical condition for the
success or failure of the franchise system (Gupta and Sebastian, 2017; Rosado-Serrano et al.,
2018). EO is considered one of the significant resources that helps an organization to pursue
innovative ways to improve revenue streams, enhance possibilities of success and utilize
organizational resources effectively (Raju and Phung, 2019).

Despite franchisees’ contribution to economic development, franchisees are often faced with
fluctuations in the economic environment, leading to a short and volatile life where many
franchisees are unable to achieve sustainable growth (Croonen et al., 2016). The issue of “fit” arises
between EO and franchisee performance, in that franchisees have to deal with organization and
environment contingencies. Franchisees have to adapt, change and align their business strategies
to these contingencies to survive (Croonen et al., 2016). Prior studies have, to a lesser degree, been
c(ontained with investigating how performance is affected by fit (Romero-Silva et al., 2018).

The discussion above sheds light on several gaps in existing research related to EO and
franchisee performance. The present study aims to address these gaps and makes theoretical
contributions as follows. While there is a sizable body of theoretical and empirical work produced
on EO, dissection of its individual elements remains under-explored (Colla et al., 2020). In fact,
although it is widely accepted that EO improves firm performance, scholars have advised that
particular attention should be placed on the context (Asgharian et al., 2021). In this research, we
explore a novel context of EO in franchising, where we dissect key elements within EO
dimensions (innovativeness, proactiveness, risk-taking, competitive aggressiveness and
autonomy). The key elements being technology, innovation and promotion (TIP); competitive
edge and value co-creation (CEVC); high return opportunity capitalization (OC); responsive
customer-focused leadership and competitor knowledge (CFLCK); and empowerment and
support (ES). We also argue that preceding studies (Alon et al., 2017; Giudici and Reinmoeller,
2013; Lafontaine and Slade, 2014) have considered single moderators, mainly environment factors
or organizational factors’ effect on franchisee performance. It is not clear how the broader context
of environmental and organizational factors termed as “strategic fit” affects entrepreneurial
franchisee performance. This study, therefore, has sought to conceptualize the moderation effect
of environment and organization contingencies on EO and franchisee performance.

The next section reviews the literature on franchisee performance and EO elements
followed by hypotheses development. Research methodology is then discussed, and
thereafter, research results are presented. The paper concludes with several study
implications, limitations and future research directions.

2. Literature review and theoretical background
2.1 Franchising and entrepreneurial orientation
Franchising is “a strategy for cloning a business through the replication of proven business and
management systems” (Hoy et al., 2017, p. 1). Franchisees are granted the right to operate the
business in a prescribed manner, within a specified geographic area, in return for royalty
contributions and/or other fee payments (Watson et al., 2020). Although franchisees are
independent owners that exhibit entrepreneurial behaviours, the extent to which franchisees can
be deemed entrepreneurial is still debatable (Watson et al., 2020; Watson and Dada, 2017). Further,
EO is “an attribute of management style that supports change and activities related to exploiting
different forms of innovation and creation of superior customer value (Tajeddini and Trueman,
2016, p. 573). As such, EO has been examined as an antecedent of growth, competitive advantage
and superior performance (Tajeddini et al., 2020). Hence, the study of franchisees provides an
interesting context to explore the impact of EO on franchisee performance.
2.2 The contingency theory

The foundations of the contingency theory can be found in the early organizational theory literature (Galbraith, 1977; Lawrence and Lorsch, 1967; Pugh et al., 1968; Van de Ven, 1976; Van de Ven and Delbecq, 1974). The contingency theory suggests that contextual factors affect the way a business unit is organized, which in turn affects the performance of a company (Weill and Olson, 1989). Thus, certain ways of organizing a business unit will produce better performance results when dealing with certain contextual factors, producing what is called a “good fit” (Romero-Silva et al., 2018; Williams et al., 2017).

The notion of fit is central in the field of the contingency theory, as it suggests that there are certain organizational structures and practices, i.e. business processes and policies, which are more suited to particular organizational environments (Romero-Silva et al., 2018). Therefore, organizations seek to improve their performance by improving fit and alignment with a set of contingencies and the changing external environment (McAdam et al., 2019). This process of fit is viewed as a dynamic and ongoing process especially in fast-moving business environments (Daft et al., 2010; Donaldson, 2006).

The contingency theory is especially useful when there is a lack of an established overarching theoretical framework (De Clercq et al., 2014; Simpson et al., 2012), with an emphasis on contextually grounded approaches based on contingency fit rather than a single best way to manage an organization (Donaldson, 2006). The contingency theory has been used in sectors like manufacturing (Romero-Silva et al., 2018), small and medium-sized enterprises (SMEs) (McAdam et al., 2019) and even franchising (Cronen and Broekhuizen, 2019; Roberts et al., 2020) with different focus areas (e.g. customer relationship management, operations management, quality management, franchisor–franchisee relationships, etc.). Prior studies have, to a lesser degree, been concerned with investigating how performance is affected by fit (Romero-Silva et al., 2018).

The contingency theory is suitable for the present study for a key reason. It depicts an environment–structure–performance relationship for most organizations (Williams et al., 2017). This enables us to conceptualize the relationship between EO elements and franchisee performance, and how potential contingencies affect the relationship. The present study, therefore, examines fit in terms of organization contingencies and how franchisees cope with the environment to attain certain performance levels.

3. Conceptual framework and hypotheses development

Franchisees bring financial capital, knowledge of geographic locations and labour markets to the system (Tsung-Chi et al., 2014). A franchisee must have better knowledge and understanding of its local business environment, as well as understand the needs of consumers and the potential risks that can be minimized as a consequence of this familiarity (Colla et al., 2019; Ghantous and Das, 2018). Since the five EO dimensions, namely, innovativeness, proactiveness, risk-taking, competitive aggressiveness and autonomy have been studied (e.g. Rosado-Serrano et al., 2018; Watson and Dada, 2017), in relation to franchisee performance, this study examines the key elements within the five dimensions in terms of: (1) TIP, (2) CEVC, (3) high return OC, (4) responsive CFLCK and (5) ES.

3.1 Technology, innovation and promotion (TIP)

TIP is a key element of EO through which many firms pursue and promote new opportunities (Anjum et al., 2018, 2019). TIP is built on current knowledge and skills that the workforce possesses and takes many forms such as conception of a new product, use of a new technological system and solutions to adapt to local market conditions (Khan et al., 2020). Some studies have discussed the influence of innovation on firm performance. For instance,
Harel et al. (2020) found that managers in small businesses implement innovation promotion through internal processes of collaboration and knowledge transfer, and in creating an organizational culture that promotes innovation. Colla et al. (2019) attributed increase in firm performance to technological innovation invested in the business. Similarly, Kim et al. (2018) found innovation (i.e. technological and organizational) as drivers of market and eco-performance in the food service industry. Hence, we propose the following hypothesis:

**H1a.** Technology, product innovation and promotion positively influence franchisee performance.

3.2 **Competitive edge and value co-creation (CEVC)**

A unique competitive edge enables firms to capture new market opportunities, ensuring that firms are always ahead of competitors and able to respond to market challenges (Baah et al., 2020). In other words, this element of EO promotes opportunity identification, which may increase market share and thus lead to value co-creation for firms (Jelenc et al., 2016). Value co-creation involves firms choosing competitive strategies to enhance customer engagement, approval, loyalty and happiness (Chathoth et al., 2016). Hence:

**H1b.** Unique CEVC positively influences franchisee performance.

3.3 **High return opportunity capitalization (OC)**

High return OC denotes organizational decision-making in an environment with high degrees of uncertainty and changing customer needs where firms explore risks (Dwivedi and Weerawardena, 2018; Seth et al., 2020). To achieve organizational innovation and growth strategies, organizations may invest in high-risk opportunities by making decisions amidst uncertainty and substantial resource commitment, without considering the consequences of strategic decisions and behaviours (Mishra and Mishra, 2019). Accordingly, we propose the following hypothesis:

**H1c.** Capitalizing on opportunities of high returns positively influences franchisee performance.

3.4 **Responsive customer-focused leadership and competitor knowledge (CFLCK)**

A responsive customer focused strategy is crucial in fast-changing environments and assists performance in some contexts (e.g. banks) (Stambaugh et al., 2020). Organizations that are focused on being responsive to customer needs and market conditions exchange market information between different departments. This creates value for the customer and, at the same time, differentiates the organization from its competitors (Murillo Oviedo et al., 2020). For instance, hotel management requires flexibility and customer responsiveness to deal with increasingly demanding customers and competitiveness of the market (Nazarian et al., 2017). Thus, we propose the following:

**H1d.** Responsive CFLCK positively influences franchisee performance.

3.5 **Empowerment and support (ES)**

ES is considered important entrepreneurial motivations and affords organizational members the freedom and flexibility to develop and perform entrepreneurial initiatives (Dada, 2018). In that, the level of management flexibility within the outlet and the extent of empowerment to make business decisions directly impacts business performance. Previous research (Hoy et al., 2017) highlighted that if franchisees receive trust and support from their franchisor,
they will engage in entrepreneurial behaviour that is beneficial to the system. Thus, we propose that:

\( H1e. \) ES positively influences franchisee performance.

### 3.6 Entrepreneurial orientation and performance

Franchisee performance has been frequently positively related to EO dimensions in prior studies (Coulthard, 2017; Khan et al., 2020). EO is “underpinned by distinct but intertwined elements, which together influence the extent of entrepreneurial focus within an organization” (Martin and Javagi, 2016, p. 4). Further, EO is viewed as either a unidimensional or multidimensional construct, where the former is viewed as a sum of EO elements, and the latter where each element in EO will show a different relationship with organizational performance (Nuvriasari et al., 2020). Several researchers suggest treating EO as a multidimensional concept. Therefore, we intend to examine the relationship between EO elements and performance, and propose the following:

\( H2a. \) EO has a positive influence on franchisee performance.

\( H2b. \) EO, a multidimensional concept, has greater influence on franchisee performance.

What is important is to consider the potential link between EO and firm performance. Performance measurement is crucial for all companies because it helps in knowing the level of success or failure of all company activities (Nuvriasari et al., 2020). It is multidimensional in nature, i.e. both the financial and non-financial measures need to be considered in a study. Financial measures focus on short-term business goals and solutions, e.g. profit figures, while non-financial measures are more strategic in the long term e.g. customer portfolio (Mashovic, 2018). Hence, the present study proposes the following hypotheses:

\( H3a. \) EO has a positive influence on key financial indicators.

\( H3b. \) EO has a positive influence on key non-financial indicators.

### 3.7 Organization and environment contingencies

Finally, in line with the contingency theory, we consider the moderation hypothesis to investigate how the relationship between EO and firm performance is contingent on organization and environment factors (Escamilla-Fajardo et al., 2018). In today’s globalized, changing and uncertain environments, companies of all types and contexts must evolve from a focus on internally owned and controlled resources to a focus that is open to external complementarities (Aulakh et al., 2016). For instance, organizational culture affects organizational behaviour and determines how an organization relates to its external environment (Otache and Mahmood, 2015). Prior studies (Buli, 2017) revealed that integrating EO into the operation of SMEs contributes to superior performance, which in turn enables them to thrive in institutionally complex and economically turbulent environments. Thus, we propose that:

\( H4. \) Organization and environment contingencies influence EO and performance relationship of franchisees.

Based on the literature and theoretical background review, a conceptual model is formulated that comprises four hypotheses. Figure 1 depicts the hypothesized relationships of the five EO elements and franchisee performance.
4. Research methodology

4.1 Participants and procedure

This study aims to analyze the contingencies that influence EO elements and performance of retail franchisees in Fiji. Fiji is a developing island nation in the South Pacific Island region. This study used questionnaires to collect data, with the target population being managers at different managerial levels of retail franchisees. The unit of analysis in this empirical investigation is managers because they have better knowledge of their franchisee’s performance and how EO elements are reflected in franchisee activities. Franchisees sampled within the retail sector were generally representative of different industry categories, including restaurants (e.g. fast food, wine and dine, food/beverage), hotels, store retailing (e.g. supermarkets), personal services (e.g. hair and beauty), pest control services, transport and vehicle services (e.g. car hire), oil companies/gasoline service stations, automobile dealerships, soft drink bottlers and business and communication services. Hence, managerial level and industry category were controlled in this study, similar to several previous studies (e.g. Andersen and Dejoy, 2011), to increase the generalizability of the findings.

Due to the absence of a franchise body or any other entity that records franchisee data in Fiji, the researchers drew a list of franchisees operating in Fiji that were known to them. Using the convenience and snowballing technique (Pentina et al., 2016), franchisees in the greater Suva area were visited first, as these were conveniently located for the researchers. Franchisee outlets within the Western and Northern divisions were visited next. Participants were then requested to provide names of other retail franchisees within their networks that were not previously known to the researchers (Browne, 2005). This snowballing technique assisted in increasing sample size, given that franchisee numbers are low in Fiji. The use of both convenience and snowballing techniques have been used in previous studies (e.g. Brownhilder, 2016) on EO and franchisees.

Upon receipt of telephone and email confirmation and consent to participate (Tandon et al., 2020), questionnaires were physically distributed to managers at various managerial levels in retail franchisees. Prior ethics clearance was also taken from the University of the South...
Pacific. A pilot study was then carried out with 20 franchisee managers in Suva, to test for clarity and understandability of the survey instrument. All pilot study participants understood the content and structure of the questionnaire and filled them appropriately. Thus, no changes were made to the questionnaire, and distribution continued for other franchisees. Participation was voluntary without any monetary incentive provided, and participants were assured complete anonymity and confidentiality of their responses (Farooq et al., 2021). The pilot study questionnaires were incorporated in the final sample as they were deemed valid and useable for the research. Also, there were no missing data as all filled questionnaires were screened after conducting the survey at every franchisee outlet. The aforementioned procedures have ensured a high level of rigor during the data collection phase. Data collection was done in Fiji from January to July 2019.

4.2 Measures

The measurement items employed in this study were adopted and revised from extant literature that included: TIP (Anjum et al., 2018, 2019), CEVC (Chathoth, et al., 2016; O’Cass and Wetzel, 2018), high return OC (Dada et al., 2015; Evanschitzky et al., 2017) responsive CFLCK (Watson et al., 2019), ES (Lumpkin et al., 2009), firm performance in terms of financial indicators (Dada and Watson, 2013) and non-financial indicators (Grunhagen et al., 2014) and organization and environment contingencies (Lumpkin and Dess, 1996). All scale items were measured through a five-point Likert scale (as used in recent studies, e.g. Bhutto et al., 2020; Farooq et al., 2021; Tandon et al., 2020), ranging from “strongly disagree (1)” to “strongly agree (5)”. A five-point Likert scale was used as it increases the response rate and response quality, and reduces participants’ frustration levels (Babakus and Mangold, 1992; Sachdev and Verma, 2004).

4.3 Data analysis

SPSS and AMOS (V26) were used to perform the data analysis, and covariance-based structural equation modelling (CB-SEM) was used (as discussed by recent studies, e.g. Kaur et al., 2021; Talwar et al., 2020a, b) to test the hypothesized relationships. Following the two-step method, we first used the confirmatory factor analysis (CFA) to analyze the measurement model and assess the reliability and validity of the data before proceeding to study the structural path to test the proposed hypotheses (Cheah et al., 2020; Homburg et al., 2010; Luqman et al., 2021). We conducted moderation analysis in SPSS.

This study collected 203 responses from managers in a total of 89 retail franchise outlets in Fiji. A response rate of 95.5% was achieved. The approximate completion time for the questionnaire was 10 min. Before analysis, we checked the data for missing values and outliers, of which none was found (Bhutto et al., 2020). Suitability of data for SEM is an important consideration. The estimation method of maximum likelihood used for SEM assumes multivariate normality of the observed data (Talwar et al., 2020a, b). Confirmation of normality of data was obtained by examining the kurtosis and skewness values, which also declared that all data scores were unbiased, efficient and within the specified range of normality. Variance inflation factors and tolerance values confirmed the absence of multicollinearity issues among the constructs (Hair et al., 2020; Talwar et al., 2020a, b).

4.4 Demographic profile

The gender distribution of managers in franchisees shows that data are more skewed towards males (63.1%) than females (36.9%). This finding is consistent with other franchise studies (Baena, 2012; Weaven et al., 2018). Majority of managers (36.9%) are aged between 42 and 49 years, followed by 26 and 33 years (26.6%), 34 and 41 years (22.7%), 50 years and over (11.8%),
and 2.0% between 18 and 25 years. Majority of managers (30%) earned an annual gross income of more than FJD$61,000, followed by 22.2% earned between FJD$31,000 and FJD$40,000.

5. Results
5.1 Common method bias
Due to use of self-reported data, it was important to address the potential occurrence of common method bias (CMB) (Podsakoff et al., 2012). As such, Harman’s single-factor test was applied to examine the data for potential threat of CMB (Tandon et al., 2020). The variance was computed to be 37.50% and was within the recommended value of 50% (Tandon et al., 2020); therefore, CMB was not a potential threat to the study.

5.2 Measurement model
The measurement model generated through CFA returned acceptable model fit indices ($\chi^2$/df = 1.82, CFI = 0.95, NFI = 0.91, IFI = 0.96, TLI = 0.95, PNI = 0.79, PCFI = 0.82, RMSEA = 0.05), in line with the recommended values (Hair et al., 2014). The reliability of the constructs was confirmed since the values of Cronbach’s alpha for all constructs were greater than 0.70. The relevant values are reported in Table 1. Factor loading values were in the range of 0.51–0.92, thereby exceeding the threshold limit of 0.5 (Field, 2016). We confirmed the convergent validity of all the constructs (Table 2) since the standardized path coefficient exceeded the required cut-off point of 0.4 (Hair et al., 2010). Similarly, we confirmed the discriminant validity through the following measures: (1) the co-variances between constructs were less than 0.85 (Table 3) (Blunch, 2016) and (2) the heterotrait-monotrait (HTMT) value of each pair of the construct was less than 0.9 (Table 4), as recommended (Henseler et al., 2015).

5.3 Structural model
Figure 2 as well as Table 5 represents the results of the structural path analysis. H1a proposed a positive influence between TIP and FP, which was supported ($\beta = 0.13, p < 0.05$). H1b, proposing a direct influence between CEVC and FP, was also supported ($\beta = 0.27, p < 0.05$). Similarly, H1c proposed a positive influence between OC and FP, which was supported ($\beta = 0.26, p < 0.05$). However, H1d predicting a positive influence between CFLCK and FP was not supported ($\beta = 0.01, p > 0.05$). H1e, on the contrary, posited a positive influence between ES and FP, which was statistically significant ($\beta = 0.89, p < 0.05$). H2 proposed a positive influence between EO and FP, which was supported ($\beta = 0.59, p < 0.5$). H2 further posited EO to have a greater influence on FP when it was observed as a multi-

<table>
<thead>
<tr>
<th>Initials</th>
<th>Construct full name</th>
<th>No. of items Retained</th>
<th>Composite mean</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFLCK</td>
<td>Responsive customer-focused leadership and competitor knowledge</td>
<td>8</td>
<td>4.494</td>
<td>0.936</td>
</tr>
<tr>
<td>FI</td>
<td>Financial indicators</td>
<td>8</td>
<td>4.448</td>
<td>0.912</td>
</tr>
<tr>
<td>TIP</td>
<td>Technology, innovation and promotion</td>
<td>7</td>
<td>4.582</td>
<td>0.931</td>
</tr>
<tr>
<td>EO</td>
<td>Entrepreneurial orientation</td>
<td>5</td>
<td>4.356</td>
<td>0.886</td>
</tr>
<tr>
<td>OC</td>
<td>High return opportunity capitalization</td>
<td>4</td>
<td>4.000</td>
<td>0.922</td>
</tr>
<tr>
<td>NFI</td>
<td>Non-financial indicators</td>
<td>4</td>
<td>4.144</td>
<td>0.868</td>
</tr>
<tr>
<td>CEVC</td>
<td>Competitive edge and value co-creation</td>
<td>4</td>
<td>4.425</td>
<td>0.857</td>
</tr>
<tr>
<td>ES</td>
<td>Empowerment and support</td>
<td>3</td>
<td>4.088</td>
<td>0.788</td>
</tr>
</tbody>
</table>

Table 1. Construct reliability analysis
Note(s): The reliability of the constructs was confirmed since the values of Cronbach’s alpha for all constructs were greater than 0.70
5.4 Moderation analysis

The moderation analysis involved examining the moderation effect of SF on the association between EO and FP, and is presented in Figure 2. The analysis was performed through SEM and further supported by SPSS. To begin with, the effect of a moderating latent factor, the dimensional construct. H3a, which proposed an association between EO and FI, was statistically significant ($\beta = 0.55, p < 0.05$). Similarly, H3b proposed a positive influence between EO and NFI, which was supported ($\beta = 0.38, p < 0.05$).

### Table 2. Convergent validity analysis

<table>
<thead>
<tr>
<th>Construct</th>
<th>Estimate</th>
<th>Standardized</th>
<th>SE</th>
<th>CR</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFLCK01</td>
<td>CFLCK</td>
<td>1.000</td>
<td>0.990</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFLCK02</td>
<td>CFLCK</td>
<td>0.792</td>
<td>0.901</td>
<td>0.028</td>
<td>28.027</td>
</tr>
<tr>
<td>CFLCK04</td>
<td>CFLCK</td>
<td>1.010</td>
<td>0.838</td>
<td>0.048</td>
<td>21.187</td>
</tr>
<tr>
<td>CFLCK05</td>
<td>CFLCK</td>
<td>0.825</td>
<td>0.693</td>
<td>0.061</td>
<td>13.446</td>
</tr>
<tr>
<td>CFLCK06</td>
<td>CFLCK</td>
<td>0.669</td>
<td>0.745</td>
<td>0.043</td>
<td>15.597</td>
</tr>
<tr>
<td>CFLCK07</td>
<td>CFLCK</td>
<td>0.820</td>
<td>0.680</td>
<td>0.063</td>
<td>13.004</td>
</tr>
<tr>
<td>CFLCK09</td>
<td>CFLCK</td>
<td>0.858</td>
<td>0.643</td>
<td>0.073</td>
<td>11.789</td>
</tr>
<tr>
<td>CFLCK10</td>
<td>CFLCK</td>
<td>0.996</td>
<td>0.984</td>
<td>0.017</td>
<td>59.339</td>
</tr>
<tr>
<td>FI01</td>
<td>FI</td>
<td>1.000</td>
<td>0.961</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FI02</td>
<td>FI</td>
<td>0.977</td>
<td>0.956</td>
<td>0.031</td>
<td>31.723</td>
</tr>
<tr>
<td>FI03</td>
<td>FI</td>
<td>0.848</td>
<td>0.720</td>
<td>0.061</td>
<td>13.841</td>
</tr>
<tr>
<td>FI04</td>
<td>FI</td>
<td>0.848</td>
<td>0.804</td>
<td>0.049</td>
<td>17.474</td>
</tr>
<tr>
<td>FI05</td>
<td>FI</td>
<td>1.080</td>
<td>0.745</td>
<td>0.073</td>
<td>14.800</td>
</tr>
<tr>
<td>FI06</td>
<td>FI</td>
<td>0.806</td>
<td>0.681</td>
<td>0.064</td>
<td>12.514</td>
</tr>
<tr>
<td>FI07</td>
<td>FI</td>
<td>1.110</td>
<td>0.626</td>
<td>0.102</td>
<td>10.919</td>
</tr>
<tr>
<td>FI08</td>
<td>FI</td>
<td>1.183</td>
<td>0.723</td>
<td>0.085</td>
<td>13.968</td>
</tr>
<tr>
<td>TIP01</td>
<td>TIP</td>
<td>1.000</td>
<td>0.675</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TIP02</td>
<td>TIP</td>
<td>1.395</td>
<td>0.941</td>
<td>0.115</td>
<td>12.154</td>
</tr>
<tr>
<td>TIP03</td>
<td>TIP</td>
<td>1.095</td>
<td>0.827</td>
<td>0.101</td>
<td>10.879</td>
</tr>
<tr>
<td>TIP04</td>
<td>TIP</td>
<td>1.001</td>
<td>0.595</td>
<td>0.124</td>
<td>8.054</td>
</tr>
<tr>
<td>TIP05</td>
<td>TIP</td>
<td>1.326</td>
<td>0.965</td>
<td>0.106</td>
<td>12.411</td>
</tr>
<tr>
<td>TIP06</td>
<td>TIP</td>
<td>1.120</td>
<td>0.819</td>
<td>0.104</td>
<td>10.783</td>
</tr>
<tr>
<td>TIP07</td>
<td>TIP</td>
<td>1.417</td>
<td>0.902</td>
<td>0.121</td>
<td>11.726</td>
</tr>
<tr>
<td>SF01</td>
<td>SF</td>
<td>1.000</td>
<td>0.858</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SF02</td>
<td>SF</td>
<td>0.665</td>
<td>0.643</td>
<td>0.066</td>
<td>10.099</td>
</tr>
<tr>
<td>SF03</td>
<td>SF</td>
<td>1.122</td>
<td>0.856</td>
<td>0.073</td>
<td>15.435</td>
</tr>
<tr>
<td>SF04</td>
<td>SF</td>
<td>0.974</td>
<td>0.887</td>
<td>0.060</td>
<td>16.348</td>
</tr>
<tr>
<td>SF05</td>
<td>SF</td>
<td>0.869</td>
<td>0.645</td>
<td>0.086</td>
<td>10.148</td>
</tr>
<tr>
<td>OC01</td>
<td>OC</td>
<td>1.000</td>
<td>0.914</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC02</td>
<td>OC</td>
<td>0.997</td>
<td>0.971</td>
<td>0.037</td>
<td>27.085</td>
</tr>
<tr>
<td>OC03</td>
<td>OC</td>
<td>1.044</td>
<td>0.962</td>
<td>0.040</td>
<td>26.286</td>
</tr>
<tr>
<td>OC04</td>
<td>OC</td>
<td>0.482</td>
<td>0.618</td>
<td>0.046</td>
<td>10.390</td>
</tr>
<tr>
<td>NFI01</td>
<td>NFI</td>
<td>1.000</td>
<td>0.843</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NFI02</td>
<td>NFI</td>
<td>0.782</td>
<td>0.753</td>
<td>0.063</td>
<td>12.352</td>
</tr>
<tr>
<td>NFI03</td>
<td>NFI</td>
<td>0.735</td>
<td>0.616</td>
<td>0.078</td>
<td>9.430</td>
</tr>
<tr>
<td>NFI04</td>
<td>NFI</td>
<td>0.895</td>
<td>0.914</td>
<td>0.055</td>
<td>16.272</td>
</tr>
<tr>
<td>CEVC01</td>
<td>CEVC</td>
<td>1.000</td>
<td>0.533</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEVC02</td>
<td>CEVC</td>
<td>0.825</td>
<td>0.425</td>
<td>0.123</td>
<td>6.760</td>
</tr>
<tr>
<td>CEVC03</td>
<td>CEVC</td>
<td>2.268</td>
<td>1.170</td>
<td>0.253</td>
<td>8.957</td>
</tr>
<tr>
<td>CEVC04</td>
<td>CEVC</td>
<td>1.092</td>
<td>0.537</td>
<td>0.139</td>
<td>7.856</td>
</tr>
<tr>
<td>ES01</td>
<td>ES</td>
<td>1.000</td>
<td>0.815</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ES02</td>
<td>ES</td>
<td>0.566</td>
<td>0.747</td>
<td>0.053</td>
<td>10.629</td>
</tr>
<tr>
<td>ES03</td>
<td>ES</td>
<td>0.805</td>
<td>0.743</td>
<td>0.076</td>
<td>10.580</td>
</tr>
</tbody>
</table>

**Note(s):** Convergent validity of all the constructs through regression path coefficient

Revisiting the contingency theory
composite scores for SF, as well as FP and EO were computed. This was followed by the transformation of these composite scores into z-scores, and then establishing the interaction effect between SF and FP (SF*FP), as well as the interaction effect between SF and EO (SF*EO), as recommended (Dugard et al., 2010). Effectively, the moderation effect of SF on the relationship between EO and FP was statistically significant (β = 0.31, p < 0.05). However, the effect was higher than the moderation effect of SF on the relationship between FP and EO (β = 0.18, p < 0.05). Thus, the moderation effect of SF was supported. Similarly, a regression analysis was done in SPSS to further prove SF results. The value of R-square ($R^2 = 0.53$) indicated that EO partially impacts FP (Table 6). The remaining impact could be attributed to

<table>
<thead>
<tr>
<th>CFLCK</th>
<th>FI</th>
<th>TIP</th>
<th>EO</th>
<th>OC</th>
<th>NFI</th>
<th>CEVC</th>
<th>ES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFLCK</td>
<td>0.22</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FI</td>
<td>0.35</td>
<td>0.19</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TIP</td>
<td>0.20</td>
<td>0.08</td>
<td>0.09</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EO</td>
<td>0.11</td>
<td>0.19</td>
<td>0.20</td>
<td>0.19</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>OC</td>
<td>0.14</td>
<td>0.22</td>
<td>0.12</td>
<td>0.13</td>
<td>0.18</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NFI</td>
<td>0.13</td>
<td>0.12</td>
<td>0.16</td>
<td>0.07</td>
<td>0.11</td>
<td>-0.002</td>
<td>-</td>
</tr>
<tr>
<td>CEVC</td>
<td>0.12</td>
<td>-0.02</td>
<td>0.12</td>
<td>0.14</td>
<td>0.15</td>
<td>-0.21</td>
<td>-0.08</td>
</tr>
</tbody>
</table>

Note(s): HTMT analysis

Table 6. Discriminant validity analysis

<table>
<thead>
<tr>
<th>CFLCK</th>
<th>FI</th>
<th>TIP</th>
<th>EO</th>
<th>OC</th>
<th>NFI</th>
<th>CEVC</th>
<th>ES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFLCK</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FI</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TIP</td>
<td>0.19</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EO</td>
<td>0.08</td>
<td>0.09</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>OC</td>
<td>0.19</td>
<td>0.20</td>
<td>0.19</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NFI</td>
<td>0.22</td>
<td>0.12</td>
<td>0.13</td>
<td>0.18</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CEVC</td>
<td>0.12</td>
<td>0.16</td>
<td>0.07</td>
<td>0.11</td>
<td>-0.002</td>
<td>-0.21</td>
<td>-0.08</td>
</tr>
</tbody>
</table>

Note(s): HTMT analysis

Table 3. Discriminant validity analysis

Note(s): Co-variances between constructs
SF (organization and environment contingencies). As such, H4, hypothesizing the moderation effect of SF on the association between EO and FP, was supported.

6. Discussion, theoretical contributions and implications

6.1 Discussion of results

As seen from the results presented in Section 5.3 and Figure 2, H1a, which proposed a positive influence between TIP and franchisee performance, was supported.

<table>
<thead>
<tr>
<th>Model summary</th>
<th>Model</th>
<th>R</th>
<th>R-square</th>
<th>Adjusted R-square</th>
<th>Std. error of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.726*</td>
<td>0.527</td>
<td>0.519</td>
<td>0.63879</td>
<td>Moderation analysis</td>
</tr>
</tbody>
</table>

Table 6. Regression analysis of the moderator SF on EO and FP

<table>
<thead>
<tr>
<th>Structural path analysis of hypothesized relationships</th>
</tr>
</thead>
</table>

SF (organization and environment contingencies). As such, H4, hypothesizing the moderation effect of SF on the association between EO and FP, was supported.

Table 5. Structural equation model results

<table>
<thead>
<tr>
<th>Model</th>
<th>Estimate</th>
<th>Standardized</th>
<th>SE</th>
<th>CR</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO ← SF_FP</td>
<td>0.066</td>
<td>0.184</td>
<td>0.029</td>
<td>2.274</td>
<td>0.023</td>
</tr>
<tr>
<td>FP ← EO</td>
<td>1.000</td>
<td>0.594</td>
<td>0.130</td>
<td>7.901</td>
<td>0.000</td>
</tr>
<tr>
<td>FP ← CFLCK</td>
<td>0.006</td>
<td>0.005</td>
<td>0.109</td>
<td>0.055</td>
<td>0.956</td>
</tr>
<tr>
<td>FP ← TIP</td>
<td>0.234</td>
<td>0.131</td>
<td>0.154</td>
<td>2.121</td>
<td>0.037</td>
</tr>
<tr>
<td>FP ← OC</td>
<td>0.165</td>
<td>0.264</td>
<td>0.092</td>
<td>1.363</td>
<td>0.037</td>
</tr>
<tr>
<td>FP ← CEVC</td>
<td>0.292</td>
<td>0.265</td>
<td>0.072</td>
<td>3.728</td>
<td>0.000</td>
</tr>
<tr>
<td>FP ← ES</td>
<td>0.637</td>
<td>0.887</td>
<td>0.047</td>
<td>5.007</td>
<td>0.000</td>
</tr>
<tr>
<td>FP ← SF_EO</td>
<td>0.237</td>
<td>0.309</td>
<td>0.129</td>
<td>5.254</td>
<td>0.000</td>
</tr>
<tr>
<td>NFI ← EO</td>
<td>1.000</td>
<td>0.383</td>
<td>0.072</td>
<td>3.163</td>
<td>0.000</td>
</tr>
<tr>
<td>FI ← EO</td>
<td>1.117</td>
<td>0.548</td>
<td>0.128</td>
<td>7.206</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Note(s): Structural path analysis of hypothesized relationships

Figure 2. SEM

Revisiting the contingency theory
Although TIP is a new element that we proposed within the EO dimension of innovativeness, innovativeness has previously been documented as having a positive impact on franchisee performance (Colla et al., 2019; Dada et al., 2015; Ghantous and Das, 2018). Thus, our finding is in consonance with the prior studies. The finding implies that franchisee performance can improve if franchisees introduce new products and make changes to current products to appeal better to consumers. Therefore, the EO element of TIP can be improved if franchisees channel more effort towards promoting product and service quality, and acquire new technology that this relevant in delivering quality results.

H1b posited a positive influence between unique CEVC and franchisee performance. CEVC also being a new element within the EO dimension of proactiveness has been found to impact franchisee performance in extant literature (Dada et al., 2015; Thammasane, 2018). Franchisees that possess CEVC are able to offer unique products and services. Having the right resources and technologies at the right time, which competitors may lack, will enable franchisees to create demand for their products. The aspect of value co-creation enables franchisees to forecast future product demands and make necessary changes, as well as create new policies that would assist franchisees in achieving competitive edge and improve business performance.

Similarly, H1c proposed a positive influence between OC and franchisee performance, and was supported by the findings. This finding suggests that franchisees could capitalize on opportunities yielding high returns for improved performance and franchisee satisfaction. Working with a trusted franchisor brand makes it easier for franchisees to invest in risky opportunities. Nonetheless, franchisees are likely to take calculated risks based on local market conditions, interest rates and return on investments, as depicted in previous research (Coulthard, 2017; Dada et al., 2015; Evanschitzky et al., 2017; Lopez-Fernandez and Lopez-Bayon, 2018).

The results did not support H1d. Although there was a positive influence between CFLCK and franchisee performance, this element was not statistically significant. CFLCK being a new element within the EO dimension of competitive aggressiveness has received mixed results for the dimension in extant literature (e.g. weak association in Rauch and Frese (2006) and Rauch et al. (2009) studies; strong association in Dada et al. (2015) and Colla et al. (2020) studies). The reason for this could be attributed to CFLCK being an attitudinal and behavioural characteristic that differs in franchisees. Hence, franchisees need to be more responsive to customer needs and problem-solving. The result also implies that franchisees cannot rely on internally controlled resources alone to pursue advantageous strategies for improved firm performance. They need to strengthen collaboration with other firms to outcompete rivals.

H1e, positing that ES influences franchisee performance, was supported, in line with past studies (Colla et al., 2020; Grunhagen et al., 2014; Rauch, et al., 2009). Franchisees require ES from the franchisor in terms of carrying out business operations, e.g. what they want to sell. However, the trade-off lies in the balance between franchisor–franchisee control and how much ES is necessary for the franchisee to aid in improved business performance.

The results supported H2 and H3. H2 proposed a positive influence between EO and franchisee performance. Similarly, H3 posited a positive influence between EO and financial and non-financial indicators. These findings concur with previous studies (Chien, 2014; Coulthard, 2017; Dada et al., 2015; Dada and Watson, 2013). Franchisees need to implement EO to achieve higher performance outcomes. Despite the result indicating that franchisees focus more on financial indicators such as profits and sales turnover, to improve firm performance, non-financial indicators, such as corporate social responsibility and customer loyalty, need to be given consideration too.

Finally, our results supported the existence of the moderation effect of SF on the association between EO and franchisee performance (H4), which is a novel association that has not previously been examined. Preceding studies have considered single moderators, such as environment factors (Giudici and Reinmoeller, 2013) and organization factors
6.2 Theoretical contribution
This study makes three key theoretical contributions. First, the study proposed five novel constructs (TIP, CEVC, OC, CFLCK and ES) within the five-dimensional EO, which influence franchisee performance. By doing so, the study extends the EO literature, focusing on the dissection of individual elements within the five-dimensional EO. Previous studies have mainly examined the conceptualization and importance of EO dimensions (Chien, 2014; Coulthard, 2017; Dada et al., 2015; Dada and Watson, 2013; Lopez-Bayon and Lopez-Fernandez, 2016) in franchisee performance.

Second, by conceptualizing the moderation effect of SF on EO and franchisee performance, we bring forth the dynamics of the relationship between EO and franchisee performance, where franchisee performance is not only impacted by EO elements but also by the development of new contingent factors (organization and environment) that are country specific.

Third, research on EO and franchisee performance has mainly focused on countries where franchising is common, e.g. France, The Netherlands, the USA, Canada and Taiwan. Our study is the first to extend research on franchising in a developing country context, particularly focusing on a South Pacific Island nation, where franchisee numbers are low. Also, while there have been several studies conducted on Fiji’s retail sector (Singh and Slack, 2020; Singh et al., 2021; Slack et al., 2020), this study extends the context in terms of franchising, by adding value to these locally conducted retailing research. Theory building literature argues the importance of testing instruments and models in a different context to enhance generalizability and understanding of context’s influence on theories (Brown et al., 2010).

6.3 Implications for practice
The findings of this study will enable franchisees to better understand key elements (TIP, CEVC, OC, CFLCK and ES) within EO that can improve franchisee performance. First, our study reveals that franchisees need to focus on enablers such as technology, which will improve product and service delivery. Having appropriate technology will assist franchisees to forecast future product demands, thereby achieving greater competitive edge.

Second, our findings indicate that capitalizing on risky opportunities will yield high returns, thereby increasing franchisee performance. As such, we suggest franchisees invest in potential opportunities for business growth. However, franchisees need to make calculated decisions based on local market conditions.

Finally, our study reveals that franchisees need to develop more sustainable strategies to be more responsive to customer needs and problem-solving. Franchisees need to collaborate with other firms to attain better knowledge of their customers and competitors. By doing so, franchisees will be in a better position to respond to innovation or challenges. For instance, a quick-response strategy may provide a source of sustainable competitive advantage if imitation and substitution are difficult for competitors; however, being too quick in responding to innovation or challenges, may lead to failure of integrating important feedback from the marketplace. Therefore, franchisee performance is likely to improve when EO elements are combined with both the appropriate strategy and the right contingencies.

7. Conclusion, limitations and directions for future research
This study examines the influence of EO elements on franchisee performance and how this relationship is affected by several contingencies. Through the participation of 203
respondents in the survey, this study confirmed that TIP, CEVC, OC and ES influenced 
franchisee performance, while CFLCK proved to be insignificant. The findings supported 
EO's influence on both financial and non-financial indicators, with greater influence on 
financial indicators. Lastly, we confirmed the moderation effect of SF on the association 
between EO and franchisee performance. The result revealed that EO accounts for partial 
impact on franchisee performance, while the remaining impact could be attributed to 
organization and environment contingencies.

Despite its notable contributions, this study has some limitations that must be 
acknowledged. First, the study primarily focused on franchisees in the Fijian market, so 
the findings may not be applicable to franchisees in other cultural contexts. This limited 
generalizability can be addressed by future researchers trying to validate the findings of this 
study in other cultural backgrounds and geographies (Kaur et al., 2021), using a cross-country 
design methodology. Second, the study collected data from the retail sector. As such, the 
findings of the study may not be generalizable to other sectors. However, the constructs and 
relationships explored in our study are relevant to other sectors, be they manufacturing, 
service, etc. (Bhutto et al., 2020). Future studies can, thus, replicate our model in different 
contexts to generate related findings. Lastly, our study is based on self-reported information, 
including various methodological biases and lack of information on causality. Future studies 
could address this limitation by adopting longitudinal and experimental research designs 
(Talwar et al., 2020a, b).

References
franchising expansion during economic cycles”, Competitiveness Review: An International 

industry, risk, R&D and advertising expenses as control variables”, Business and Society 

business students from Universities of Pakistan”, International Journal of Business and 

does entrepreneurial education matter in Pakistan?”, International Journal of Human Resource 
Studies, Vol. 8 No. 3, pp. 147-161.


emerging markets: introduction to the special issue”, Journal of World Business, Vol. 5 No. 51, 
pp. 655-661.

“Understanding the influence of environmental production practices on firm performance: a 
32 No. 2, pp. 266-289.

Babakus, E. and Mangold, G. (1992), “Adapting the SERVQUAL scale to hospital services: an 

Baena, V. (2012), “Market conditions driving international franchising in emerging markets”, 


**Corresponding author**
Samantha Naidu can be contacted at: samanthanaidu@yahoo.com