Franchisees' Activities As Entrepreneurship

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Abstract
During the last decades, franchising has turned into one of the fast-growing business forms. Researching in franchising has been viewed through four major perspectives include economics, strategic, marketing and entrepreneurship. Although there is a consensus that franchisors' activities are considered as entrepreneurship, but this notion is disputed with regard to franchisees.Paradox in entrepreneurial activities of franchisee has caused a doubt in considering franchisees' activities as entrepreneurship. In one hand, in franchisee context, some believe opportunity is always identified and also franchisor helps them in exploitation.In another hand, opposing view consider a franchisee as an entrepreneur who focus on opportunity, risk and innovation. Ignoring the franchisees' capabilities and abilities in innovation and introducing new products can prevent a franchise system in take advantage of environmental change. Therefore, due to importance of identification of unique aspects of entrepreneurship research than unique definition of entrepreneurship, and attention to entrepreneurial process as a core unit of analysis, this research is going to examine whether franchisees' activities can be considered as entrepreneurship. According to Shane model,the entrepreneurial process involves the existence of profit based (objective) opportunities, risk-taking and some kind of innovation.Nature of opportunity in franchised outlets is closer to Kirznerian view than Schumpeterian view. Source of opportunities in franchised outlets are not so clear, like introduction of a new restaurant where none had existed before in a storefront. According to different types of innovation in Schumpeter view, franchisees' operation involves product-market innovativeness include market research, product design, and innovations in advertising and promotion. Regarding to risk-taking as third dimension of entrepreneurial process, franchisees risk their capital. Although it seems in franchise systems, risk in franchisee is, to some extent, share with the franchisor but no franchisors will be able to eliminate the financial, business and personal risk of franchisees.Franchisor, also, transfer the risk of expanding into new market to franchisees. In sum, Franchisees do almost all functions as other entrepreneurs except generating new idea in initial step of running a business

Key words:
Franchisee, entrepreneurship, innovation, entrepreneurial opportunities, risk taking.

Introduction
Franchising has turned into one of the fast-growing business forms from last decades, and due to creating job opportunities, downsizing and economic development have received a lot of attention(Dada, Watson, & Kirby, 2010; Falbe, Dandridge, & Kumar, 1999). Franchising, also has a crucial role for increasing the prevalence of multiunit development (Kaufmann & Dant, 1996) and international expansion (Hoffman & Preble, 2003).
Franchising is a contract between two legal firms in which one party (franchisee) receives the right to use the trademark or the entire business format of another party (franchisor), by paying an entry fee and royalties(Grunhagen, DiPietro, Stassen, & Frazer, 2008). In this relationship, franchiser is responsible to provide initial and ongoing services such as training, providing the raw material, management consultant; and franchisee must develop franchisor's product and services in new geographical market and avoid jeopardizing brand equity(Combs, Michael, & Castrogiovanni, 2004). More than 50 percent of retail sale, result from the franchised business(Falbe et al., 1999). There were more than 158,625 franchises with approximately $ 209 billion turn over in the service industry in the United States in 2004. Franchising also has created about 4,145,613 jobs in the United States(Ramirez-Hurtado, Rondan-Cataluna, Guerrero-Casas, & Berbel-Pineda, 2011). According to Michael(1996), considerable parts of the sale in services industry such as restaurants (46%of sales), tax preparation (67% of sales), specialty food retailing (55%), printing and copying (71%), and lodging (39%) are in result of franchising(Michael, 1996). Although franchising because of increasing impacts on business studies has been subjects of the wide variety of several disciplines (Dant & Kaufmann, 2003)include: economic, strategic, marketing,

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entrepreneurship and law; however, there is limit attention to franchising from entrepreneurship perspective. In entrepreneurship perspective, franchising is a way for run a new business (Combs et al., 2004)or as an entrepreneurial growth strategy.

Previous studies emphasize the necessity of innovation and entrepreneurial activities in highly competitive environment(Falbe et al., 1999). Business format franchising, as well is included the wide criteria of entrepreneurship definition such as new venture creation, and driven by opportunity recognition(Falbe et al., 1999). Nevertheless, in the domain of entrepreneurship, franchising has been viewed skeptically by many scholars (Ketchen et al., 2011). There is a consensus that the majority of franchisors activities are considered as entrepreneurship, but this notion is disputed with regard to franchisees (Maritz, 2006). Franchisors, the owners and, often, the creators of a franchise concept, are widely accepted as entrepreneurs, consistent with the risk-taking and innovative profile associated with individual entrepreneurs(Clarkin & Rosa, 2005b; Falbe et al., 1999). Franchisors explore an opportunity for run a new business, expand their business and also new ideas for value creation .In sum; franchisors are more likely to be viewed as entrepreneurs(Ketchen et al., 2011)

Paradox in entrepreneurial activities of franchisee has caused a doubt in considering franchisees' activities as entrepreneurship(Dada et al., 2010). In one hand, in franchisee context, some believe opportunity is always identified and also franchisor helps them in exploitation(Ketchen et al., 2011) like Shane (1996)that pointed out franchisor protects franchisee from new venture creation risk(Shane, 1996). In this view, some authors believed franchisees, converse with a franchisor, have been characterized as the antithesis of entrepreneurs due to three main reasons. First, it is perceived that franchisees play little or no role in the creation or innovation process of the business. Second, franchise agreements, crafted by franchisors, contain both prescriptive and restrictive provisions, leaving little or no room for entrepreneurial creativity by franchisees. Third, replication and standardization are the hallmarks of success within a given franchise system, in stark contrast to the creativity normally associated with entrepreneurship(Clarkin & Rosa, 2005a). Innovation and adaptation, typically initiated by franchisors, is directed to franchisees for implementation in their respective market (Clarkin & Rosa, 2005b). In another hand, opposing view consider a franchisee as an entrepreneur who focus on opportunity, risk and innovation(Ketchen et al., 2011). Ignoring the franchisees' capabilities and abilities in innovation and introducing new products can prevent a franchise system in take advantage of environmental change (Kaufmann & Eroglu, 1999). Franchisees by develop new offerings, modify existing ones, and find solutions to franchise system problems can drive changes in maturing system(Kaufmann & Eroglu, 1999). In this view, franchisees act as entrepreneurs like, owning the business ventures for profit, making innovation to create new local organizations, and seeking growth in financial performance through the additional franchise units(Kaufmann & Dant, 1999).

Entrepreneurship as a multidisciplinary phenomenon has received a contradictory set of definitions(Kaufmann & Dant, 1999) and this diversity of conceptualizations of entrepreneurship used by various scholars. In entrepreneurship studies,identification of unique aspects of entrepreneurship research is better than unique definition of entrepreneurship(Kaufmann & Dant, 1999). All scholars who have studied entrepreneurship believe there is a "thing as an entrepreneurial process"(Moroz & Hindle, 2012). Study of the process has a pivotal role in the nature of entrepreneurship and is well suited for both theoretical examination and for practical application(Moroz & Hindle, 2012).

Although, some authors studied entrepreneurship in franchise context, but most of them examine the franchising in the entrepreneurship domain only based on entrepreneurship definition. Besides, most of the articles in franchise studies focused more on franchisor point of view and franchisee point of view has received very limited attention. Therefore, this research is going to examine whether according to entrepreneurial process, franchisees' activities can be considered as entrepreneurship. Thus, in this study, first we studied the literature of the entrepreneurial process, and then examine the franchisee's activities in entrepreneurship context.

Theoretical background

Entrepreneurial process

Entrepreneurship and entrepreneurial activities have a crucial role in solving the economic problems of countries(Falbe et al., 1999). Economical inefficiencies can be discovered and eliminated through the entrepreneurship and entrepreneurial driven innovation is a critical engine which driving change (Shane & Venkataraman, 2000). Franchising systems, also need entrepreneurial activities to survive in highly competitive environment and take advantage of it to have better performance than their rivals(Falbe et al., 1999).Lack of a unique conceptual framework for explaining and forecasting a unique set of empirical phenomena has made some problem for knowing what phenomena is entrepreneurship exactly (Shane & Venkataraman, 2000).According to Moroz and Hindle(2012) there is no singular embracing and general theory to explain the entrepreneurship,and most of the definition of entrepreneurship has been restricted to definition of entrepreneur and what entrepreneurs do. For example, Shane and Cable (1997) define entrepreneurs as "individuals who receive their compensation in the form of residual claimancy on the proceeds of a firm and who also have been operating control of an organization"(Kaufmann & Dant, 1999).In this article, we define the entrepreneurship phenomena as thr process of discovery, evaluation and exploitation of opportunities for creating the future products (Shane & Venkataraman, 2000).

Study of the process has a pivotal role in the nature of entrepreneurship (Moroz & Hindle, 2012)and explaining the process of firm creation is important in entrepreneurship(Grunhagen et al., 2008; Shane & Venkataraman, 2000). In many articles in entrepreneurship, entrepreneurial process has been examined as the core unit of analysis (Moroz & Hindle, 2012). Entrepreneurial process is "all the functions, activities, and actions associated with perceiving opportunities and creating organizations to pursue them" (Bygrave, 2004, p. 7)

There are specific concepts in an entrepreneurial process like social networks(Jack & Anderson, 2002); the concept of opportunity(Alvarez & Barney, 2007); the cognitive processes and routines of successful entrepreneurs(Mitchell et al., 2004); and the environmental or contextual factors(Gartner, 1985).Although many articles has strived to present an entrepreneurial process, most of them appear without explicit reference to their theoretical underpinning (Ucbasaran, Westhead, & Wright, 2001). Moroz and Hindle(2012)examined about 32 models of the entrepreneurial process, according to four dimensions 1- distinctness 2- generally 3- accuracy and 4- simplicity(Moroz & Hindle, 2012) .They divided all models of the entrepreneurial process into five main categories, including.

1- Stage model which divides into a priori stages major tasks or phases.

2- Static framework that characterizes the overall process of venture creation without examining the sequence and dynamics of them.

3- Process dynamics in which qualitative methods have been used to explain how and why variations in context and process lead to outcomes.

4- Quantification sequences models that focus on a historical sequence of the new venture creation process without the understanding of dynamics of how antecedent conditions shape the present and the emergent future within the process.

5- Other models that do not fit within the four cited parameters.

Only 4 of the 32 process models, presented by Gartner (1985), Bruyat and Julien(2000), Sarasvathy(2006), and Shane (2003),is considered as converging on conceptualizing the entrepreneurial process by what was simultaneously generic and distinct from the process(Moroz & Hindle, 2012). Although none of these models are completely generic or distinct to entrepreneurship, but Shane (2003) presents a more comprehensive model of the entrepreneurial process which encompasses basis for unifying theory in entrepreneurship.

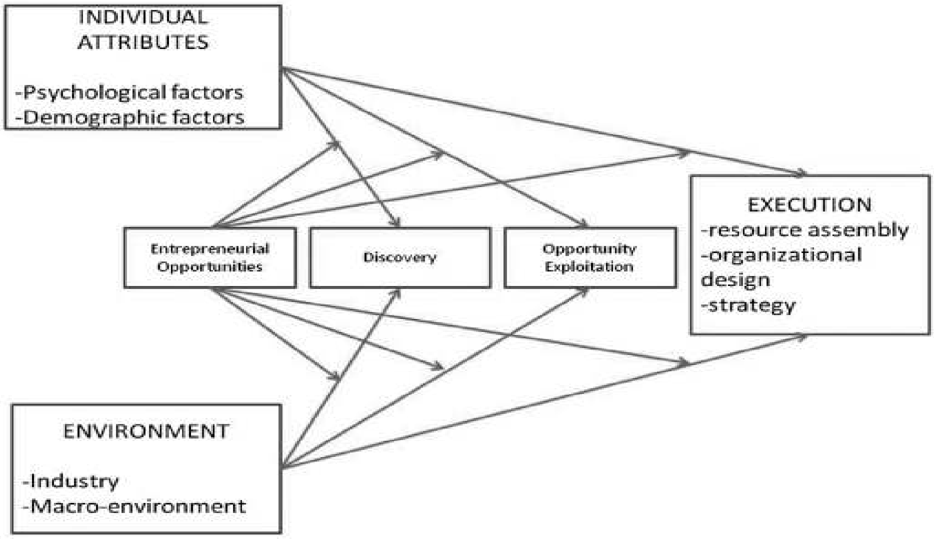
Shane's (2003) model of entrepreneurial process

As figure 1 show, the entrepreneurial process involves (1) the existence of profit based (objective) opportunities that may be exploited through the application of new means end relationships, (2) a variation among people in their willingness and ability to act, (3) a need to embrace uncertainty/risk bearing, (4) a requirement for purposive organizing, and (5) a requirement for some form of innovation. (Moroz & Hindle, 2012). Therefore, according to Shane's model of the entrepreneurial process, in this article we focus on three main dimensions of entrepreneurship: (1) focus on the existence, discovery, and exploitation of opportunities; (2) the influence of individuals in risk-taking and uncertainty and (3) focus on some forms of innovation.

The Existence of Entrepreneurial Opportunities

Entrepreneurial opportunities are the requisite and central aspects of entrepreneurship(Shane & Venkataraman, 2000)are "situation in which a person can create a new means-ends framework for recombining resources that the entrepreneur believes will yield a profit(Shane, 2003) . Shane (2003) clarifies the new means-ends frameworks by aligning his conceptualization of entrepreneurship with innovation. According to Venkataraman(1997) entrepreneurial opportunity, consists of a set of ideas, beliefs and actions that enable the creation of future goods and services in the absence of current markets for them.(Sarasvathy, Dew , Velamuri , & Venkataraman, 2005)

Shane's Model of the Entrepreneurial Process



Entrepreneurial opportunities can be divided into two categories. Some opportunities might arise as a result of the innovative activity of the potential entrepreneur, making the innovator the only one who is in a position to observe the existence of the opportunity. Other opportunities arise because people see that the market offers an entrepreneurial opportunity, perhaps as simple as buying something cheaply in one location and selling for more elsewhere, or perhaps as complex as buying inputs, combining them in a new manufacturing process, and selling a new product for a profit(Holcombe, 2003).First types of opportunities are called Schumpeterian opportunities; and second types are called Kirznerian opportunities. Schumpeterian opportunities are innovative and break away from existing knowledge, while Kirznerian opportunities are not very innovative and replicate existing organizational forms(Shane, 2003).Therefore, Kirznerian opportunities reinforce established ways of doing things, whereas Schumpeterian opportunities disrupt the existing system(Shane, 2003).

In addition of identification and evaluation of opportunities, individual should organize the resources into a new combination. The choice of the exploitation mode depends on whether the individual wanted to run their own business or use a market mechanism, such as licensing or franchising. Shane (2003), according to who discover the opportunities and who exploit them, present a categorization of exploitation mode. Different types of opportunities can influence on different strategies for exploiting the opportunities (table 1). First explanation refers to when an independent individual runs an independent startup by discovery and exploitation of opportunities individually. Spin-off as a mode of exploitation takes place when an individual discovers the opportunity as a member of an organization and organizes the resources individually into new combination. In market mechanism mode of exploitation, independent individual try to exploit the individual discovered opportunity through existing organizational resources. And in corporate venturing individuals not only identify the opportunity as an organizational member, also organization set possibility for exploitation of opportunities(Shane, 2003).

		Discovery Independent individual	Organization member
Exploitation	Independent individual	Independent start up	Spin- off
	Organization member	Acquisition /Licensing	Corporate venturing

Table1. The modes of exploitation(Shane, 2003)

Innovation

Individual responsible for the process of creating the new value in a business is another crucial aspect of the entrepreneurial process. Innovation, as the term, is used by Schumpeter, is a source of considerable new value creation. In fact, in the entrepreneurial process, the new value would not be created without innovation (Bruyat & Julien, 2000).Schumpeter identifies following five types of innovations that define the entrepreneurial actions (Schumpeter, 1934):

(1) The introduction of a new good – that is one with which consumers are not yet familiar – or of a new quality of a good.

(2) The introduction of a new method of production, that is one not yet tested by experience in the branch of manufacture David Riesman's distinction between internally, and externally guided people is somewhat similar to Schumpeter's concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially.

(3) The opening of a new market, which is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.

(4) The conquest of a new source of supply of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has been first to be created.

(5)the carrying out of the new organisation of any industry, like the creation of a monopoly position (for example, example through trustification) or the breaking up of a monopoly position(Schumpeter, 1934, p. 66).

Risk-taking

The variable of risk tolerance seems to deliver the crucial information for the entrepreneurial process (Caliendo & Kritikos, 2012).Risk taking orientation refers a willingness to commit resources in strategies or projects with unknown and uncertain outcomes(Li, Huang, & Tsai, 2009). Willebrands, Lammers, and Hartog(2012) distinguished between risk propensity and risk perception. They predict that higher-risk perception improves business performance. Although the propensity to take a risk is negatively related to profits, but if risk perception is included in the analysis, risk propensity is no longer significant. In other words, entrepreneurs with a higher perception of the financial risk earn higher profits(Willebrands, Lammers, & Hartog, 2012). There are three types of risk that individuals face when they are going to run business include business risk, financial risk, and personal risk(Dess & Lumpkin, 2005):

• Business risk-taking which is related to entering untested markets or committing to unproven technologies.
• Financial risk-taking which refer to borrow heavily or commit a large portion of resources in order to grow. And,
• Personal risk-taking refers to the risks that directly affect individual when an executive assumes in taking a stand in favor of a strategic course of action.

Methodology

When in situation, more detailed and broad information is needed, qualitative studies are more likely better(Cope, 2005). Whilst quantitative studies can produce useful findings, such types of studies do not necessarily capture more detailed insights and nuances of franchise activity(Dada et al., 2010; Elango & Fried, 1997). According to previous literature, more qualitative methods are needed in franchising studies(Dada et al., 2010; Elango & Fried, 1997). According to Yin (2003) contemporary phenomenon in real-life context is supposed to be investigated and there are no clear boundaries between phenomenon and context a case study will be used(Yin 2003)(p 13). Case study approach can convey an alternative to quantitative franchising research(Dada et al., 2010), which make it difficult to study it in detail (Saraogi, 2009).

According to Eisenhardt (1989), although it is impossible to know, how many cases are sufficient in a qualitative study, selecting between 4 and 10 cases usually works well(Eisenhardt, 1989). According to this, authors in franchising studies have followed this recommendation for case selection (for example,(Bill & Lorelle, 2006; Choo, Mazzarol, & Soutar, 2007; Dada et al., 2010). Therefore, in regard to the replication approach (Eisenhardt, 1989; Yin 2003) , and to provide better understanding of considering franchisee's activities, six cases from two franchise system in Iran were purposely selected (Patton, 2002) in this study. According to Yin (2003), a case study includes both single and multiple case studies; and in order to provide richer qualitative date, multiple case studies are preferred. Several data collection methods have been done in this research. For gathering data, semi-structured interviews and observations were used to be able to provide more elaborated and detailed data. According to Dada et.al (2010) , at least two respondents from each firm in the franchise agreement were interviewed. First, to get familiarity with the cases; within-case analysis was made (Eisenhardt, 1989; Yin 2003), and then the cross cases' analysis has been made(Yin 2003). Collected data was grouped in codes, (according to both predominant coding based on literature and also emerging coding)(Creswell, 2009)(Creswell, 2009), and after that became related to each other in similar themes.

Cases description

Shila Fast Food

Shila is a franchise in restaurant industry in Iran that is established in 2001. It has 18 franchised outlet. Four major services are offered in Shila chains include Hotdog, Berger and Sandwich, Pizza and Appetizer, also soft drinking. Parent company in Shila chain has set some standards in location design, supplying the product, pricing, customer services, quality and health, and human capital. According to organizational value in Shila, they committed their outlets to clients' rights, high quality in their product and services, healthy cooking methods, qualified staff knowledge and behavior. High quality of raw material, cooking the food in healthy way and without oil, using the fresh vegetable and use of food grade for packaging, are distinctive offered services in Shila chain. In this research, three more successful franchisees were selected for interview and more studying.

Icepack Iranian

Icepack Iranian as the first proven and well established franchise in food industry in Iran is found in 2001 after its founder introduces a new product of ice cream, which is named Icepack with copyright for the company. Icepack spread more than 100 outlets less than six months after the running. At the moment, it has 280 franchised outlets in Iran and other countries. Although, main product of this chain is a special kind of ice cream with several tastes, some other products such as milkshake, fruit juice, coffee, donate and popcorn, also, are offered in Icepack outlets. Icepack as an ice cream has a copyright for its formula, and no other companies are allowed to copy and produce it. In fact; Icepack has been established as a unique product different from other kinds of ice creams. Three successful franchised outlets fromIcepack Iranian were selected to have more elaborated view.

Findings and discussion

Within this study, all six franchisees are investigated to find to what extent their activities in run a business can be considered as entrepreneurship. All these outlets are owned by franchisees and there is no parent company-owned among them. For analyzing the activities, we have divided the data into three major categories including Entrepreneurial Opportunity (opportunity identification and evaluation, and opportunity exploitation), Risk-taking and Innovation.

Entrepreneurial opportunity

Entrepreneurship includes the two phenomena: the valuable opportunities and the enterprising individuals (Venkataraman, 1997). Natures of opportunity in both are different. Identification of Schumpeterian opportunities needs creation and recognition of new knowledge while Kirznerian opportunity's identification involves the discovery process(Shane, 2003). Opportunities in Schumpeterian view are depended on new information. Kirznerian opportunities emerge because prior decision makers made errors or omissions that create surpluses and shortages(Shane, 2003). As one all franchisee believed although they enter to franchise system to take advantage, but the parent company has no information about our local market such as people income, demand and so on. Also another said:

Actually, I was going to run a coffee shop when I felt there is lack of a good coffee shop in this city …. And as far as I was looking for a way to have an advantage from the starting point, I decided to negotiate with a well-known brand..

Moreover, the discovery, evaluation and exploitation of opportunities should differ between Schumpeterian and Kirznerian opportunities(Shane, 2003). Most of the franchisee operate in the different market with different resource condition (Cox & Mason, 2007). Nature of demand in a local market is different(Kaufmann & Eroglu, 1999). As one of the franchisee explained:

You may think I had not identified a unique opportunity, but nobody had asked the parent company for getting the franchise outlet before me. For example, now, there is no franchised outlet in some other cities. ... To me, there might not be an opportunity for a franchised outlet in there, although there are many in other cities.

In Kirznerian view, information is imperfectly distributed; all individuals do not receive new information at the same time. Consequently, some people who get information before others, will be able to discover the opportunity(Shane & Venkataraman, 2000). Moreover, Buying a business, also need opportunity recognition(Ketchen et al., 2011) when one franchisee said.

… moreover, I was the first one who found this is an opportunity for run a franchised outlet in this city, and I did it sooner than other in right time. … there are many people that wish to have my outlet.

Sources of Kirznerian opportunities are idiosyncratic. Like source of opportunity introduction of a new restaurant where none had existed before in a storefront. And this feature has made it difficult for a researcher to identify the source of opportunities. According to the franchising literature, there are two main theories, which explain the existence of franchising. Resource acquisition model in which franchisee is considered as a source for expending the business (Combs et al., 2004). According to this theory, franchisee are more familiar with local market opportunities (Kaufmann & Dant, 1999)and Franchisor uses the franchisees local knowledge in an entrepreneurial way to develop their business to local market(Cox & Mason, 2007) and take advantage of local opportunities. Second theory is agency theory in which franchisor solve the shirking and monitoring problem through the franchisee, and franchisee are expected to seek local market opportunities proactively while a franchise manager could not take advantage of local market due to hierarchy and constraints(Kaufmann & Dant, 1999).

Moreover, when potential franchisees, identify an opportunity individually, in fact, their resource commitments are coupled with an organization support in exploitation of opportunity. In this view, individuals try to use of market mechanism as a mode of opportunity exploitation(Shane, 2003). As one franchisee explained:

… I have identified the opportunity and for run an outlet I invested in it, although the parent company helped me to do it, but I could run it without their help ….

Innovation

However, franchisees are restricted in operating under the franchisor policy(Maritz, 2006) and franchisor limit franchisee’s innovative actions, but franchisees are the main source of new idea and innovation in franchising system. In fact, Franchisor uses the franchisee’s local knowledge in an entrepreneurial way to develop their business to local market (Cox & Mason, 2007). As far as franchisees operate in the local market with different customer preference,identification of core and peripheral elements are crucial for franchisor’s strategies (Kaufmann & Eroglu, 1999).So distinction must be made between the “core” and the “peripheral” elements of each format. Core elements refer to such elements in which standardization must be enforced without expectation and are vital for system’s survival. Peripheral element referred to those franchisors should make a balance between necessity of standardization across the whole system and local adaptation according to local market (Kaufmann & Eroglu, 1999). As one of the franchisee explained:

… However, we are not allowed to change core products and services, but we can change some less important services like types of drinking or delivery service and somehow store design. … we can change these services based on our experience of market and our idea.

So, Identification of core and peripheral elements are crucial for franchisor’s strategies (Kaufmann & Eroglu, 1999).For instance, whereas the nearly universal familiarity with the McDonald’s name has permitted more peripheral system identifiers to be relaxed, the core product/service deliverables are sacrosanct(Kaufmann & Eroglu, 1999). Or another franchisee who said:

We can choose store design, although the parent company can help us to decorate it. Alternatively, we have autonomy in local advertising or service delivery. Sometimes we can offer new services and product; of course, we coordinate it with the parent company, first of all.

Moreover, according to Schumpeter categorization of innovation, individual’s or company’s entrance to new geographical market is a breed of innovation. According to Schumpeter “the opening of a new market, which is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.”(Schumpeter, 1934) Therefore, as far as franchisee have a local knowledge and are responsible for business performance in it, running franchised out in a new geographical market can be considered as an innovation. As one of the franchisee explained:

I ran the first outlet in this city, and nobody had done it before me. … Isn’t it an innovation?! To me run a new Icepack (brand name) outlet in city is a new business and service. … , most of the products that you see them as an innovative product, there was in another country and for Iranian people are new precuts and services.

According to Shane (2003) “the introduction of snack crackers made of seaweed in the United States provides an example of an opportunity that takes the form of a new geographical market because this opportunity, which had existed before in Japan, had not existed in the United States” is a kind of the innovation.”(Shane, 2003)

Risk taking

Although some believed that franchisor services reduce the risk of franchisee but franchisees risk is never omitted and risk to still exist(Maritz, 2006). As one of the franchisee explained:

However, you do your business under the franchisor brand but operation under the proven brand just help you to reduce the risk of introduction of business, but you are still responsible to your outlet performance.

Franchisee risks their capital(Ketchen et al., 2011) . According to three types of risk including personal, financial and business risk (Dess & Lumpkin, 2005), franchisees explained:

Nobody will repay to you when you lose your investing. You are the only person who risks in their money because franchisor never invested in your outlet. They just help you for better performance, and also they get initial fee and royalty.
Or another who said.
I had opportunity cost when I invested in one franchise outlet, while franchisor has no opportunity cost.
Or another explained:
Run a business always has a risk, risk of losing your money, your reputation and …. Could you show me a business without any risk?
Risk in franchisee is, to some extent share with the franchisor(Ketchen et al., 2011). And both, risk in this relationship like other types of alliances. Franchisor, as well reduce the risk associated with new market (Kaufmann, 1999), and to take advantage of the local market expertise of operating retailers(Bradach, 1997) . As one franchisee explained:
We also reduce the risk of operation in new market with different customer preference for franchisor.
In addition of what has been cited in literature, some franchisee believed franchisor reputation has an important role in knowing which party takes more risk. When franchisee gets the right of operation under the well-established franchise system, It sounds franchisor are encountered with higher risk. But when franchisees are doing business under the unknown or less-known brand, franchisees are who take more risk. As two franchisees explained:
However, we risk when we run a business but as far as we are doing business under the famous brand so franchisor also take a risk because weak performance of franchisee damaged the brand.
Or another franchisee who said:
They (franchisor) just get the money while brand is not so famous, while we risk our money.
Moreover, there is no convincing evidence that franchising is less risky for franchisees than operating an independent business(Stern & Stanworth, 1994))

Conclusion

Despite the increasing in using franchising for doing a business, there are limited studies about franchising (Ketchen et al., 2011). Researching in franchising has been viewed through four major perspectives: Economics, strategic, marketing and entrepreneurship. From economics point of view, franchise is a way for knowing structure of contract. Strategic scholars have considered it as an organizational form. In marketing perspective franchise is an important distribution channel and finally according to the entrepreneurship researchers it is a way for start up and an entrepreneurial development of business. (Combs et al., 2004). Although there is a consensus that franchisors' activities are considered as entrepreneurship, but this notion is disputed with regard to franchisees(Falbe et al., 1999). Paradox in entrepreneurial activities of franchisee has made a doubt in considering franchisees' activities as entrepreneurship (Dada et al., 2010).

For considering franchised outlet as entrepreneurship, regarding to unique aspects of entrepreneurship research is better than unique definition of entrepreneurship(Kaufmann & Dant, 1999).Scholars in the entrepreneurship field believe there is a "thing as entrepreneurial process"(Moroz & Hindle, 2012)which has an important role in the nature of entrepreneurship.Study of the entrepreneurial process well suited for both theoretical examination and for practical application (Moroz & Hindle, 2012). According to Shane's model (2003) the entrepreneurial process involves the existence of profit based (objective) opportunities, risk-taking and some kind of innovation. Although, some believe franchising provide opportunities for franchisees to act entrepreneurially(Dada et al., 2010), according to opportunity dimensions in Shane (2003), the discovery, evaluation and exploitation of opportunities should differ between Schumpeterian and Kirznerian opportunities. Nature of opportunity in franchised outlets is closer to Kirznerian view than Schumpeterian view. Although the source of opportunities in franchised outletsare not so clear, like introduction of a new restaurant where none had existed before in a storefront. Many scholars believed, first-time franchisees undergo an opportunity recognition process (Guilloux, Gauzente, Kalika, & Dubost, 2004; Kaufmann, 1999). Kirznerian nature of opportunity in a franchised outlet, impacts on exploiting strategy. In franchised outlet, potential franchisees try to exploit the individual discovered opportunity through existing organizational resources.

Some who do not consider franchisee as entrepreneurship, believe franchisees are limited by franchisors in some kind of innovation. Others pointed out, like franchisee no other entrepreneurs are unconstrained(Kaufmann & Dant, 1999). Although Franchisee is not allowed to deviate from franchisor standard(Dada et al., 2010) but as far as franchisee is more familiar with local market(Cox & Mason, 2007) , making a balance between these two strategies, economies of scale and local operation is very important in franchising(Kaufmann & Eroglu, 1999). Different customer preferences in the local market cause franchisees to look for adoption in the local market. (Dada et al., 2010). Moreover , according to different types of innovation in Schumpeter's view, franchisees' operation involves product-market innovativeness include market research, product design, and innovations in advertising and promotion (Dess & Lumpkin, 2005).

Regarding to risk-taking as third dimension of entrepreneurial process, franchisees risk their capital. Although it seems in franchise systems, risk in franchisee is, to some extent, share with the franchisor(Ketchen et al., 2011) but no franchisors will be able to eliminate the financial, business and personal risk of franchisees. Franchisor, also, transfer the risk of expanding into new market to franchisees.

In summary, Franchisees do almost all functions as other entrepreneurs except generating new idea in initial step of running a business (Ketchen et al., 2011), however, in some cased like a franchised outlet in India, there are many innovations in raw material, product and raw material(Kaufmann & Eroglu, 1999).

As well, franchisee assuming the risk of business for franchisor and franchisee become a partner in entrepreneurship(Kaufmann & Dant, 1999).It is notable that due to nature of opportunity in franchisee, as a Kirznerian view of opportunity, risks of business are less than Schumpeterian view.

In this research, we just examined the running a franchised outlet as entrepreneurship. According to importance of entrepreneurial activities in firm' growth and superior performance of franchising(Cox & Mason, 2007) it seems to be important to know; does entrepreneurial orientation of franchisee have any role in franchising performance, or regarding to importance of standardization in a franchise system; and how does franchisee can develop entrepreneurial strategies in their outlet?

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