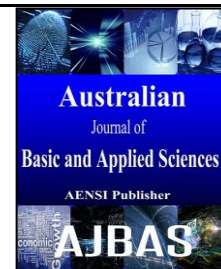




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The Validation of Self Efficacy Instrument for Franchise Entrepreneur

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ABSTRACT

Background: This study intends to validate a construct of entrepreneurship self-efficacy on entrepreneurial start up phase franchising context in Indonesia. **Results:** Via factor analysis using principle component with varimax rotation, initially extracted a two factor solution. After measures of sampling adequacy (MSA) deletion, a single factor consisting of 8-item self-efficacy scale was established with reliability alpha of 0.87. The final CFA analysis establishes a 9-item self-efficacy scale with reliability alpha of 0.84 and composite reliability of 0.91. The CFA model reaches its satisfactory model fit at p -value= 0.187, GFI= 0.929 and RMSEA=0.052 **Conclusion:** this study validated the self efficacy instrument through the analysis using exploratory factor analysis in spss and confirmatory factor analysis. although the resulting underlying factors are quite similar, the cfa could be more accurate since it tested for goodness of fit indices.

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INTRODUCTION

Franchising had been viewed as an easy way of entrepreneur creation (Ketchen, Short and Combs 2011, Lim, Morse, Mitchell, & Seawright 2010). Several scholars view franchise entrepreneurs as independent entrepreneurs while some others perceived them as less risky entrepreneur or perceived them to be more similar to managers compared to entrepreneurs (Short, Ketchen and Combs 2010, Lim *et al* 2011).

Several scholars argue that franchise venture takes a completely different path than independent business as the franchise creation is created based on the direction of franchisor whereas independent business are created solely by the entrepreneur (Lim *et al* 2010, Torikka 2011).

Considering the difference characteristics of franchisees to entrepreneurs, however, only a few studies had been done on cognitive factors of franchisees compared to their siblings, independent entrepreneurs (Ketchen, Short and Combs 2011, Torikka 2011). In fact a survey to entrepreneurship scholars in 2011 founds that franchisees entrepreneurs are understudied (Ketchen, Short and Combs 2011, Torikka 2011).

While the franchisee itself is understudied, its entrepreneurial self efficacy is even less studied and even considered less important (Praditbatuga 2007, Lee 2004). Several scholars simplified efficacy as

perceived behavioral control (PBC) solely only to be a capital problem, meaning, the prospective franchisee ability to generate initial funding to buy franchise right and finance the business (Praditbatuga 2007), while others do not even take into account of efficacy problem in measuring franchisee intention (Praditbatuga 2007, Lee 2004, Kaufmann 1999). Considering that franchisees are undergoing a quasi different phase than independent entrepreneur, than the scarcity of the study invites a discussion on the efficacy studies of franchisees- especially on the nascent phase of their entrepreneurship.

Literature Review:

Self Efficacy:

Self efficacy is defined as an individual confidence that he or she will be able to handle perceived constraints that blocks their way in achieving a certain goal or perform a particular behavior (Bandura 1997).

Self efficacy concept had been widely used in very diverse field namely health (Didarloo *et al* 2012, Gollwitzer 2009, Sniehotta 2009, Sniehotta, Scholz., & Schwarzer, R. (2005), entrepreneurship (Farmer, Yao & Mcintyre 2011, Linan 2009, Linan 2008, Krueger 2000, Moriano *et al* 2012) and sport (Terry and O'leary 1995). To date, self efficacy had been widely used interchangeably with perceived behavioral control of Ajzen's Theory of Planned Behavior (Moriano 2012, Linan 2009, Kruger 2000).

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Whereas, self efficacy is perceived as an individuals confidence of his ability to tackle all possible obstacle that comes in their way, perceived behavioral control is defined as individual's perception of whether the behavior being discussed is under their control or not (Ajzen & Fishbein 2010). Thus, perceived behavioral control is very similar to self efficacy, however, while self efficacy focuses on the ease or difficult of performing a goal, perceived behavioral control focuses on individual's perception whether the behavior being discussed is entirely up to them or not (Ajzen & Fishbein 2010).

For this study, the efficacy concept that this study adopt is the efficacy concept by Bandura (1997), applied in franchisee entrepreneur setting. The following section focuses on self efficacy in entrepreneurship.

Self efficacy in entrepreneurship:

Self efficacy had been studied extensively in entrepreneurship literature (Farmer *et al.*, 2011, Mc Gee 2010, Linan & Chen 2009, Van Gelderen, Brand, Van Praag, Bodewes, Poutsma. & Van Gils (2008). To date, however, many scholars treats self efficacy in entrepreneurship or entrepreneurial self efficacy as both: self efficacy in building the business such as and in running a business such as marketing skills, finance etc, together with self efficacy in building a business, or simply put, entrepreneur stage (Moriano *et al* 2011, Linan 2009, Linan 2008). In their paper, Moriano *et al* (2011) did not differentiate entrepreneur self efficacy in stages, instead, treating self efficacy of entrepreneurship as one phase, that covers all stages of entrepreneurship. This is contrary to that of Farmer *et al* (2011), that proposes entrepreneurial self efficacy to be differentiated by phases.

Farmer *et al* (2011) proposes that entrepreneurial self efficacy should be differentiated to different stages such as discovery and exploitation stages. In discovery stage, the nascent entrepreneurs are at "dreaming" stage of thinking of ideas of starting a business whereas discovery stage covers steps such as taking first steps required to build a business such as renting a place, looking for equipment etc. The full behavioral items by Farmer, Yao and McIntyre proposes two main phases for nascent entrepreneurial stages i.e. discovery and exploitation, whereby, discovery consists of eight statements while discovery contains seven items.

Discovery stages are the entrepreneur in "thinking" stage where Farmer *et al* (2011) describes as where prospective entrepreneur starts to think

about a business idea that has great potential. At this stage, the entrepreneur has begin to create a particular services or products that he or she will offer to the market. At this phase too, the entrepreneur have tried to build prospective partnership by presenting his idea to some of people such as family and friends that he knows closely to ask of their opinion. After discovery phase, the entrepreneur shift to a more "action" phase of entrepreneurship: the exploitation phase.

In action phase of entrepreneurship or so called "exploitation phase", the entrepreneur had already taken several steps in building a business, such as buying equipment, renting for a location and invested some amount of money in the business. This split up of stages as proposed by Farmer has several similarities and differences as the self efficacy proposed by Linan (2009).

Farmer's concept of self efficacy is however different from self efficacy concept that had been widely used in entrepreneurship such as the one defined by Linan (2008). Linan (2008) defined self efficacy for entrepreneurship as all efficacy aspect of entrepreneur in various phases: from strating to run the company. His items consists of four items. Items in Linan's work is inline with the self efficacy as detailed by Farmer *et al.*, (2011) in entrepreneur start up phases, and therefore, should be considered when creating the new self efficacy instrument. Moreover, since entrepreneurs are consisting of independent entrepreneur and franchisee entrepreneur, a deeper analysis of self efficacy in a more specific scope, such in franchise entrepreneur is needed; which will be discussed in the next section.

Self efficacy in franchise purchase decision:

In franchising literature, majority of the franchise purchase decision scholars focus on the sequence of stages that prospective franchisees undergone in becoming franchisees. (Gauzente *et al* 2004, Kaufmann 1999) which covers the decision of choosing the industry, choosing the form or business and the decision on which brand to franchise. The discussion which focus on the cognitive aspects on the mind of the prospective franchisees such as what factors influencing their intention until reaching their decision is very limited (Praditbatuga 2007, Kaufmann 1999). The detail of the previous study is at table 1 Franchise purchase decision study.

Table 1: Franchise purchase decision past study.

Author	Setting	Independent Variable	Dependent Variable	Finding
Kaufmann 1999	USA	Personal benefit of franchise purchase (PB), the level of prior work/family conflict (FC), the importance of employing family members (Emp Fam), the importance of leaving	Intention to purchase a franchise (FPI)	PB*+ PSE*-

		business to family (LB), individual history of self employment (PSE), individual's parent's history of self employment (ParSE)		
Praditabuga 2007	Thailand	Attitude (Att), Subjective Norm (SN), Personality: Extraversion (Ex), Openness to Experience (Open), Conscientiousness (Const)	Intention to purchase a franchise (FPI)	Att*+ to FPI SN *+ to FPI OE*+to FPI Cons*+ to FPI

Research Methodology:

This study employs a quantitative survey approach by collecting 100 targeted respondents consisting of local food franchisees in Jogjakarta, Indonesia. A response rate of 80 percent was obtained from this exercise. A questionnaire consisting of 14 self-efficacy items adopted and compiled from Farmer *et al.*, 2011 (10 items) and Linan, 2008 (4 items) was used as the main instrument. The methods of analysis used were exploratory factor analysis (EFA) principal component extraction with varimax rotation method (SPSS) and confirmatory factor analysis using AMOS. The full CFA model was fitted based on the goodness of fit indices such as p-value, GFI and RMSEA.

The studies are mainly descriptive as the analysis is the percentages how many percent respondents chooses industry first, how many chooses business format first etc (Guilloux, Gauzente, Kalika & Dubost, (2004) .There are, however, several studies that tries to frame the franchise purchase decision as intention study and utilizes existing cognitive theory such as theory of reasoned action (TRA) (Praditbatuga 2007), however, the analysis did not involved perceived

behavioral control or often called self efficacy with a simple reason that Perceived behavioral control that a prospective entrepreneur face is only capital. This is contrary to the finding by Farmer (2008) and Linan (2011,2009), these scholars argue that prospective franchisee entrepreneurs are not just facing capital problems but also in terms of skill and knowledge. Moreover, there are phases that entrepreneur, which include in it, franchisee entrepreneurs are undergoing in building their business (Shane 2003). For this reason, the study on self efficacy issue on entrepreneur, especially franchisee entrepreneur becomes particularly timely. This study focuses on creating and validating an entrepreneurial self efficacy start up phase. The method of analysis is discussed next.

Findings:

The initial EFA resulted in three components as shown in Table. After deletion of spurious items based on measurement of sampling adequacy (msa) method, the final analysis converge into a single component of eight items which reflects the final self efficacy measurement (Table 1.2).

Table 2: Results of EFA Initial Rotated Component Matrix.

	Rotated Components		
	1	2	3
SEsalbel7	.789		
SEsalbel2	.776		.393
SEsalbel3	.736	.305	
SEsalbel11	.684		
SEsalbel6	.676		
SEsalbel8	.638	.364	
SEsalbel14		.760	
SEsalbel13		.712	.431
SEsalbel4	.454	.611	
SEsalbel12		.596	.540
SEsalbel5	.540	.576	
SEsalbel10			.863
SEsalbel9	.305		.803
SEsalbel11			.396

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 25 iterations.

Table 3: EFA Results after MSA deletions.

	Component
	1
SEsalbel7	.812
SEsalbel6	.807
SEsalbel8	.776
SEsalbel3	.757
SEsalbel2	.755
SEsalbel5	.698
SEsalbel9	.603

SEsabel12	.557
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Extraction Method: Principal Component Analysis.
a 1 components extracted.

Table 4: Summary of Final EFA statements.

Item code	Factor Loading	Items
SEsabel7	.812	<i>Finding an affordable franchise</i>
SEsabel6	.807	<i>Getting accurate information on the profitability level of the franchise</i>
SEsabel8	.776	<i>Determining which brand among culinary business that is worth to purchase</i>
SEsabel3	.757	<i>Determining which steps to take first in purchasing a franchise (finding location first, contacting prospective franchisor first etc)</i>
SEsabel2	.755	<i>Determining which industry to be franchised (food & beverages or retail etc)</i>
SEsabel5	.698	<i>Providing time for preparation to become a franchisee</i>
SEsabel9	.603	<i>Getting the right location for the business</i>
SEsabel12	.557	<i>Financial Management skill</i>

Extraction Method: Principal Component Analysis.
a 1 components extracted.

Confirmatory Factor Analysis Results:

Figure 1 shows the results of full confirmatory factor analysis using Amos model. The goodness of fit indices indicates that this model is not fit since the readings are well outside the specified range. For example the ratio of X2/df is 3.194 (<2.0 threshold), root mean square error approximation (rmsea) is

0.159 (< 0.08 threshold), and goodness fit index (GFI) is 0.731 (>.90 threshold). Thus, further modification is conducted which resulted in the fit model in Figure 2. The final CFA model of self efficacy precipitates 8 items with achievement of fit indices as specified.

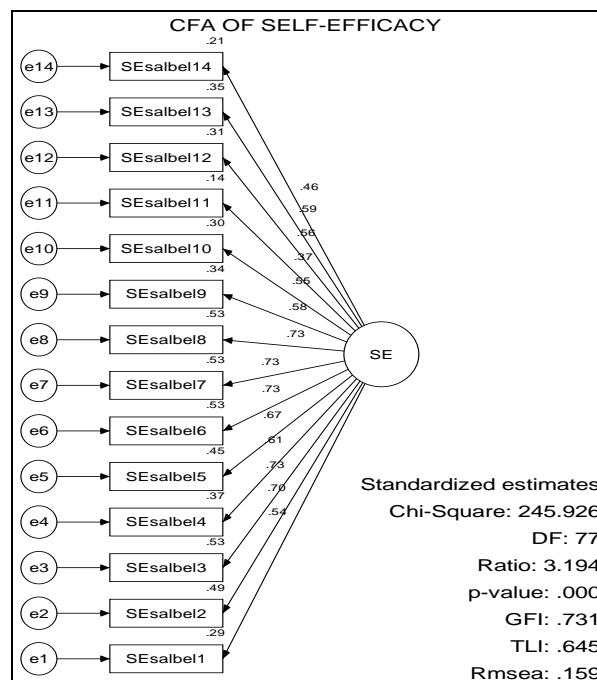


Fig. 1: Initial CFA model.

Table 5: Summary of fit CFA Model statements.

Item code	Factor Loading	Items
SEsabel1	.510	<i>Looking for information on prospective franchise to be franchised (profit, break even point)</i>
SEsabel3	.720	<i>Determining which steps to take first in purchasing a franchise (finding location first, contacting prospective franchisor first etc)</i>
SEsabel5	.660	<i>Providing time for preparation to become a franchisee</i>
SEsabel6	.750	<i>Getting accurate information on the profitability level of the franchise</i>
SEsabel7	.800	<i>Finding an affordable franchise</i>
SEsabel8	.750	<i>Determining which brand among culinary business that is worth to purchase</i>
SEsabel9	.500	<i>Getting the right location for the business</i>

SEsalbel11	.310	Getting franchisor approval
SEsalbel14	.420	Preparing self to be a good leader

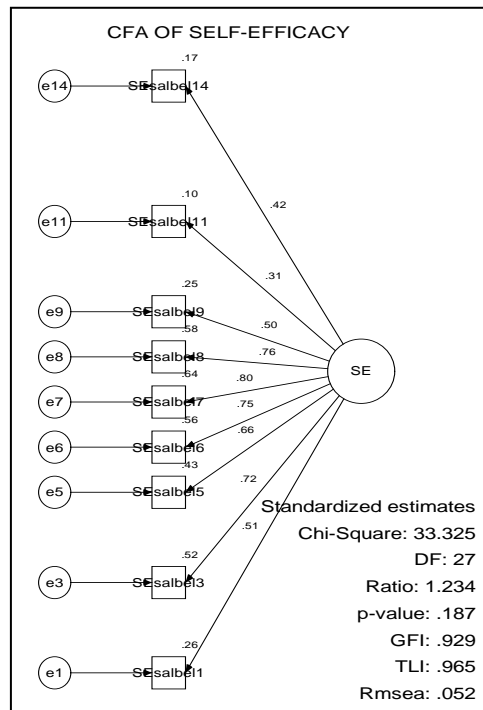


Fig. 2: CFA Model for Self Efficacy Measure.

Table 6: Summary of EFA vs CFA Results.

	Factors explored	Initial Component	Final Items
SPSS	14 items	3	2,3,5,6,7,8,9,12
AMOS	14 items	1	1,3,5, 6,7,8,9,11,14

Discussion:

The results of the two methods of factor analyses showed a similar pattern of retaining six strong items namely items 3,5,6,7,8, and 9 in both results. Three other statements differ in each method i.e, 2 and 12 in EFA while three items 1, 11 and 14 remains in the fit model. It can be inferred that the scale attributed from the two analyses is quite similar in producing the specified items. Thus, the original scale developed by Farmer et al., 2011 and Linan 2008 has been validated for use in this study in Indonesia.

Conclusion:

This study validated the self efficacy instrument through the analysis using Exploratory Factor Analysis in SPSS and Confirmatory Factor Analysis. Although the resulting underlying factors are quite similar, the CFA could be more accurate since it tested for goodness of fit indices.

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