

# ***Community Legal Education for People Seeking to 'Buy Themselves a Job'***

By Jeff Giddings<sup>1</sup>, Lorelle Frazer<sup>2</sup>, Debra Grace<sup>3</sup>, Scott Weaven<sup>4</sup> & Michael Robertson<sup>5</sup>

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## **Abstract**

This paper builds on recent analysis of the value and limits of public legal education (PLE). It reviews developments in the PLE and self-help literature and then considers issues raised by a comprehensive evaluation of an on-line education program for potential franchisees provided by the Asia Pacific Centre for Franchising Excellence. The evaluation considered whether participants in the *Pre-Entry Franchise Education Program* approached the decision and subsequent evaluation of their franchising experience in a different manner to those individuals who did not undertake the PLE program. Given the limited number of evaluations conducted of forms of PLE, this evaluation provides useful insights for those responsible for the development of PLE resources.

## **I. INTRODUCTION**

Public legal education (PLE) 'is an umbrella term used to describe targeted initiatives promoting public awareness and understanding of individual rights, the law and the legal system'.<sup>1</sup> Gander describes PLE as a 'multi-functional tool that can be used alone or in combination with other services to meet a variety of objectives set by governments; legal service providers; education institutions; community service and advocacy organisations; and a myriad of special interest groups'.<sup>2</sup> In Australia, PLE is referred to as 'Community Legal Education' and has been prominent in the work of community legal centres and legal aid commissions since the 1970s.<sup>3</sup> Some PLE resources are concerned with general awareness of legal issues while others are more problem-specific and targeted to particular tasks.<sup>4</sup> These targeted resources have been characterised as legal self-help and self-advocacy resources.<sup>5</sup>

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<sup>1</sup> Professor, Faculty of Law, Monash University, Melbourne, Australia

<sup>2</sup> Professor, Department of Marketing, Griffith University, Queensland, Australia

<sup>3</sup> Professor, Department of Marketing, Griffith University, Queensland, Australia

<sup>4</sup> Professor, Department of Marketing, Griffith University, Queensland, Australia

<sup>5</sup> Adjunct Professor, School of Law, University of Southern Queensland, Australia

<sup>1</sup> Catrina Denvir, Nigel J. Balmer & Alexy Buck, *Informed Citizens? Knowledge of Rights and the Resolution of Civil Justice Problems*, 41 (3) *J. Social Policy* 592 (2012).

<sup>2</sup> Lois Gander, *The Changing Face of Public Legal Education in Canada*, 6 *Canadian Forum on Civil Justice* 4 (2003).

<sup>3</sup> Sam Biondo, *Community Legal Education*, Ch. 10 in Jeff Giddings (ed.), *Legal Aid in Victoria: at the Crossroads Again* Fitzroy Legal Service Press, Melbourne (1998).

<sup>4</sup> Denvir, Balmer & Buck, *supra* note 1, at 592.

<sup>5</sup> Jeff Giddings & Michael Robertson "Informed litigants with nowhere to go": Self-help legal aid services in Australia, 26 (4) *Alternative Law Journal* 184 (2001), Jeff Giddings & Michael Robertson, *Large Scale Map or the A-Z? The Place of Self Help Services in Legal Aid*, 30 (1) *British Journal of Law and Society* 102-119 (2003); Jeff Giddings & Michael Robertson, "Lay people, for God's sake! Surely I should be dealing with lawyers?" *Towards an assessment of self-help legal services in Australia*, 11 (2) *Griffith Law Review* 436

Much of the literature on PLE addresses the importance of raising awareness as part of addressing social justice concerns.<sup>6</sup> This paper seeks to consider PLE in a different context. It examines an on-line education program for people contemplating joining a business franchise system. Australia has a prominent franchising sector with close to 1200 franchise systems engaged in the provision of a diverse range of goods and services.<sup>7</sup> The PLE process addressed in this paper is the Pre-Entry Franchise Education Program provided by the Asia-Pacific Centre for Franchising Excellence at Griffith University. Having been made available in 2010, the Pre-Entry Franchising Education Program has been accessed more than 10,000 times.<sup>8</sup> The program involves 5 modules, each of which culminates in a quiz. The modules address topics and issues that are legal in nature, including contracts, disclosure, regulatory requirements, leasing, intellectual property, due diligence and dispute resolution. As a form of PLE, the content of the resource is not particularly novel but the audience is not one that has been targeted in the past.

The merits of directing resources to develop PLE to support and inform people interested in entering a franchise system are strengthened by the significant growth in the prominence of self-employment in general and franchising in particular. Australian Bureau of Statistics figures for 2014 refer to 11.5 million people being employed in Australia, with 800,000 of those being owner managers of incorporated enterprises with a further 1.2 million owner managers of unincorporated enterprises.<sup>9</sup> Many prospective franchisees are, at least in part, motivated by the opportunity to 'buy themselves a job' and this highlights the need for targeted PLE to prepare such people to make sound choices in relation to becoming a franchisee. In particular, they need to understand their options and the complex legal and regulatory nature of the franchisee-franchisor relationship<sup>10</sup> and when they should obtain expert advice rather than rely on their own 'gut feeling'.

A comprehensive evaluation of the Pre-Entry Franchise Education Program<sup>11</sup> conducted in 2012-2103 raised a range of issues related to the importance and

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(2002); Michael Robertson & Jeff Giddings, Self-Advocates in Civil Legal Disputes: How Personal and Other Factors Influence the Handling of Their Cases, 38(1) Melbourne University Law Review 119 (2014); Merran Lawler, Jeff Giddings & Michael Robertson, 'Opportunities and Limitations in the Provision of Self-Help Legal Resources to Citizens in Need', 30(1) Windsor Yearbook of Access to Justice 187(2012).

<sup>6</sup> Gander, supra note 2, at 4.

<sup>7</sup> Lorelle Frazer, Scott Weaven & Anthony Grace, Franchising Australia 2014, <[https://www.franchise.edu.au/\\_\\_data/assets/pdf\\_file/0009/657063/FranchisingAustralia2014\\_webversion.pdf?bustCache=93366477](https://www.franchise.edu.au/__data/assets/pdf_file/0009/657063/FranchisingAustralia2014_webversion.pdf?bustCache=93366477)>

<sup>8</sup> The Program is accessible at <<https://www.franchise.edu.au/home/education/for-franchisees/pre-entry-franchise-education>>

<sup>9</sup> <http://www.abs.gov.au/ausstats/abs@.nsf/0/A8CAED8E5F9FB2E1CA257F1F00044E8C?Opendocument>

<sup>10</sup> Jeff Giddings, Scott Weaven, Debra Grace & Lorelle Frazer, Taking care of business: are franchise systems structured to promote conflict?, 22 (1) Australasian Dispute Resolution Journal 41(2011).

<sup>11</sup> Lorelle Frazer, Debra Grace, Scott Weaven & Jeff Giddings, Preparation for Franchising: A Study of Prospective and Current Franchisees, (July 2013) <[https://www.franchise.edu.au/\\_data/assets/pdf\\_file/0007/887020/Preparation-For-Franchising-Report-2013.pdf](https://www.franchise.edu.au/_data/assets/pdf_file/0007/887020/Preparation-For-Franchising-Report-2013.pdf)>

effective design of business-related, tailored PLE resources. The evaluation was commissioned by the principal regulator of Australia's franchising sector, the Australian Competition and Consumer Commission (ACCC). It built on findings from a series of related research projects that addressed the causes of conflict within franchising systems and appropriate methods for addressing such conflict. The evaluation included a control group of participants who had not completed the Pre-Entry Franchise Education Program, enabling deeper consideration of the program's impact. The scarcity of evaluations of targeted PLE adds to the significance of both this project and this paper. In 2014, the Law and Justice Foundation of New South Wales conducted a systematic review of the outcomes of community legal education and found only two studies that provided evidence that community legal education can change participants' behaviour in the short to medium term.<sup>12</sup> This indicates there is significant scope for further research in this area.<sup>13</sup>

The evaluation of the Pre-Entry Franchise Education Program demonstrates the value of providing a comprehensive picture for people considering the making of a major decision involving legal issues and contractual rights and responsibilities. As mentioned earlier, the evaluation was distinctive in its inclusion of a control group of relevant individuals who had not availed themselves of the PLE resource, enabling comparisons to be made to better understand the value of the resource. Before addressing the program evaluation, the paper outlines the development of PLE in various countries and then considers PLE's relationship to legal self-help, the sort of targeted self-help referred to at the start of this paper. The paper then provides an overview of Australia's franchise sector including its regulation and research on decision-making by prospective franchisees. The paper then provides an overview of the Pre-Entry Franchise Education Program and a comprehensive account of its evaluation, analysing the results and identifying implications for business-related PLE.

## **II PUBLIC LEGAL EDUCATION**

There are strong parallels in the origins of PLE in Canada and CLE in Australia. Gander describes Canadian PLE taking shape in the late 1960s and early 1970s as various agencies responded to the needs of people who saw the law affecting their lives in a direct way. PLE went on to become 'an integral part of the Canadian legal landscape' enabling 'Canadians to learn more about virtually any aspect of the law through a variety of formats and at varying levels of sophistication'.<sup>14</sup> In Australia, CLE was a major focus for the early community legal centres in the 1970s.<sup>15</sup> While in the mid-1980s, the private legal profession characterised CLE as a luxury that legal

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<sup>12</sup> Ania Wilczynski, Maria Karras & Suzie Forell, *The Outcomes of Community Legal Education: A Systematic Review: Justice Issues Paper 18*, Law and Justice Foundation of New South Wales (December 2014).

<sup>13</sup> Albiston & Sandefur have surveyed the recent renaissance in access to justice research. See Catherine R. Albiston & Rebecca J. Sandefur, *Expanding the Empirical Study of Access to Justice*, *Wisconsin Law Review* 101 (2013).

<sup>14</sup> Gander, *supra* note 2, at 4.

<sup>15</sup> John Chesterman, *Poverty Law and Social Change*, Melbourne University Press, (1996).

aid might be unable to afford, this view has been rejected with the Federal Government's 1995 *Justice Statement* offering clear recognition of the central role of CLE in demystifying the law and improving access to justice.<sup>16</sup>

Much of the research on PLE as a form of legal assistance has been concerned with supporting disadvantaged people to understand and address legal issues. The purpose of these PLE resources has been to reduce the adverse consequences of seeking to make appropriate choices on law-related issues based on limited information.<sup>17</sup> In Australia, the National Association of Community Legal Centres, legal aid commissions and the Law and Justice Foundation of New South Wales have led the way in consideration of such issues.<sup>18</sup> In the UK, the Legal Services Research Centre was prominent in developing understanding of PLE until the Centre was closed in 2013 while Law For Life is now prominent in this space.<sup>19</sup> Canada has an extensive group of PLE networks and associations.

Discussion of PLE became more prominent in the UK a decade ago in the wake of dramatic cuts to legal aid funding. In 2008, Buck, Pleasence and Balmer wrote of the call by Legal Action Group, the Citizenship Foundation and the Advice Services Alliance for a national strategy to fund public legal education on citizens' rights and knowledge of the law.<sup>20</sup> PLE was recognised as an important part of enabling people to recognise legal issues and know how to deal with them.<sup>21</sup> They drew parallels between PLE and citizen education in their mutual encompassing of 'varied dimensions of awareness, knowledge, understanding *and* skills and confidence'.<sup>22</sup> They also highlighted that PLE 'initiatives that help people recognise and deal with problems earlier may result in improved and less costly solutions, both financially

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<sup>16</sup> Biondo, *supra* note 3, at 172.

<sup>17</sup> John Robins (ed), *Waking Up to PLE*, Solicitors Journal (2013).

[http://www.solicitorsjournal.com/sites/default/files/SJ\\_Justice%20Gap\\_PLE%202013\\_LOW%20RES.pdf](http://www.solicitorsjournal.com/sites/default/files/SJ_Justice%20Gap_PLE%202013_LOW%20RES.pdf)

<sup>18</sup> The National Association of Community Legal Centres maintains the Community Legal Education and Reform database: See [http://www.naclc.org.au/cle\\_database.php](http://www.naclc.org.au/cle_database.php) The Law and Justice Foundation of New South Wales has undertaken major research projects See also Christine Coumarelos, Deborah Macourt, Julie People, Hugh M. McDonald, Zhigang Wei, Reiny Iriana & Stephanie Ramsey, *Access to Justice and Legal Needs*, Volume 7, Legal Australia-Wide Survey Legal Need in Australia, Law and Justice Foundation of New South Wales, August 2012

<[http://www.lawfoundation.net.au/ljf/site/templates/LAW\\_AUS/\\$file/LAW\\_Survey\\_Australia.pdf](http://www.lawfoundation.net.au/ljf/site/templates/LAW_AUS/$file/LAW_Survey_Australia.pdf)> & S. Forell & Hugh M. McDonald, *Community Legal Education and Information at Legal Aid NSW: Activities, Costs and Future Planning*, July 2015,

[http://www.lawfoundation.net.au/ljf/site/articleIDs/06CA067847F3CF7DCA257E9E000E3BB1/\\$file/CLEI\\_Legal\\_Aid\\_NSW.pdf](http://www.lawfoundation.net.au/ljf/site/articleIDs/06CA067847F3CF7DCA257E9E000E3BB1/$file/CLEI_Legal_Aid_NSW.pdf) There has also been research on innovations in legal aid services (see Cate Banks, Rosemary Hunter, & Jeff Giddings, *Australian Innovations in Legal Aid Services: Balancing Cost and Client Needs*, Socio-Legal Research Centre, Griffith University, Brisbane (2006) and self-help legal services (see Giddings and Robertson, *supra*, note 5).

<sup>19</sup> <http://www.lawforlife.org.uk/>

<sup>20</sup> Alexy Buck, Pascoe Pleasence & Nigel J. Balmer, Do Citizens Know How to Deal With Legal Issues? Some Empirical Insights, 37 (4) *Journal of Social Policy* 661 (2008).

<sup>21</sup> See *id.* at 662

<sup>22</sup> See *id.*

and emotionally. Law-related problems have knock-on effects on health and other public services'.<sup>23</sup>

In 2012, Denvir, Balmer and Buck referred to the emergence of PLE as being consistent with public sector efforts to reduce spending or ration resources.<sup>24</sup> In their analysis of the results of the English and Welsh Civil and Social Justice Survey, they identified that people who lack knowledge of their legal rights were less likely to obtain advice.<sup>25</sup> This appears to indicate that people 'need to know what they don't know' in order to seek to address their situation, either on their own or with the involvement of advisors. Denvir, Balmer and Buck also identified that 'knowledge of rights does not appear to be associated with a particular advice-seeking preference, but may play a role in aiding individuals to select an appropriate course of action; that those lacking knowledge fare less well when handling the problem alone; and that they fail to obtain the advice they seek more often.'<sup>26</sup> They also argued that targeted PLE in the nature of self-help resources was likely to remain restricted to users with the personal capacity to handle problems alone.<sup>27</sup>

In 2013, the *Solicitors Journal* published an edited collection of short articles titled 'Waking Up to PLE'.<sup>28</sup> It highlighted the work of Law For Life, a charitable trust focused on ensuring that 'people have the knowledge, confidence and skills to deal with law-related issues'.<sup>29</sup> Contributors addressed the potential of PLE, in terms of its contributions to citizenship and the changing nature of lawyer-client relationships. Passmore described PLE as 'the Cinderella of legal services', noting that many 'individual and small business consumers simply don't get the legal services they need; a combination of cost, fear and poor information are responsible'.<sup>30</sup> Alex Roy, Passmore's colleague at the Legal Services Board, referred to focus group research to argue that 'the internet has the potential to break down barriers between general, tailored and assisted information, advice, negotiation and litigation to provide consumers with greater integration of service across their legal needs'.<sup>31</sup> These significant claims for PLE warrant close analysis given the potential for unsupported access to PLE to generate mismatches between the information provided and the questions people need answered.

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<sup>23</sup> See id at 664.

<sup>24</sup> Denvir, Balmer & Buck, supra, note 1, at 593.

<sup>25</sup> See id, at 608.

<sup>26</sup> See id at 609.

<sup>27</sup> See id, at 610.

<sup>28</sup> Robins, supra, note 17.

<sup>29</sup> <<http://www.lawforlife.org.uk/>>

<sup>30</sup> Crispin Passmore, The Cinderella of Legal Services, in Robins, supra note 17, at 20-21.

<sup>31</sup> Alex Roy, Caught in a Web, in Robins, supra, note 17, at 61.

### **A. Public Legal Education and Self-Help**

Research on self-help legal resources provides a framework that may be useful in considering the potential and limitations of targeted PLE initiatives.<sup>32</sup> In that research, four different self-help settings were the subject of in-depth case studies, from relatively straightforward non-litigious tasks such as making an application for probate through to highly complex legal processes related to a parent or carer seeking the return of a child removed from their care due to protection concerns. By examining diverse instances of legal self-help, some broader observations were made about the circumstances in which it is appropriate (or inappropriate) to expect people to take on responsibility for resolving their own legal issues. This research found that the quality, conduct and experience of self-help legal work is shaped by a large number of potential variables, which can be grouped into three main factor sets:

The **context/environment**, which refers to the general setting in which the self-help legal activity is carried out. Contextual factors include the utility of the physical environment from the self-helper's perspective, the quality and levels of information, support or assistance available to self-helpers, as well as the attitudes and practices of the officials and other players who inhabit the spaces in which this work is performed.

The **legal work itself**, or the kind of 'legal transaction' being undertaken, including its nature and the type of legal activity required to complete it; in other words, its level of difficulty from the self-helper's perspective (to which we refer in shorthand as its degree of 'legal complexity').

The personal characteristics of the **self-helpers**, including, for example, their age group, gender, vocation, income level, skill set and language abilities. Some of these characteristics, such as skills and language abilities, might significantly facilitate or hinder the conduct of the matter at hand. Personal characteristics also include *attitudinal* characteristics of the users, such as levels of motivation, engagement and commitment.<sup>33</sup>

Using this framework, the Pre-Franchise Education Program operates in an environment that should enable it to make an effective contribution to the decision-making of at least some potential franchisees. The franchising sector is well-regulated and there are a range of information sources that can assist prospective franchisees, most notably the website of the key regulator, the ACCC. While comprehensive sector regulation helps to structure the choices and assessments a prospective franchisee must make, the legal work itself is complex in nature. It involves complex contracts and business analysis that are likely to be particularly challenging for those prospective franchisees with little in the way of business

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<sup>32</sup> Giddings & Robertson, *supra*, note 5.

<sup>33</sup> Robertson & Giddings, *supra*, note 5.

experience. As a group of self-helpers, franchisees are likely to be highly motivated, with the confidence and determination to pursue this type of business opportunity.

### **III AUSTRALIA'S FRANCHISING SECTOR**

The Australian franchising sector currently is comprised of more than 1160 franchise systems and some 79000 franchise units. Following rapid growth up until the Global Financial Crisis, there has been some rationalisation and then slow growth since 2008 which is consistent with the general economic downturn. More than 460 000 people are employed directly in the franchising sector. Sales turnover of the entire Australian franchising sector was estimated at \$144 billion in 2014. While a range of major international franchise systems operate in Australia, 86 percent of systems operating in 2014 originated in Australia.<sup>34</sup>

Franchising is a popular means of entry into small business, particularly for first time operators who would otherwise find it difficult to start up a small business due to their inexperience.<sup>35</sup> The sector is regulated by a mandatory industry code of conduct, the Franchising Code of Conduct (the Code), which aims to regulate the conduct of franchisors and franchisees. In particular, the Code seeks to ensure that prospective franchisees are sufficiently informed about a franchise before entering into a franchise agreement. To facilitate this process, the Code requires franchisors to provide a detailed Disclosure Document to prospective franchisees, thus enabling them to make a more informed decision about their potential investment.

Yet, despite the availability of information about the franchise system, many prospective franchisees enter franchising without conducting proper due diligence (i.e. investigating the potential investment and verifying information provided). They tend to rely heavily on the experience, training and knowledge of the franchisor to equip them to achieve their business objectives.<sup>36</sup> Because franchising resembles a master-mentor framework, many prospective franchisees are lax about thoroughly investigating a franchise before making a commitment to join the system, instead relying on cues such as size of the system, persuasiveness of the franchisor and their assessment of the product or service involved as evidence of a suitable choice.

The effectiveness of current regulatory frameworks has been a matter of continued discussion and debate, both in Australia and other mature markets.<sup>37</sup> In particular, issues surrounding access to business advice, the availability of relevant information

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<sup>34</sup> Frazer, Weaven & Grace, *supra*, note 6, at 5.

<sup>35</sup> Debra Grace, Scott Weaven, Lorelle Frazer & Jeff Giddings, Examining the Role of Franchisee Normative Expectations in Relationship Evaluation, 89 (2) *Journal of Retailing*, 219 (2013).

<sup>36</sup> Tracy Harmon & Merlyn Griffiths, Franchisee Perceived Relationship Value, 23 (4) *Journal of Business and Industrial Marketing* 256 (2008).

<sup>37</sup> For example, see Rozenn Perrigot, Guy Basset, Daniele Briand & Gerard Cliquet, Network uniformity and risk of reclassification of the franchise contract, 42 (10) *International Journal of Retail & Distribution Management* 884 (2014); Grace, Weaven, Frazer & Giddings, *supra*, note 35; Scott Weaven, Lorelle Frazer, & Jeff Giddings, New perspectives on the causes of franchising conflict in Australia, 22 (2) *Asia Pacific Journal of Marketing and Logistics* 135 (2010).

and conduct of adequate due diligence, and franchisor opportunism (e.g. ad hoc recruitment of franchisees to ensure cash flow) have been raised as areas of concern in the Australian franchising context.<sup>38</sup> Given this, and in recognition that many prospective franchisees appear to find difficulty in properly evaluating franchise opportunities, some of the authors of this paper have suggested that, in order to reduce conflict in franchising, the sector would benefit greatly from educational programs targeted specifically to potential franchisees prior to franchise entry.<sup>39</sup>

### **A. Research on Franchise Sector Conflict and Regulation**

The evaluation project addressed in this paper builds on earlier franchising-related research collaborations. From 2008 to 2009, the authors collaborated with the Australian Competition and Consumer Commission (ACCC) via an Australian Research Council (ARC) Linkage Project to investigate the causes of conflict in franchising relationships. A major finding of the study was that almost half the franchisees surveyed (49 percent) indicated that they relied on their 'gut feeling' as a major influence in the decision to enter franchising.<sup>40</sup> In addition, only 42 percent of respondents felt that their experience of franchising had matched their expectations.<sup>41</sup>

The research revealed that this lack of adequate preparation, prior to entering a franchise, often created an *expectations gap* when reality failed to measure up to the franchisee's preconceived notions about important aspects of the franchise, such as work-life balance, degree of franchisor support and level of profitability. The research clearly revealed the need for better preparation for entering franchising on the part of prospective franchisees as a means of avoiding this major source of conflict. It was important to work towards clearer alignment and development of shared understandings.

Franchising as a business model that contains structural challenges that may be less than obvious to potential franchisees. As franchisees do not represent fully independent entrepreneurs, but lie somewhere between being employees and independent contractors<sup>42</sup>, tailored information is needed beyond generic

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<sup>38</sup> The Wein Report and the Australian Government's Industry Consultation Paper published in 2013 in response to the report of Wein's review of franchising regulation identified the need for further education of franchisees in the following areas: undertaking due diligence; consequences of franchisor failure; dispute resolution; common law obligations; and rights regarding the transfer, renewal or end of a franchise agreement. Scott Weaven, Debra Grace, Lorelle Frazer & Jeff Giddings, The effect of pre-entry information on relational outcomes in franchising: Model conceptualisation and gender comparison, 48 (1/2) *European Journal of Marketing* 193(2014); Scott Weaven, Debra Grace, Lorelle Frazer & Jeff Giddings, Processual antecedents of perceived channel conflict in franchising, 15 (2) *Journal of Business Economics and Management* 316 (2014).

<sup>39</sup> Giddings, Weaven, Grace & Fraser, *supra*, note 10.

<sup>40</sup> Lorelle Frazer, Jeff Giddings, Scott Weaven, Debra Grace & Anthony Grace, *Towards Conflict Resolution: Australian Survey, 2009*, Australia-Pacific Centre for Franchising Excellence, 12.

<sup>41</sup> See *id* at 20.

<sup>42</sup> David J. Ketchen, Jeremy Short, & James Combs, Is franchising entrepreneurship? Yes, no, and maybe so, 35(3) *Entrepreneurship Theory and Practice* 583, at 593 (2011).



entrepreneurship education. Successful educational approaches need to accommodate the atypical nature of a franchise contract in which two parties (i.e. franchisor and franchisee) are bound together in a contract, but seek mutual and separate profitability.<sup>43</sup> As such, any education program seeking to assist individuals in forming realistic assessments of the franchise opportunity (i.e. during pre-entry, purchase and post-purchase evaluation stages) must be context (i.e. franchising) specific and relevant.

#### **IV EVALUATION OF PRE-ENTRY FRANCHISE EDUCATION PROGRAM**

The next part of this paper addresses an evaluation of a Pre-Entry Franchise Education Program. It sets out the aims of the evaluation, the methods used, the data generated and the analysis undertaken.

The Pre-Entry Franchise Education Program is comprised of five online modules, which contain a mixture of text, graphical, audio and visual resources.<sup>44</sup> It was designed to enable potential franchisees to make better informed decisions and overcome flawed assumptions about the franchise sector and about particular franchise systems. The program addresses the following aspects of franchising:

- Overview;
- Disclosure requirements and the franchise agreement;
- Royalties, marketing and other financial aspects;
- Support and the operations manual;
- Location issues – Sites and territories;
- Property rights, including leasing and intellectual property;
- The franchisor-franchisee relationship, particularly dispute resolution;
- Suitability for the franchisee role.

The program was developed in consultation with the ACCC. Participant feedback on the efficacy of the program is gathered annually, enabling regular refinement and improvement of the resources. The program is offered free of charge to participants as a community service. It comprises five multi-media modules, each lasting approximately 45 minutes. Participants are encouraged to complete one module per day. Each module uses a culminating quiz to test understanding of the concepts and content and an electronic certificate is emailed upon successful completion of each module. Several franchisors now require prospective franchisees to complete the program prior to beginning pre-purchase negotiations.

#### **A. Evaluation of the Program - Aims**

Two years after the program's launch in 2010, the Department of Industry, innovation, Climate Change, Science, Research & Tertiary Education (DIICCSRTE)

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<sup>43</sup> Parliament of South Australia, Economic and Finance Committee, Final Report, Franchises, Report No 65, at 17 (2007).

<sup>44</sup> See <<https://www.franchise.edu.au/home/education/for-franchisees/pre-entry-franchise-education>>

commissioned an investigation into the effectiveness of the Pre-Entry Franchise Education Program. Four of the authors of this paper were engaged to undertake this program evaluation. The specific goal of the evaluation was to determine whether participants in the *Pre-Entry Franchise Education Program* approached the decision and subsequent evaluation of their franchising experience (i.e. “purchasers” only) in a different manner to those individuals who did not undertake the program. In order to obtain empirical evidence to address this goal, the evaluation addressed the following:

- A. Whether the expectations gap decreased for franchisees who participated in pre-entry education;
- B. The proportion of people who decided not to enter franchising following participation in pre-entry education;
- C. The amount and type of due diligence undertaken by franchisees who participated in the pre-entry education compared to those who did not; &
- D. Whether franchisees who undertake pre-entry education were more satisfied with franchising than those who did not.

This investigation followed a quasi-experimental research design, which involved the administration of an online survey of franchisees who had not participated in the Pre-Entry Franchise Education Program (control group) and franchisees who had participated in the program (experimental group).

## ***B. Methods***

In accordance with the *National Statement of Ethical Conduct in Research Involving Humans*, ethical clearance was obtained for the project from the Griffith University Human Research Ethics Committee.

### *Phase One – Interviews with Prospective and Current Franchisees*

The *second phase* of this research involved the development and administration of an online survey. The first phase of the project was *qualitative* in nature, providing rich data about the level of preparation prospective franchisees undertake prior to entering franchising.<sup>45</sup> In total, 50 people were interviewed. They consisted of 25 people who had completed the *APCFE'S Pre-Entry Franchise Education Program* between 2010 and 2012. Some of these people were still searching for a franchise opportunity (10 people), some had since become franchisees (10 people) and the remainder had decided not to pursue franchising after all (5 people). The second sample comprised 25 people who were currently operating franchisees who had *not* undertaken the program.

### *Phase Two – On-line Surveys of Franchisees and Program Participants*

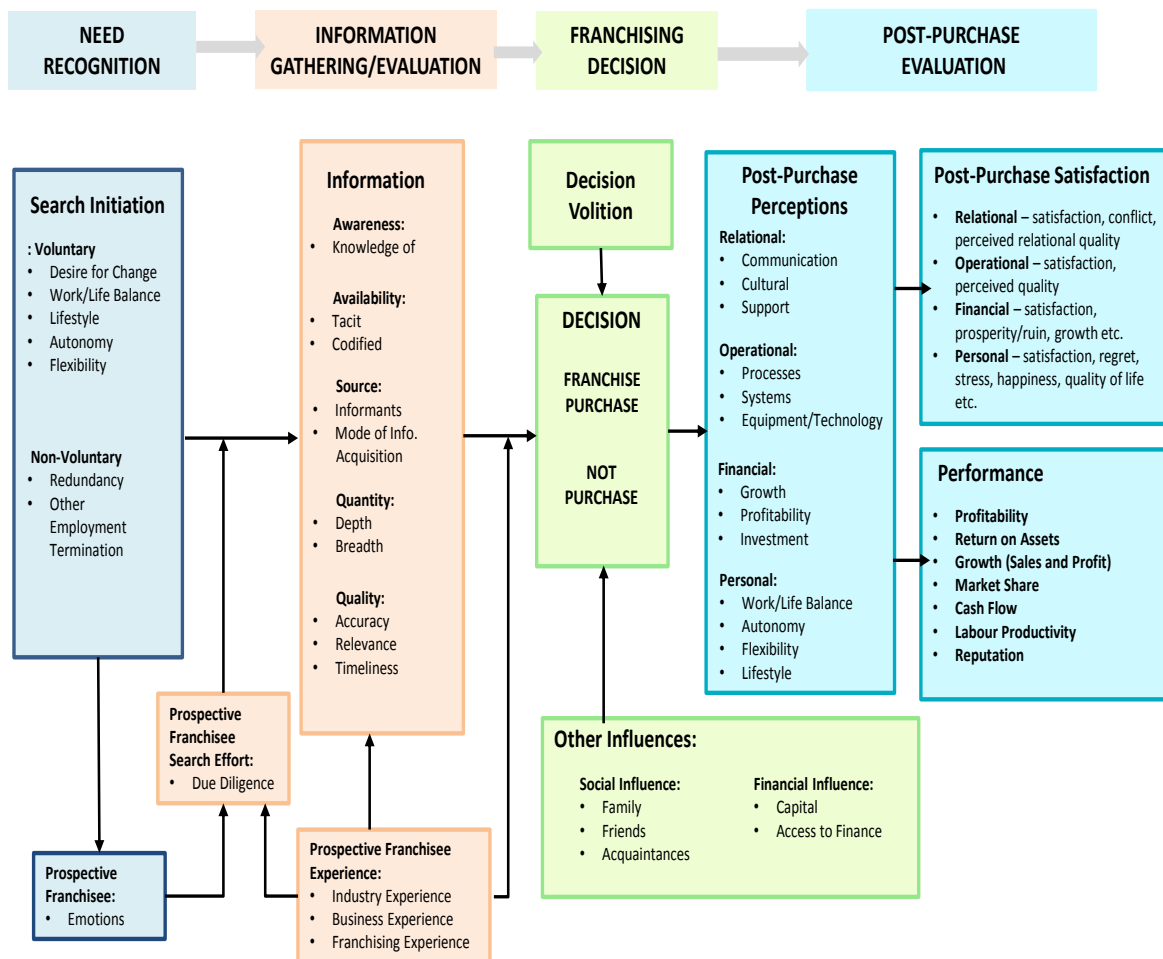
The process of survey development followed an intricate process involving qualitative interviews, and the development of survey measures. Essentially, the constructs of interest were identified within a model of franchising decision-making,

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<sup>45</sup> For further details, see Frazer, Grace, Weaven & Giddings, *supra*, note 9, Chapter 2.

which was developed from data gathered through 50 interviews with various franchising stakeholders (franchisees, franchisors, government and industry bodies). The model, as shown in Figure 1, consisted of four stages i.e. need recognition, information gathering, the decision and post-purchase evaluation.

Figure 1  
**Conceptual Model Associated with Survey Measures**



### *Sampling and Data Collection*

To ensure suitable representation across industries, geographic regions and other characteristics, a reputable local market research group was engaged to distribute links to the survey across a database containing more than 5,000 franchisees. An additional sampling frame was used, drawn from a database of Entrepreneurship Education participants, in order to attract a sufficient sample of individuals who had undertaken the program. The national on-line survey yielded 565 responses during June 2012, of which 520 were complete and useable. The intervention group consisted of 194 respondents while the 'no intervention' control group included 326 respondents.

### *Sample Characteristics*

In order to examine group equivalence, data associated with a number of demographic variables i.e. *age, gender, education level, first language, residency status, and years of operation, number of units in franchise system, term of franchise agreement, start-up costs, annual turnover, full/part-time, partnership arrangements, ownership structure, mode of operation and location*, was gathered. A comparison of the *intervention* and *control* groups of franchisees revealed they were relatively evenly matched in terms of their individual characteristics and operational modes/locations etc. Of particular importance was the level of formal education undertaken by each group. While the groups were equivalent in this respect, it was interesting to note that approximately 60% of all respondents had either an undergraduate or postgraduate university degree. Given the equivalence of the sample characteristics, in general, the data was deemed appropriate for making meaningful comparisons between the two groups (i.e. *intervention* versus *control*).

### **C. Analytical Approach**

The pre-franchise program was evaluated through statistical comparisons made between the two groups (i.e. program group and control group). Data was derived from three sources i.e. multiple item measures, categorical measures and qualitative measures. In relation to the multiple-item measures, preliminary analysis included factor analysis and reliability analysis to determine the psychometric properties of the scales. Having established the integrity of individual measures within each of the construct measures, composite variables were computed via mean estimation. The composite variables were then subjected to t-tests to identify significant differences between groups. In relation to the qualitative answers, data were content analyzed and then expressed as theme frequencies in the findings. Differences between groups, across the themed categories, were then assessed via chi-square statistics. The results of data analyses are also beyond the scope of this paper, however, the key evaluation outcomes are summarized below. The following discussions represent excerpts from the report findings commissioned by the Department of Industry, Innovation, Climate Change, Science, Research & Tertiary Education (DIICCS RTE).

## **V. RESULTS**

### **A. Stage One – Interviews with Prospective and Current Franchisees**

The interviews across four different categories of participants enabled us to compare attitudes and behaviour in relation to preparation for franchising. The research was based on a consumer decision making model leading to the purchase of a franchise. The four stages of decision making that we explored were:

- (1) Motivation for entering franchising
- (2) Information search
- (3) Evaluation
- (4) Purchase

*Motivation for entering franchising:* As the motivation to become a franchisee occurs prior to preparation for entry it was not surprising to find similarities in the reasons respondents provided for wanting to join a franchise across the various sub-samples. Common reasons included the desire for independence, the support offered by the franchisor, lower perceived risk, joining an established network and well-known brand, as well as personal factors such as the desire for flexible work arrangements. These motivations for entering franchising are also well documented in the franchising literature.<sup>46</sup>

*Information search:* This factor was the most revealing to investigate as we deliberately selected sub-samples of participants who had either completed the pre-entry franchise education program or who had not. Those who had undertaken the program gave very positive feedback about the usefulness of the resource. The fact that it was free and available online was welcomed. Most participants heard about the program early in the search process and so found it useful in guiding their later research. Participants indicated that they either intended or had undertaken important aspects of 'due diligence' when investigating particular franchise opportunities. The most common forms of due diligence included obtaining specialised professional advice and speaking to current and former franchisees of the system.

It is important to note that every person interviewed in this category was aware of the need to undertake due diligence and was able to explain what it entailed. In contrast, although we found that many of the franchisees who had not undertaken the Griffith program also conducted due diligence prior to joining the franchise, several people admitted to doing little or none at all. However, they were able to provide numerous examples of important things that prospective franchisees should do or know prior to joining a franchise, indicating that their experiences had given them wisdom in hindsight.

*Evaluation:* The majority of participants who completed the pre-entry education program indicated that it had been *influential* in their decision to either continue or discontinue their goal of becoming a franchisee. For some, the process re-affirmed their decision but others mentioned that it had caused them to proceed more cautiously. The knowledge gained from undertaking the program played a significant part in the decision of the five people we interviewed who had decided not to enter

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<sup>46</sup> For example, see Rajiv Dant 'Motivation for Franchising: Rhetoric vs. Reality' 14 (1) *Journal of Small Business Management*, 10, 32 (1995); Rajiv Dant, Scott Weaven, Brent Baker & Hyo Jin Jeon, An Introspective Examination of Single-Unit versus Multi-Unit Franchisees, 41 (4) *Journal of the Academy of Marketing Science* 473, 500 (2013); Karim Mignonac, Christian Vandenberghe, Rozenn Perrigot, Assaad El. Akremi & Olivier Herrbach, A Multi-Study Investigation of Outcomes of Franchisees' Affective Commitment to Their Franchise Organization, 39 (3) *Entrepreneurship Theory & Practice*, 461, 488 (2015); Scott Weaven & Lorelle Frazer Investment Incentives for Single and Multiple Unit Franchisees, 9 (3) *Qualitative Market Research: An International Journal* 225, 242 (2006).

franchising. Although it discouraged these people from becoming franchisees, the change of heart was probably a good outcome as it may have avoided feelings of dissatisfaction had they become franchisees. For the participants who had not undertaken the Pre-Entry Franchise Education Program, their evaluation was based on the type of due diligence undertaken.

*Purchase:* When asked about their level of satisfaction in the franchise we noticed that both the franchisees who had undertaken the pre-entry education program and those who had not expressed a mixture of satisfaction levels. The samples were too small to draw any definitive conclusions. However, the next stage of the research enabled us to explore the relationship between preparation for franchising and satisfaction in more depth.

### ***B. Stage Two – National Survey of Franchisees and Program Participants***

The findings indicate that the program resulted in participants having more realistic pre-entry expectations, higher franchisee satisfaction, better understanding of performance factors, and less inclination toward conflict and litigation.

*Realistic pre-entry expectations:* The findings indicated that participants in the education program possessed more realistic expectations about the operational, relational and financial dimensions of their franchise operation. It appears the program enabled prospective franchisees to make more informed decisions based on a clearer appreciation of what to expect. While the expectations of some franchisees were reduced by participating in the program, their capacity to effectively operate within a franchising arrangement was enhanced through a better appreciation of the risks inherent in any new business undertaking.

*Higher franchisee satisfaction:* It was found that education program participants possessed far higher post-purchase satisfaction levels than the control group. This is significant given the benefits of high levels of franchisee satisfaction in the early stages of the franchisee-franchisor relationship. The assessment franchisees make at this preliminary stage tends to be important in framing their subsequent (ie. experiential) evaluations. Franchisees tend to attribute responsibility early if they are dis-satisfied, resulting in skepticism, reduced confidence and diminished trust in the franchise relationship.<sup>47</sup> Effects like these can seriously undermine the relationship and be very challenging to remedy.

By contrast, franchisees who experience initial satisfaction tend to respond more constructively when they subsequently encounter conflict. A problem-solving approach is fostered by the existing level of confidence and trust they have in the

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<sup>47</sup> Michael H. Dickey, D. Harrison McKnight & Joey F. George, The role of trust in franchise organizations, 15 (3) International Journal of Organizational Analysis 251(2008); Harmon & Griffiths, supra, at note 36.

franchisor.<sup>48</sup> Franchisors are likely to find it is in their best interests to have franchisees entering their systems with clear understandings and realistic expectations, providing the foundation for constructive ongoing relationships. This finding supports the view that post-entry satisfaction levels among education program participants were significantly enhanced (intervention objective # 2), thereby producing positive affective outcomes.

*Clearer appreciation of performance factors:* It was found that the EE participants were equipped with a clearer appreciation of the combination of internal and external forces that can impact on franchise performance. This is particularly positive for franchisors as these franchisees are more likely to recognize the influences of multiple parties to the operation of their franchise. These other parties include fellow franchisees, supplier organizations, family and friends. Such franchisees appreciate that they are not solely dependent on the franchisor to “make good”. This finding suggests that participation in the EE program generated more constructive post-purchase relational behaviors (intervention objective #3).

*Reducing conflict and litigation:* Unproductive conflict and resort to litigation can have a significant detrimental impact on business performance, in terms of undermining trust, productivity, business development and sustainability. The current project did not test the impact of the EE program on conflict and litigation levels. Nonetheless, the strength of the findings in relation to the promotion of realistic pre-entry expectations, greater franchisee satisfaction and enhanced performance suggest that unresolved conflict and subsequent litigation is likely to be reduced.

*Utility of the education program*

Several statements were given and participants were asked to answer if they agree or disagree with the statement.

	SA	A	N	D	SD
I found the program to be useful	49	33	10		
I found the program to be beneficial	45	37	8	1	
The program has influenced my decision	4	19	55	8	2
I found the program boring	4	7	12	38	14
The program didn't provide the information I needed	2	12	14	29	30
I would recommend the program	45	33	10	1	

SA = Strongly Agree; A = Agree, N = Neutral; D = Disagree; SD = Strongly Disagree

<sup>48</sup> Markus Blut, Christof Backhaus, Tobias Heussler, David M. Woisetschläger, Heiner Evanschitzky, & Dieter Ahlert, What to expect after the honeymoon: testing a lifecycle theory of franchise relationships, 87(3) Journal of Retailing 306(2011); Karen Koza, & Rajiv Dant, Effects of relationship climate, control mechanism, and communications on conflict resolution behavior and performance outcomes, 83 (3) Journal of Retailing 279 (2007).

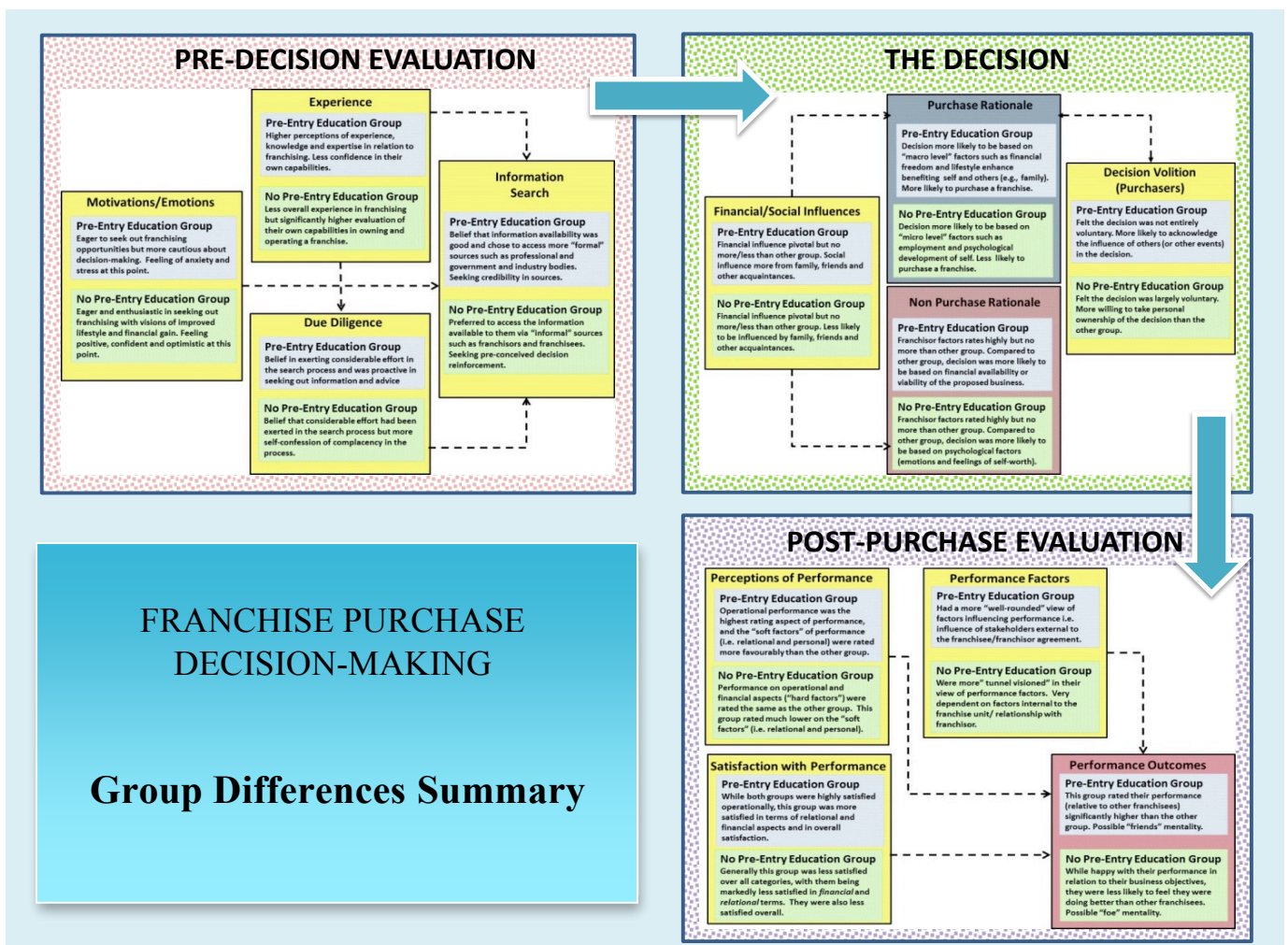
## VI DISCUSSION

The research objective of this project was to determine the effect of the *APCFE's Pre-Entry Franchise Education Program* in the context of the complex process of decision-making undertaken by prospective and current franchisees as they seek out franchise entry opportunities.

Some significant differences between the "Pre-Entry Education Group" and the "No Pre-Entry Education Group" were revealed in relation to pre-decision evaluation, the decision, and post-purchase evaluations. The discussion relates specifically to the differences found between the experimental group ("Pre-Entry Education Group") and the control group ("No Pre-Entry Education Group") and to the effectiveness of the Program as a PLE resource.

For the purpose of clarity, we provide this summary of the key findings of this project and modelling the group differences in Figure 2 below.

**Figure 2**  
**Summary of Group Differences**





The paper now provides a more detailed interpretation of the project findings, as a whole, which highlights the advantages and challenges associated with pre-entry education in franchising. As a consequence, a number of practical and research implications emerge from this discourse and these are articulated in the final sections of this report.

### **A. The Pre-Decision Evaluation Stage**

The '**Pre-Entry Education Group**' considered themselves to be more *experienced* in franchising than the opposing group. While one would expect this to lead to more confidence in their own capabilities to own and operate a franchise, the findings indicated that this was not the case. In fact, upon taking the first step into investigating franchising as a business/employment solution, they experienced feelings of anxiety and stress and were much less *self-confident* than the opposing group. Thus, this group tended to be more diligent in searching for decision-relevant information and they were more likely to utilise multiple sources of information (i.e. more breadth of information), being careful to consider information and advice "external" to the franchise system (such as professionals, government and industry bodies). They were more aware of the complexity of their task as well as the limitations of their knowledge. In addition, they undertook the education program to access further unbiased information.

The '**No Pre-Entry Education Group**', on the other hand, was much more confident in their ability to own and operate a franchise, despite having less experience in franchising than the opposing group. For many, the decision had already been made before they began to gather decision-relevant information. While some franchisees may engage in less search activity as they are already 'sold' on the advantages of the franchising business model and just wish enter franchising<sup>49</sup>, these types of actions may be more indicative of their lack of experience in the industry and in franchising, and their 'bounded rationality' (in the sense of not knowing what questions to ask, and from whom to seek information).<sup>50</sup>

Approaching the information search stage with this mindset led them to be less diligent in the search task. The depth of information they gathered was quite good but the breadth of information was largely limited to information gathered from franchisors and franchisees. In essence, they appear to have been seeking confirmation of their pre-conceived decision to buy a franchise and, as such,

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<sup>49</sup> Debra Grace & Scott Weaven, An empirical analysis of franchisee value-in-use, investment risk and relational satisfaction, 87 (3) Journal of Retailing 366-380 (2011).

<sup>50</sup> Daniel Kahneman, A perspective on judgment and choice: Mapping bounded rationality. In Progress in Psychological Science around the World. Volume 1 Neural, Cognitive and Developmental Issues: Proceedings of the 28th International Congress of Psychology (Vol. 1, p. 1). Psychology Press (2013, March).

accessed information that promoted that decision. In this sense, they appeared to seek out 'constrained' or narrowly defined information, which is normally only beneficial when the information fits with their prior knowledge or 'consideration sets'.<sup>51</sup> Thus, their subjective (over-) assessment of their abilities limited the quality of the information that they subsequently acquired, limiting the meaningful interpretation of business opportunities.<sup>52</sup> In terms of the self-help framework outlined earlier, the personal characteristics of these participants appear to be influential here in terms of their capacity and inclination to engage with this resource.

### **B. The Decision Stage**

The decision-making of the '**Pre-Entry Education Group**' was heavily influenced by financial matters such as the ability to secure finance and provide necessary capital investment and belief in the financial viability of the investment. They also demonstrated that their decision was more likely to be also influenced by other parties (i.e. social influence) than was the case for those who had not participated in the education program. In fact, *social influence* (i.e. influence from family/friends and other acquaintances) resonated throughout the findings in this section (for this group only). This indicates that contextual and environmental factors were influential in terms of enabling members of this group to effectively use this self-help resource and that the program informed their choices.

The main factors that influenced this group to make the decision to purchase a franchise (or not purchase a franchise) all related to what we label as "macro level" factors. In terms of the self-help framework outlined earlier, these education program participants appear to have been more heavily influenced by contextual factors and their own personal characteristics. They appear to have been less concerned with the complexity of the legal issues they faced. The contextual and personal factors included those related to financial and lifestyle impacts (enhancements and detriments). For the "purchasers" of this group, the decision focussed on the augmentation of financial and lifestyle positions while for the "non-purchasers" of this group, the decision was based on (the lack of) financial availability and/or viability. Essentially, these are "bigger picture" factors that ultimately have the potential to not only affect the individual (in isolation), but also affect significant others in the individual's lives. On this basis, it makes sense that these individuals were influenced by others, or considered others, at the decision stage.<sup>53</sup>

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<sup>51</sup> Dean A. Shepherd, Holger Patzelt & Robert A. Baron, "I Care About Nature, but...": Disengaging Values in Assessing Opportunities that Cause Harm, 56(5) *Academy of Management Journal* 1251(2013); Pankaj C. Patel & James O. Fiet, Systematic search and its relationship to firm founding, 33 (2) *Entrepreneurship theory and practice* 501 (2009).

<sup>52</sup> Scott Shane, *A General Theory of Entrepreneurship: The Individual-Opportunity Nexus*, Edward Elgar Publishing (2000).

<sup>53</sup> James J. Chrisman, Esra Memili & Kaustav Misra, Nonfamily Managers, Family Firms, and the Winner's Curse: The Influence of Noneconomic Goals and Bounded Rationality, 38 (5) *Entrepreneurship Theory and Practice* 1103 (2014).

Furthermore, for those (in this group) who went on to make the purchase, they felt the decision was not entirely their own. In other words, their responses in relation to "decision volition" indicated the influence of others in the decision to buy. Finally, it is interesting to note that this group had a much higher rate of conversion from prospective franchisee to franchisee with 64% of this sample going on to purchase a franchise (much higher than the opposing group).

The '**No Pre-Entry Education Group**', while also highly influenced by financial matters (as would be expected for both groups), were less likely to be affected by the opinions and influences of others (i.e. social influence). Consistently, throughout the decision stage, the findings (for this group) demonstrate the absence of others in the decision. For example, when examining the main factors that influenced this group to purchase (or not) a franchise, these were more likely to be related to "self" (i.e. micro-level factors). For the "purchasers" of this group, the decision rationale was based on self-employment opportunities and enhancement of psychological well-being (i.e. the expectation of happiness, improved self-image and personal growth) which has some support in previous franchisee research.<sup>54</sup> In terms of the self-help framework referred to earlier, it appears that members of this group were influenced by personal factors and chose not to address the contextual influences that were important to the decision-making of those who had participated in the program.

For the "non-purchasers", the decision was more likely to be based on psychological factors such as lack of self-confidence, fear, stress and risk aversion. All these factors pertain directly to the individual with consideration of "others" not being obvious. Furthermore, the "purchasers" of this group were more likely to take complete ownership of their decision, with little acknowledgement of the influence of others. Finally, in contrast to the other group, this group was less likely to convert from prospective franchisee to franchisee, with only 40% of this group going through with the franchise purchase (much lower than the opposing group).

### **C. The Post-Purchase Evaluation Stage**

In relation to the '**Pre-Entry Education Group**', the results indicate that, overall, this group had more *realistic* pre-entry expectations than the opposing group. This was exemplified when comparing their perceptions of performance and corresponding satisfaction ratings associated with the *relational* and *financial* aspects of their franchising experience. In this study, we measured the franchisees' *perception of the quality* they had experienced in relation to operational, relational, financial and personal aspects of their franchising experience. We then measured their *levels of satisfaction* with each of these aspects. The findings suggest that, regardless of the actual quality ratings of relational and financial aspects, this

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<sup>54</sup> Marko Grünhagen & Robert A. Mittelstaedt, *Entrepreneurs or Investors: Do Multi-unit Franchisees Have Different Philosophical Orientations?* 43 (3) *Journal of Small Business Management* 207 (2005).

group's satisfaction scores were in-line or higher than their quality perceptions. Thus, we can say that, regardless of whether performance was rated highly or not, the quality of the performance *experienced* was better aligned with what members of this group expected (i.e. if satisfaction was equal to or higher than perceptions of quality indicates that the level of quality experienced - regardless of what that level was - was as expected).

It appears that their information acquisition and review during the due diligence phase resulted in the development of realistic expectations regarding the future operation (partner tasks, roles and responsibilities) and performance of their franchise unit. Overall, in comparison, this group was more satisfied with their franchising experience and happier with their financial performance.

The "**No Pre-Entry Education Group**", on the other hand, adopted a different approach to satisfaction and performance. In terms of satisfaction, the key areas of disappointment for this group were in the relational aspects (i.e. relationship with their franchisor) and financial aspects of performance. Even though they rated the performance of their franchisor quite highly, their corresponding satisfaction levels were much lower. This indicates that initial expectations associated with franchisor relational aspects were over-estimated from the outset, thus suggesting their unrealistic nature. While financial aspects (in terms of perception of performance) rated much lower than other performance aspects (for both groups), satisfaction levels with financial performance were much lower for this group. This indicates that the expectations of this group (in relation to financial outcomes) may also have been over-estimated and, thus, unrealistic. Finally, while personal satisfaction rated the lowest for both groups, when compared to perceptions of performance in this respect, this group appear to have had their expectations met (i.e. no large discrepancy in self-report of performance perceptions and satisfaction). This finding is in contrast to the opposing group who demonstrated disappointment in the personal aspects of performance.

The findings also suggest (although conjecture at this point) that there may be a significant difference in the attitudes of both groups in relation to other franchisees within their system, with the "Pre-Entry Education Group" viewing them as "friends" (i.e. supporting) while the "No Pre-Entry Education Group" viewing them as "foes" (i.e. competing). This is indicative of the education program playing a valuable role in the preparation of participants for joining a franchise system.

#### ***D. Interpretation of Project Findings***

The preceding sections outlined the key findings of this project with the goal of determining whether participants in the *APCFE's Pre-Entry Franchise Education Program* approached the decision and subsequent evaluation of their franchising experience (i.e. "purchasers" only) in a different manner to those individuals who did not undertake the program. The comparative results clearly indicate that, at all

stages of the franchising decision-making process, the answer to this question is "yes". Furthermore, in evaluating the degree to which the "effects" (i.e. of the program) are of an advantageous nature to prospective franchisees, the answer once again is "yes". This being the case, the ensuing discussion outlines the apparent advantages to prospective franchisees in undertaking the APCFE's Pre-Entry Franchise Education Program, as drawn from the findings of this research project.

Firstly, before discussing the advantages associated with the program, it is important to acknowledge that those individuals who were attracted to the program appeared to have different characteristics from the outset. For example, they were investigating the possibility of buying into *larger* franchise systems, spending more money, were more anxious about approaching the decision-making process and, as a result, were more diligent in the initial stages of information search. In essence, although these participants appeared to exhibit characteristics of 'novice entrepreneurs'<sup>55</sup>, their approach to searching for and processing information was atypical. In terms of the self-help framework outlined above, it highlights the importance of the personal characteristics of self-helpers. Their confidence and resources are likely to be important factors.

While less experienced potential franchisees often seek out a wide array of information, they often find difficulty in accessing and understanding how to use relevant information.<sup>56</sup> However the individuals in this group aimed to minimise the deleterious effects associated with risk and uncertainty through comprehensively gathering complete information from reliable information sources during the business evaluation stages. The acknowledgment of the distinctive characteristics of this group of individuals, does not diminish the veracity of the project findings, but merely informs us in relation to the future challenges associated with pre-entry franchise education. This indicates that there is a significant contribution to be made by PLE resources like the Pre-Entry Franchise Education Program through providing structured pathways that prospective franchisees can use to understand and evaluate the information they have gathered.

***Realistic pre-entry expectations:*** Those franchisees who completed the Pre-Entry Program entered their franchise operation with much more realistic expectations of what their experience will be like in terms of performance aspects such as operational, relational and financial.<sup>57</sup> All of these areas can be usefully addressed at the pre-entry stage. It appears that the information provided in the

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<sup>55</sup> Sankaran Venkataraman, The distinctive domain of entrepreneurship research: An editor's perspective, 2 *Advances in Entrepreneurship, Firm Emergence and Growth*, 119 (1997).

<sup>56</sup> Mike Wright & Susan Marlow, Entrepreneurial activity in the venture creation and development process, 30 (2) *International Small Business Journal* 107 (2011); Arnold C. Cooper, Timothy B. Folta & Carolyn Woo, Entrepreneurial information search, 10 (2) *Journal of Business Venturing* 107 (1995).

<sup>57</sup> Weaven, Frazer & Giddings, *supra*, at note 37; Nerilee Hing, Maximizing franchisee satisfaction in the restaurant sector, 8 (3) *International Journal of Contemporary Hospitality Management* 24(1996).

program enables prospective franchisees to glean a better understanding of what to expect and, thus, make more informed decisions. The program appears to deepen the understanding of participants in relation to the contextual factors that are likely to the quality of decision-making in relation to franchising opportunities. Even if an individual's preconceived notions of franchising are slightly dampened by undertaking the program, they are better equipped to effectively operate within a franchising arrangement knowing the possible challenges they may face and having a better understanding of the risk associated with any new business venture. Ultimately, having this awareness eventuates in higher levels of satisfaction because the franchisee's experience it is not too far removed from their pre-entry expectations.

We see this finding as particularly important in terms of the potential of PLE more generally. It indicates that the provision of clear and accessible information can assist people to make appropriate choices and to better understand the likely consequences of their choices. It also indicates the important role context plays in determining the effectiveness of self-help resources.

***Better understanding of performance factors:*** It appears that the pre-entry education program equips franchisees with a better understanding of both internal and external forces in relation to performance outcomes. They develop a more nuanced view of the possibilities and limitations of the business decision they are making. This is particularly good news for franchisors as these franchisees, because of their broader acceptance of performance factors, tend to share performance success/blame across multiple stakeholders (i.e. other franchisees, family, friends, other supplier organisations) and are not solely dependent on the franchisor to "make good". Once again, this reflects their more realistic view of the business venture through their acknowledgement that their franchise unit's performance is supported or impeded by a range of groups and forces, and is consistent with the advice provided by other franchise industry consultants.

***Reducing conflict and litigation:*** The reduction of conflict and litigation in any business environment is of paramount importance due to its detrimental effect on productivity, innovation, growth and business sustainability. While not actually tested in the current project, we extrapolate from the strong findings in relation to the realism of pre-entry expectations, levels of franchisee satisfaction and performance (as a result of the program) that all of these factors may lead to a reduction in unresolved conflict and subsequent litigation over time. Strategies that contribute to effective conflict management are vital to improving not only the health of business relationships but also the health of the franchising sector, through enhanced productivity, competitiveness and sector growth.

***Higher conversion rate:*** While the program appeared to be successful in enabling participants to construct more realistic expectations, it did not appear to deter them

from going ahead with the purchase. In fact, 64% of program participants went on to buy a franchise and in the “No Pre-Entry Education Group” only 40% converted from prospective franchisee to franchisee. This is a strong point for the program and one that should fit well with franchisors. The result indicates that the program is providing decision-relevant information to participants that allows them to be more confident in their decisions, and does not appear to dissuade prospective franchisees from choosing franchising as a viable business/employment solution.

### ***Applying the self-help framework to the Pre-Entry Franchise Education Program***

The analytical framework for legal self-help outlined earlier appears to be useful in making sense of the likely effectiveness of PLE resources like the program considered here. The evaluation demonstrates the significant influence of contextual factors as well as the importance of the personal characteristics of the user. Indeed, such factors appear to be the drivers of the differences in actions and responses of the 2 groups – those who had completed the pre-entry franchise education program and those who had not.

The personal characteristics of potential franchisees influenced their preparedness to engage with the resource. Those who were used to seeking and acting on advice from family, friends and other sources were seemingly naturally more disposed to make use of this form of free, targeted information. Where they went on to join a franchise system, they then tended to be more realistic in their expectations of franchising and the franchisee-franchisor relationship.

PLE resources have an important contribution to make to informing potential franchisees of both the possibilities and pitfalls of this type of business structure and the complexities involved in making business choices. Such resources should provide users with accurate and relevant information while also highlighting the importance and value of appropriate professional advice when making significant complex choices.

## **VII FUTURE CHALLENGES IN BUSINESS-RELATED PUBLIC LEGAL EDUCATION**

The evaluation reveals challenges that need to be addressed in the development of this type of PLE. These challenges are summarised below and provide the foundation for the practical and research implications associated with the findings of this study.

***Information source awareness:*** In drawing on the findings in relation to both groups, one particular area warranting future attention is that of information awareness. As the “Pre-Entry Education Group” appeared to access a greater breadth of information from multiple sources (thus reducing their ‘bounded rationality’) this may have served them well in constructing more realistic

expectations and, as a consequence, been instrumental in elevating their satisfaction levels. Indeed, research in the entrepreneurship discipline confirms that higher intensity information search behaviours during the business evaluation process is linked to improved business performance and an individual's perceived satisfaction levels. On this basis, it is important that all prospective franchisees are aware of the information sources that are available to them in order to make informed decisions. In particular, they should be made aware of the independent professional sources (i.e. government and industry bodies and professional advisors) that can provide information/advice that are external to the business-relevant information provided to them by franchisors.

***Motivating the use of PLE resources:*** It is all well and good to ensure that prospective franchisees are aware of the program and its benefits, but the decision to undertake the program is entirely their own. As is clearly evident in the findings of this study, the individuals who undertook the program (as opposed to those who did not) had different characteristics on many levels (i.e. experience, attitudes, motivations, emotions etc.). On this basis, the program might have been an "easy sell" to them as their trepidation in relation to the decision to buy a franchise motivated them to seek out as much information as possible. Alternatively, a large proportion of those individuals who did not undertake the program confessed to being already "sold" on the notion of becoming a franchisee, regardless of any information/advice they were given. Motivating such individuals to engage with the program represents a significant challenge to program promoters.

***Resource Development:*** The effectiveness of any PLE resource is dependent upon the alignment of the program with the needs of the target audience. In the context of this program, the target market is prospective franchisees and, as the findings of this project indicate, there are still some key areas within which these individuals struggle to make sound evaluations and decisions. It is important to ensure prospective franchisees are fully aware that, when they enter into a franchising agreement, the contributions required from them are both financial and non-financial in nature, just as the franchisor must also make financial and non-financial contributions to the relationship (these are further discussed in the ensuing sections). In particular, the findings associated with the "No Pre-Entry Education Group", exemplified that their initial expectations in relation to both financial and non-financial (i.e. relational) aspects of performance were possibly flawed as they had much lower satisfaction ratings on these dimensions than did the "Pre-Entry Education Group". Clear explanation of the various contributions made by franchisees and franchisors is important in assisting participants to develop sound expectations and shared understanding of the business arrangement they are proposing to enter.



## **VIII CONCLUSION**

This paper has addressed a form of PLE in an unfamiliar context, namely that of business-related decision-making. It has considered the utility and impact of resources tailored to assist prospective franchisees to decide whether to join a franchise system as well as to evaluate particular franchise opportunities. The findings from a comprehensive evaluation of the Pre-Entry Franchise Education Program reveal the program's value to users as well as providing insights for the development of PLE resources for other contexts. It is particularly noteworthy that program participants who subsequently joined a franchise system had more realistic expectations of their experience and enhanced understanding of the various performance factors. The reduced potential for manifest conflict tends to be positive for the overall health of the franchise relationship, fostering better functioning systems. The evaluation also provides an example of a methodology that may be useful for PLE research more generally.

The Asia-Pacific Centre for Franchising Excellence is considering development and implementation of additional education strategies, such as an information search 'toolkit', a 'franchising app' and expansion of existing pre-entry education program modules. Such strategies should be developed as a suite of tools for prospective franchisees that can be used for information search, decision-making, and post-entry evaluation/monitoring. This being the case, careful co-ordination will be needed in order to communicate consistency, avoid redundancy and enable these tools to work together in an effective manner.