

# FUNDAMENTAL MORAL ORIENTATIONS, STEWARDSHIP, AND ETHICAL ISSUES IN FRANCHISING: WHAT ARE THE LINKAGES AND IMPLICATIONS?

**McCuddy, Michael K.**  
**Valparaiso University**

**Pinar, Musa**  
**Valparaiso University**

**Eser, Zeliha**  
**Baskent University**

**Isin, F. Bahar**  
**Baskent University**

## **ABSTRACT**

*The basic moral philosophy — or Fundamental Moral Orientation — that people use to guide their decisions and actions may be conceptualized as reflecting how they resolve the inevitable tension between pursuing self-interest versus serving others' interests. The manner in which this tension is resolved serves as the foundation for an emerging theoretical model that seeks to explain different approaches to stewardship decisions and actions, and subsequently to the personal and community-related outcomes that derive from those decisions and actions. This paper draws on this theoretical model to develop four sets of research propositions regarding linkages among three different categories of Fundamental Moral Orientations, three different approaches to stewardship decisions and actions, and the importance of ethical issues in attaining long-term success in franchising businesses. Results from a survey of 192 franchisees in Turkey robustly support the four sets of research propositions. The implications of these results for developing the theory and practice of business are explored as well.*

## **INTRODUCTION**

Franchising provides opportunities for aspiring entrepreneurs to establish businesses in a variety of fields including advertising, automotive, cleaning, consulting, fitness, food, Internet services, mailing and shipping, retail, security, sports, travel, and vending, among others (Franchise Industries; Franchise Opportunities...). Of course, franchisees are not guaranteed success when they enter into an agreement with the franchisor; nor are franchisors guaranteed ongoing success because they have developed a concept that has been accepted in the marketplace and has potential for expansion through the development of a franchisee network. Many ethical issues

can arise within the franchisor/franchisee relationship that, if effectively resolved, can help both parties operate successfully, and if not effectively resolved, could destroy the franchising business.

This paper brings together concerns about ethical issues in franchising business success with key underlying dimensions of decision making and action taking from the perspectives of franchisees' approaches to stewardship and their basic moral philosophies. Specifically, we draw on a recently published conceptual framework (McCuddy, 2005a, 2005b) for linking (a) the underlying moral foundation of human decisions and actions with (b) people's ensuing stewardship decisions and actions, which in turn result in (c) a variety of personal and organizational outcomes. We then conceptually link this moral foundation and the ensuing stewardship decisions and actions to ethical issues in franchising business success. In the process of developing the theoretical linkages among the moral orientations, stewardship approaches, and ethical issues in franchising, we offer four sets of research propositions. We then report on a study — conducted among franchisees in Turkey — that was designed, in part, to explore these research propositions.

### **UNDERLYING CONCEPTUAL FRAMEWORK: A REVIEW OF RELEVANT LITERATURE**

The propositions that are developed in this paper draw on three areas of relevant literature. One area focuses on fundamental moral orientations. A second area addresses stewardship. And a third area concerns ethical issues in franchising businesses and franchisor/franchisee relationships. We now turn our attention to each of these areas.

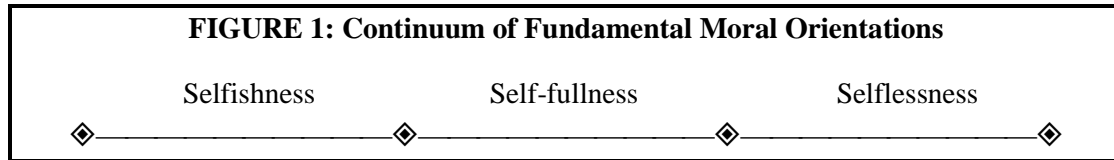
#### **FUNDAMENTAL MORAL ORIENTATIONS**

Individual human beings legitimately have concerns for their own needs and interests. Yet people do not exist in isolation from one another; rather they are part of a human community which has its own interests and to which every individual has some obligation. How individuals relate to their various communities — nuclear family, extended family, workplace, social groups, domicile, etc. — changes over times. This tension between self-interest and others' interests has a rich intellectual heritage. Indeed, the notion of cognitive moral development, as articulated by Piaget (1932/1965), Kohlberg (1976, 1984), and Gilligan (1982), reflects how people resolve the tension between self-interest and community interests as they mature.

This juxtaposition of self-interest with community interests, or equivalently autonomy with heteronomy, underlies the development of moral potential and moral character (McCuddy & Reeb-Gruber, 2008, p. 25). *Autonomy* refers to self-government or individual freedom, whereas *heteronomy* refers to government by others (Parker, 1998, p. 267). As Parker (1998, p. 268) argues, "... the development both of communities and individuals must involve an interweaving of the two complementary themes of autonomy and heteronomy. This inevitably means that there will be tension between the need for autonomy and the need for social responsibility, and this is a tension which will express itself in moral questions about the relation of self and others and in the question of what constitutes a healthy balance between autonomy and heteronomy." How each human being resolves this tension is the basis for the Fundamental Moral Orientation (FMO) that each of us adopts to guide our decisions and actions in our personal lives and work lives.

The Fundamental Moral Orientations (FMO) Paradigm proposed by McCuddy (2005a, 2005b) has as its philosophical and theoretical foundation the omnipresent tension between autonomy and heteronomy and how this tension is resolved. In describing human beings' basic philosophy in how this tension should be resolved, the FMO paradigm identifies three distinct

categories of moral orientations: selfishness, self-fullness, and selflessness. *Selfishness* involves pursuing one’s self-interest and seeking to maximize one’s utility; it reflects the belief in personal rights and entitlements and the perspective that fulfilling personal goals and desires are paramount to the concern of other people or the broader community. *Self-fullness* involves the simultaneous pursuit of reasonable self-interest and reasonable concern for the common good; it reflects a person’s pursuit of self-interest by developing and utilizing his or her capabilities but doing so in the service of others. *Selflessness* is the polar opposite of selfishness as it involves sharing for the common good — even to the extent of sacrificing one’s own interests in behalf of the common good. These three categories can be viewed in relation to one another and arranged on a continuum, as shown in Figure 1.



Selfishness and selflessness have received a lot of attention in the literature. For example a search of the electronic database ABI/Inform for scholarly journal articles published since January 1, 2000 revealed that 671 articles had been published on the topic of selfishness with 71 of those being on selfishness in business, and 162 articles were published on selflessness with 13 being on selflessness in business. Clearly, the large number of research studies documents that selfishness and selflessness are important phenomena in understanding human behavior. However, an extensive review of these studies is beyond the scope of this paper. Over the aforementioned time period, the self-fullness concept appeared in two scholarly articles in the ABI/Inform electronic database. These two articles are part of the ongoing research program of the lead author of the present study. Moreover, self-fullness is a concept that, while eminently logical, was specifically introduced in the conceptual formulation of the Fundamental Moral Orientations Paradigm. Self-fullness is, however, a concept that is compatible with and builds upon the notion of self-actualization (Maslow, 1970, 1971) by involving the full and complete expression of a person’s capabilities and competencies — but doing so in the context of obligations to others.

Each of the three FMO categories encompasses a variety of moral orientations that are consistent with the basic thrust of the category but which reflect varying degrees of that basic thrust. For example, the selfishness category ranges from “the unbridled pursuit of greed and the uncaring exploitation of other individuals, communities, institutions, and natural resources[,]” to the pursuit of “satisfaction, joy, and happiness in the conduct of one’s life ... [, to] efforts to fully develop ... [one’s] talents and capabilities ... [, to ensuring] one’s personal physical survival” (McCuddy, 2005a, p. 143; 2008, p. 12). Self-fullness also exists in varying degrees, ranging from resolving the tension between self-interest and community interests so that self-interest is slightly/somewhat favored over community interest, to self-interest and community interests being balanced or equally important, to community interest being slightly/somewhat favored over self-interest. The selflessness category too exists in varying degrees; it covers moral orientations “ranging from helping other individuals in small ways, to contributions to or involvement in volunteer or community organizations, to substantial contributions to or involvement in charitable organizations and community/public activism, to total dedication to serving others” (McCuddy, 2005a, p. 143; 2008, p. 12).

The FMO Paradigm is an emerging conceptual framework — one that is under ongoing development and testing. In this vein, the three FMOs of selfishness, self-fullness, and

selflessness have been employed by the lead author and his research team in conceptually and/or empirically exploring different forms of leadership (McCuddy, 2008; McCuddy & Cavin, 2008), the behaviors that individuals and organizations exhibit in the aftermath of disasters (McCuddy, 2006; McCuddy & Tuetken, 2005); and how moral orientations are influenced by gender (McCuddy, Pinar, Birkan, & Kozak, 2008, 2009; McCuddy, Pinar, Kozak, & Birkan, 2008, 2010).

## STEWARDSHIP

The origin of stewardship is most likely religious in nature; as indicated in *Webster's Third New International Dictionary* (Gove, 1976, p. 2240), stewardship concerns "... the individual's responsibility for sharing systematically and proportionately his time, talent, and material possessions in the service of God and for the benefit of all mankind." Contemporary conceptions of stewardship, however, far transcend its religious origin. For example, a widely and readily accessible source — namely, the dictionary accompanying the Microsoft Word software — describes stewardship as "the way in which someone organizes and takes care of something" (Microsoft Word Dictionary, 2007). And the *Merriam-Webster Online Dictionary* defines stewardship as "the conducting, supervising, or managing of something; especially; the careful and responsible management of something entrusted to one's care" (Merriam-Webster.com). Stewardship reflects a duty of care for and conservation of property (Newton, 1997, p. 606); it involves taking care of resources through nurturing and thrifty management of their use (Leopold, 1998, p. 228). Without a doubt, stewardship involves a strong element of how individuals manage their own assets as well as those entrusted to their care — either by others to whom they are directly connected, such as employers, or by virtue of the fact that each person is a member of the human community to which nature's resources and the care of fellow human beings are entrusted.

Stewardship is important in any business operation because it involves the use of the organization's resources — economic, human, and natural/environmental resources. In the business world, stewardship involves both the wise use of resources to attain organizational objectives and the responsibility to protect and grow those resources in order to sustain the enterprise now and into the future. However, stewardship is not always practiced well or effectively; and perhaps, most importantly, it is not necessarily practiced for the greater good of humanity. Three different forms of stewardship — self-aggrandizing stewardship, complete stewardship, and sacrificial stewardship — give voice to how it can be practiced and for what purpose it is practiced.

*Self-aggrandizing stewardship* reflects the utilization of human, economic, and natural/environmental resources to further one's own interests. "There is little, if any, concern for using, developing, or conserving resources so that others may benefit, either now or in the future. In a sense, one might consider this form of stewardship to be false (or pseudo) stewardship since resources entrusted to the person's care are used only to further self-interest" (McCuddy, 2005, p. 144; 2008, p. 16). In business organizations, self-aggrandizing stewardship may occur through the exploitation of workers, squandering or misuse of financial resources, use of physical facilities and equipment for personal purposes, depletion of natural resources, failure to propagate renewable resources, and pollution of the environment, to name some possibilities. When these decisions and actions are targeted toward personal gain at the expense of others, self-aggrandizing stewardship is alive and well.

*Complete stewardship* reflects "decisions and actions [that] focus on using, developing, and conserving human, economic, and natural/environmental resources to benefit both oneself and others. The practice of complete stewardship reflects the recognition that [decisions and actions

that benefit] both self and community are important, and that each is compatible with the other” (McCuddy, 2005, p. 144; 2008, p. 18). Given that decision making and action taking in complete stewardship emphasizes the utilization of resources to advance the interests of all parties, complete stewardship may be argued to be the most promising stewardship approach for the long-term success and survival of the human species and its various communities (McCuddy, 2008, p. 19). In business organizations, this argument translates into decisions and actions that can foster genuine sustainability of the business enterprise. Moreover, complete stewardship is an alternate way of conceptualizing sustainable development, which was originally defined by the Brundtland Commission (Brundtland, 1987, p. 54) as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

*Sacrificial stewardship* occurs when “[t]he person sacrifices his/her time, talent, and treasure for the benefit of the community. Human, economic, and natural/environmental resources are utilized, developed, and conserved for the benefit of others’ — or the community’s — interests, both now and in the future” (McCuddy, 2005, p. 144; 2008, p. 18). When sacrificial stewardship is practiced in the workplace, employees will place organizational interests before personal interests — perhaps even to the extent of subjecting themselves to excessive stress, such as workaholism and job burnout (McCuddy, 2008, p. 18).

The FMO Paradigm proposes that Fundamental Moral Orientations are direct precursors of stewardship decisions and actions (McCuddy, 2005, pp. 142-143; 2008, p. 12). In other words, an individual’s personal moral philosophy regarding the resolution of the inevitable tension between self-interest and community interest precedes and influences the stewardship approach that he/she utilizes in making decisions and taking actions regarding human, economic, and natural/environmental resources. Specifically, the selfishness FMO is hypothesized to be the precursor of self-aggrandizing stewardship, the self-fullness FMO is the precursor of complete stewardship, and the selflessness FMO is the precursor of sacrificial stewardship (McCuddy, 2005, p. 144; 2008, pp. 16-19).

## **ETHICAL ISSUES IN FRANCHISING BUSINESSES AND FRANCHISOR/FRANCHISEE RELATIONSHIPS**

Franchising started in United States commerce during the 19<sup>th</sup> century when Singer Corporation used this channel to distribute sewing machines (Storholm and Scheuing, 1994). Modern franchising has enjoyed tremendous growth since the 1950s, with companies such as McDonald’s, Coca-Cola, Dunkin’ Donuts, Pizza Hut, Midas Mufflers, Holiday Inn, and others relying on this system to fuel their growth (Hall & Dixon, 1988; Storholm & Scheuing, 1994). As a result of recent domestic and global growth, franchising has become a major channel in retail marketing, exerting a significant impact upon consumer buying decisions. The major business sectors for growth globally are reported to be in restaurants, miscellaneous services, and non-food retailing (Hoffman & Preble, 2004).

Amos (2001) sees franchising as a “transferable” concept enabling any business to adapt to different cultures and business regulations around the globe. However, a different set of capabilities are needed to be successful in franchising (Shane, 1996). Research identifies royalty taxes, contract laws, and the lack of specific franchise legislation as the major issues of which franchisors and franchisees must be aware (Hoffman & Preble, 2004). Also, Larson (2002) points out the importance of legal, socio-cultural, and ethical challenges as important operational issues for companies that are seeking to expand franchising internationally.

While franchising is well established in developed nations, it also works advantageously in transitional economies, such as the Czech Republic, Hungary, and Slovenia (Hoffman & Preble, 2004). Because franchising provides the necessary structure and support that otherwise would be lacking, it can also be advantageous in Turkey — the country of focus in the present study — wherein a long history of entrepreneurship is lacking (Chapman, 1997). In Turkey, franchising began with intercity passenger transportation in 1960s; gas station establishments, bus companies, and bus ticket sales offices were given, with specific conditions and limitations, to other independent offices in different cities. Modern franchising applications in Turkey started with McDonalds in 1985, which was followed by Sagra (a local nut producer). Today, Turkish franchising applications can be seen in various sectors such as skin care products, apparel, fast food, cleaning, car rentals, chocolate products, office stationary products, real estate, publishing, communication, music markets, cargo, do-it-yourself stores, cosmetics, and automotive products (Kumkale, 2006). Although franchising is a fairly new business concept in Turkey, it has been growing very fast (Aydın, 2008).

Generally, franchising is described as a business opportunity wherein the owner (producer or distributor) of a service or a trademarked product grants exclusive rights to an individual for local distribution and/or sale of the service or product, and receives, in return, a royalty payment and conformance to certain quality standards and standardized levels of service to customers (Storholm & Scheuing, 1994). Although franchising is an attractive organizational form for franchisors to pursue growth strategies (Cochet, Dormann, & Ebrmann, 2008), franchisees often choose the franchise option in order to become their own boss and run a business according to their own decisions while profiting from a proven business concept (Elango & Fried, 1997; Peterson & Dant, 1990). Additionally, franchisors that have well-developed start-up support services and ongoing support services are more likely to maintain consistent system standards (Mendelsohn, 1993) and have successful franchisees (Frazer, 2001). Franchisees in successful franchise systems are more likely to be satisfied with their businesses, because of the support services and positive nature of the relationship with the franchisors; as a result, such franchise systems will experience less conflict and be less disruptive than those with erratic or unsatisfactory levels of support. Collectively, these observations point to the possibility of different — even potentially conflicting — motives for franchisors relative to franchisees.

Indeed, Storholm and Scheuing (1994) indicate that the proliferation of franchise operations can best be appreciated by analyzing both the franchisor's and franchisee's motives. Although a number of benefits of franchising exist for both the franchisor and the franchisee, Storholm and Scheuing (1994) assert that there are fundamental areas of conflicts and that how these conflicts are resolved determines the success or failure of the franchise operation. For example, while most franchisees seem to be concerned with the inequality of power in the franchise agreement, which is drawn up by the franchisor, franchisors complain most frequently of the tendency of many franchisees to operate on a continuing basis in violation of various stipulations in the franchise agreement (Storholm & Scheuing, 1994). Moreover, since the franchisor prepares the franchise agreement to serve as the basis of the relationship, an asymmetrical distribution of power exists, resulting in opportunistic behavior by the franchisor (Storholm & Scheuing, 1994). They also claim that, in other cases, questionable or unethical practices by franchisees likewise result in conflict.

According to Storholm and Scheuing (1994), franchisees perceive franchisors to be responsible for generating the following major sources of conflict: dual distribution implications, redirection/termination of the franchise, full-line forcing or the requirement to purchase standardized products from the franchisor, questionable use of advertising revenues, and the asymmetrical nature of the franchise agreement. On the other hand, franchisors perceive that

franchisees generate the following major sources of conflict: release of proprietary information to outside parties, non-payment or 'short' payment of royalties, and refusal of franchisees to adhere to standardized conditions in the franchise agreement (Storholm & Scheuing, 1994). Any of these sources of conflict could undermine the success of the franchising system; therefore, they need to be resolved to the mutual satisfaction of both parties. Without effective resolution, these conflicts could manifest themselves in unethical behaviors that could harm the franchising system.

Given that franchising has become a global phenomenon in a rapidly evolving environment, Preble and Hoffman (1999) maintain that there is a great need to control the franchising relationship with ethical codes. Although a regulatory approach could provide a solution to these issues, Preble and Hoffman (1999) suggest that a code of ethics developed by a franchise association would be preferable for more closely governing the manner in which franchise relationships are established. In a study of 13 ethical policy areas in international ethical codes covering 21 franchising activities in 21 countries, Preble and Hoffman (1999) identified several ethical themes that should be included in franchising association code of ethics. These ethical themes are: good faith behavior, full disclosure, maintaining system integrity, avoiding deception, fairness, open communication, and safeguarding the public interest. Since franchising grows by attracting other entrepreneurs to join the system in order to provide goods/services in their local market area, the ethical policies of "full disclosure" and "avoiding deception" are directed at efforts to attract franchisees. Given that the franchise system must build trust between franchisor and franchisees (Thorelli, 1986), "maintaining system integrity" and "open communication" reflect unique franchise characteristics that could help to establish trust in the franchise system.

Without a doubt, effectively resolving the ethical issues that exist in the relationship between franchisors and franchisees is important for franchising business success. The need for resolution of these issues can be understood in the context of agency theory, which, as Doherty and Alexander (2006) indicate, has been applied successfully to domestic franchising and more recently to international retail franchising. Agency theory suggests that the franchisor/franchisee relationship parallels that of the principal/agent relationship, where one party (the principal) delegates work to another party (the agent) who performs the work on a daily basis (Doherty & Quinn, 1999). A fundamental aspect of the principal relationship is the contract between the parties which controls for the agent's potential for moral hazard; the agent potentially uses his knowledge to the detriment of the principal (Doherty & Alexander, 2006). They further state that the potential for moral hazard arises because of the asymmetrical information between principal and agent — or in this case, the franchisor and the franchisee. Given the potential for moral hazard, the franchise contract, coupled with royalty payments and fees are deemed to be fundamental methods by which the franchisor maintains power and control in the franchise relationship (Quinn and Doherty, 2000). In the final analysis, as a major form of business relationship, franchising imposes ethical obligations on the two major participants — the franchisor and the franchisee — toward each other.

## **DRAWING ON THE UNDERLYING CONCEPTUAL FRAMEWORK TO DEVELOP RESEARCH PROPOSITIONS**

Based upon this review of relevant literature which indicates that important linkages exist among Fundamental Moral Orientations, stewardship approaches, and ethical issues in franchising, we offer four sets of research propositions that serve to elucidate these linkages. These four sets of propositions are developed below.

We argue that to be successful, particularly over the long-term, franchisees: (a) must effectively operate within the context of the agreements they have with their franchisors and satisfy the expectations/demands of their franchisors, and (b) satisfy their customers, while (c) simultaneously meeting their own aspirations, expectations, and needs for operating a franchising business. Thus, we expect that the franchisees' operational philosophy would seek to balance the franchisors' interests, the customers' interests, and their own interests. Therefore, we offer the following propositions:

**Proposition 1a:** From the viewpoint of franchisees, their own interests and those of franchisors should be equally important.

**Proposition 1b:** From the viewpoint of franchisees, their own interests and those of customers should be equally important.

**Proposition 1c:** From the viewpoint of franchisees, the interests of franchisors and those of customers should be equally important.

We further assert that franchisees, though they are engaged in a particular form of business operations, are fundamentally the same as other people of any demographic, occupational, social, or cultural group in terms of their humanness and humanity. In resolving the tension between autonomy and heteronomy, between self-interest and community interests, attaining some degree of balance between the two is preferable to going too far in one direction or the other — especially in the direction of self-interest. All human beings — including those in ownership and/or managerial positions in franchising businesses — obviously are interested in personal success, but they can be successful only to the extent that they effectively serve their customers and act on behalf of their franchisors. In more general terms, people who are dependent upon or interdependent with others for attaining personal success must balance their own interests with those of the broader community of which they are a part. Thus, from a means-ends perspective, we expect that franchisees would be most likely to exhibit decisions and actions that balance their self-interest with others' interests. We also expect that serving others' interests to a much greater degree than their own, though less preferable than balancing the two, would be substantially more preferable than letting self-interest dominate their decisions and actions. In arguing that selflessness is less preferable than self-fullness, we must recognize that selflessness has within itself the seeds of self-destruction — particularly when other-directedness is carried to the extreme. Ergo, the *self-fullness* FMO should be preferable to the *selfless* FMO, both of which are highly preferable to the *selfishness* FMO. Given this hierarchy of preference, we offer the following predictions regarding the proportion of franchisees who will describe themselves as being selfish, self-full, or selfless:

**Proposition 2a:** Only a small minority of franchisees will admit to embracing the *selfishness* FMO.

**Proposition 2b:** The majority of franchisees will characterize themselves as being either *self-full* or *selfless* but substantially more franchisees will proclaim *self-fullness* than *selflessness*.

As a direct reflection of the FMO Paradigm's theoretical predictions that were discussed at the end of the stewardship section of the literature review, those specified linkages between the selfishness, self-fullness, and selflessness FMOs, on the one hand, and self-aggrandizing,



complete, and sacrificial stewardship approaches, on the other hand, lead to the following set of research propositions:

**Proposition 3a:** Franchisees who embrace the *selfishness* FMO will be inclined to express that orientation through stewardship decisions and actions that can be described as *self-aggrandizing stewardship*.

**Proposition 3b:** Franchisees who embrace the *self-fullness* FMO will be inclined to express that orientation through stewardship decisions and actions that can be described as *complete stewardship*.

**Proposition 3c:** Franchisees who embrace the *selflessness* FMO will be inclined to express that orientation through stewardship decisions and actions that can be described as *sacrificial stewardship*.

Taken together, Propositions 3a, 3b, and 3c predict that a positive linear relationship exists between the three FMOs and the three stewardship approaches.

Ethical issues frequently involve the tensions that arise from dealing with the competing interests of different stakeholders. An ethical response to such issues is being fair, just, and balanced in responding to stakeholders' interests and in managing relationships with them. To be capable of exercising such an ethical response requires an enhanced level of sensitivity to the various stakeholders as well as to their needs, desires, demands, and relationships.

We could reasonably expect that people who behave in accordance with the selfishness FMO and self-aggrandizing stewardship would **not** be particularly attuned to ethical issues — especially those that are manifestations, in one way or another, of dealing with other people, with other stakeholders. Indeed, we might expect such individuals to be at least somewhat dismissive — perhaps very dismissive — of ethical concerns. Logically, the more selfish and more self-aggrandizing an individual is, the more that person is likely to discount or disregard ethical issues, to consider them unimportant.

However, things may not actually be exactly as they appear when we consider the linkage between selfishness/self-aggrandizing stewardship, on the one hand, and the relevance and importance of ethical issues on the other hand. Selfish and self-aggrandizing individuals might disguise their true intent by engaging in pseudo-moral behavior. People who exhibit pseudo-moral behavior create the illusion that their motivation and purpose is to help other individuals; however, helping others is not their true purpose. Rather helping others is a ruse, a disguise, a diversion from their true purpose, which is to seduce others into actually serving the pseudomoralist's own self-interests. For pseudomoralists, helping others only serves as camouflage for their true intent of furthering their own self-interest (McCuddy & Nondorf, 2009, pp. 544-545). We predict that pseudomoralists would likely assert that ethical issues are at least somewhat important — perhaps even very important — in order to deceive others for the benefit of furthering their own self-interest.

These two competing explanations, both of which are plausible, lead us to formulating the following two opposing propositions:

**Proposition 4a:** Franchisees who practice *self-aggrandizing stewardship* will view ethical issues regarding the mutual interests of franchisors and franchisees to be unimportant.

**Proposition 4b:** Alternatively, franchisees who practice *self-aggrandizing stewardship* will view ethical issues regarding the mutual interests of franchisors and franchisees to be quite important.

We might expect that people who operate in accordance with the self-fullness FMO and practice complete stewardship would be attuned to ethical issues and would attribute a reasonable degree of importance to them. For people who seek to balance their own interests with the interests of others and who practice complete stewardship, dealing with ethical issues in a fair, just, and balanced manner with respect to multiple stakeholders is normal behavior. This is how such people operate on a daily basis; it is their customary way of dealing with ethical issues. It is not an exceptional way of acting; instead it is standard practice. Since these people normally deal with ethical issues in a fair, just, and balanced manner relative to other stakeholders, they are neither dismissive of ethical issues nor hyper-sensitive to them. Thus, people who practice complete stewardship would be highly likely to neither under-emphasize or over-emphasize the importance of ethical issues. Given this line of reasoning, we offer the following proposition regarding the linkage between complete stewardship and the importance of ethical issues regarding the mutual interests of franchisors and franchisees:

**Proposition 4c:** Franchisees who practice *complete stewardship* will view ethical issues regarding the mutual interests of franchisors and franchisees to be moderately important.

People who embrace selflessness and sacrificial stewardship are likely to be highly attuned to ethical issues that revolve around the interests of various stakeholders and will likely attribute great importance to such ethical issues. Because of their other-directedness — even to the near-total, if not complete, exclusion of their own self-interest with extreme selfless — these individuals are the likely crusaders on many ethical issues. They are highly sensitive to how issues impact others, and they dedicate themselves to helping others and resolving issues so as to benefit the other stakeholders. In the extreme, they will sacrifice all to serve others. Bizarrely, however, such extreme selflessness has within itself the seeds of self-destruction but this does not seem to deter those who are dedicated to a high degree of selflessness and sacrificial stewardship. Rather, these saviors of the world press on in putting others' interests first and foremost. Applying this reasoning to ethical issues regarding the mutual interests of franchisors and franchisees leads to the following proposition:

**Proposition 4d:** Franchisees who practice *sacrificial stewardship* will view ethical issues regarding the mutual interests of franchisors and franchisees to be highly important.

Propositions 4a, 4c, and 4d together predict a linear relationship between the three stewardship approaches and the importance of ethical issues in franchising. As an alternative, Propositions 4b, 4c, and 4d together predict a U-shaped quadratic relationship between the three stewardship approaches and the ethical issues in franchising.

## QUESTIONNAIRE DESIGN

The survey upon which this paper is based was designed to provide data for more than one study. The full survey, which is presented in Appendix A, contained 37 questions that addressed different topics and issues of interest to franchising businesses. The present study draws on specific parts of the questionnaire to explore the relationships among the various ethical concepts that were addressed in the aforementioned propositions. The following four sections describe in detail the development of the variables that are of interest in the present study. These variables of interest are described in the order in which they appear in the study's research propositions and in their use in the presentation of the results.

Since the survey instrument was originally developed in English, as recommended by Ball, McCulloch, Frantz, Geringer, and Minor (2002), it was translated into Turkish, and then it was later back-translated into English to avoid translation errors and to make sure that the intended meanings of the questions were maintained. The Turkish version of the instrument was pre-tested with several marketing and management faculty members in order to assure the appropriateness and consistency of the scale items. In addition, the survey instrument was pre-tested with eight franchisees to further assure that survey questions were clear and were not confusing regarding the wording or descriptions or measurement scales. Based on the feedback of these pre-tests, the instrument was further improved and refined.

## MEASURING FRANCHISEES' VIEWS OF KEY STAKEHOLDERS' INTERESTS

The franchisees were asked three questions regarding relationships among them, their franchisors, and their customers. One question (Q11) juxtaposed the franchisee's interests with the franchisor's interests; in this question the nine-point scale had the following key anchor labels: *1 = franchisee's interests are definitely important; 5 = equally important; and 9 = franchisor's interests are definitely important*. Another question (Q12) pitted customers' interests against franchisor's interests, and the identified scale anchors were: *1 = customers' interests are definitely important; 5 = equally important; and 9 = franchisor's interests are definitely important*. A third question (Q13) focused on franchisee's interests versus customers' interests, and the identified scale anchors were: *1 = franchisee's interests are definitely important; 5 = equally important; and 9 = customers' interests are definitely important*. On each question, the respondents were instructed to select the number on the nine-point scale that best described their orientation toward the juxtaposed stakeholder interests.

## MEASURING FRANCHISEES' FUNDAMENTAL MORAL ORIENTATIONS

Questions 1 and 2 in the survey addressed the Fundamental Moral Orientations (FMOs) under which the respondents operated within their workplaces. Question 1, which was a direct FMO measure, provided definitions of selfishness, self-fullness, and selflessness that related, respectively, to the left end, the middle, and the right end of a nine-point response scale. The left anchor was labeled *definitely selfish*, the middle was *definitely self-full*, and the right anchor was *definitely selfless*. The respondents indicated, through their choice of a scale value from 1 through 9, which number most accurately described the orientation they took in making decisions and taking actions at work. Question 2, which was designed as an indirect or less obvious FMO measure, asked the respondents to describe, by selecting the number on another nine-point scale, the best description of the decisions they have made and the actions they have taken at work during the preceding one-to-three year period. The scale labels for question 2 were different, however, than the labels for question 1. For question 2, the left and right end points were labeled, respectively, *I always pursue my own interests and satisfy my own needs* and *I always focus on others' interests and satisfy others' needs*; the midpoint anchor was *I try to balance my own interests and needs against others' interests and needs*. For both questions 1 and 2, scores of 1,

2, or 3 identify the *selfishness FMO*; scores of 4, 5, or 6 reflect the *self-fullness FMO*; and scores of 7, 8, or 9 indicate the *selflessness FMO*.

### **MEASURING FRANCHISEES' STEWARDSHIP APPROACHES**

Questions 4 through 10 from the survey pertain to stewardship. The franchisees were asked to describe the stewardship orientation they take at work with regard to seven different items. The response scale for these items used a nine-point semantic differential format, with a different pair of opposing anchors for each question. The specific pairs of anchors are shown in Appendix A.

These seven questions were submitted to a factor analysis to ascertain whether the items could be aggregated into subscales. The factor analysis used the principal components extraction method with varimax rotation. As shown in Table 1 at the top of the next page, two factors that had eigenvalues in excess of 1.0 emerged from the analysis. An eigenvalue that is greater than 1.0 meets the threshold criterion suggested by Hair, Black, Babin, and Anderson (2010, p. 111) for identifying significant factors. Factor 1 accounted for 38.054 % of the common variance and Factor 2 accounted for 25.447%. According to Hair, Black, Babin, and Anderson (2010, pp. 117-118), factor loadings for a sample size of 150 or more that are greater than  $\pm.50$  are very significant. Except for the  $+.482$  loading for question 9 on Factor 1, all of the other loadings range between  $+.695$  and  $+.839$ ; this indicates that overall the survey questions in Factor 1 represent a very significant cluster of items. Both items in Factor 2 have loadings substantially exceeding  $+.50$  (*i.e.*,  $+.932$  for question 4 and  $+.911$  for question 5), thereby indicating a highly significant pair of survey items. In examining the questionnaire items that load on each factor, we labeled Factor 1 as *Social Justice Stewardship* and Factor 2 as *Resource Utilization Stewardship*.

Additionally, the two subscales were subjected to reliability analysis. Cronbach's coefficient alpha, a measure of the internal consistency reliability of a multi-item scale, was  $.775$  for the *Social Justice Stewardship Subscale* and  $.836$  for the *Resource Utilization Stewardship Subscale*. Moreover, when all seven stewardship items are combined in a single *Overall Stewardship Scale*, Cronbach's alpha is  $.703$ . Hair, Black, Babin, and Anderson (2010, p. 125) recommend a threshold level of  $.70$  for an appropriate level of measurement reliability. Cronbach's alpha for all three stewardship measures meet this standard; therefore, the three stewardship scales may be characterized as being highly reliable.

On each of the three scales, a score was developed for each respondent by computing the arithmetic mean of the items contained in the respective scales. Scale and subscale scores within the range of 1.0 to 3.5 indicate *self-aggrandizing stewardship*; scores between 3.51 and 6.5 signify *complete stewardship*; and scores between 6.51 and 9.0 identify *sacrificial stewardship*.

### **MEASURING IMPORTANCE OF ETHICAL ISSUES IN FRANCHISING BUSINESS SUCCESS**

As briefly indicated in an earlier section, this paper is part of a larger study designed to explore several different issues among franchisees. Both the present paper and two other ones use the results of the factor analysis on questionnaire items 14 through 27 to generate subscales and an overall scale for *Ethical Issues in Franchising Business Success*. Thus, the content of the present section is identical to the same material presented in the other two works. However, this paper uses the scale and subscale values in relation to the Fundamental Moral Orientations Paradigm rather than in relation to personal demographic characteristics and franchising characteristics, as is the case with the other two articles.

<b>TABLE 1: Results of Factor Analysis for Stewardship Questions</b>		
<b>Subscales for Stewardship Questions</b>	<b>Factor 1</b>	<b>Factor 2</b>
<b>Stewardship Subscale 1: Social Concerns</b>		
<b>Q10:</b> Never seeks to serve the needs of others or society vs. always strive to serve the needs of others or society	<b>.839</b>	.073
<b>Q8:</b> Willing to violate human rights vs. unwilling to violate human rights	<b>.808</b>	.169
<b>Q6:</b> Unwilling to share economic resources and wealth vs. willing to share economic resources and wealth	<b>.767</b>	-.024
<b>Q7:</b> Willing to pollute the environment vs. unwilling to pollute the environment	<b>.695</b>	-.201
<b>Q9:</b> Committed to my personal development vs. committed to other people’s development	<b>.482</b>	.089
<b>Stewardship Subscale 2: Resource Utilization</b>		
<b>Q4:</b> Use resources to maximize my personal benefit vs. use resources to maximize others’ benefit	.021	<b>.932</b>
<b>Q5:</b> Emphasize my rights to exploit natural resources vs. emphasize my obligation to conserve natural resources	.055	<b>.911</b>
<b>Eigenvalue</b>	2.669	1.781
<b>Percent of variance explained</b>	38.064	25.447
<b>Cronbach's alpha</b>	.775	.836

Survey questions 14 through 27 focus on ethical issues in franchising business success. These 14 questions, which have been compiled from the literature, deal with ethics codes covered in global franchising agreements (Preble & Hoffman, 1999) and major sources of conflict for franchisors and franchisees (Storholm & Scheuing, 1994). Specifically, questions 14 and 19 are from Storholm and Scheuing (1994); questions 15, 17, and 21 through 27 are from Preble and Hofman (1999); and questions 16, 18, and 20 are covered by both Preble and Hofman (1999) and Storholm and Scheuing (1994). Since these 14 ethical issues were identified as the common policy topics in international ethical codes and/or as sources of conflict in franchising agreements, we believe that these questions are appropriate for examining ethical issues that are important in ensuring the long-term success of franchising businesses.

On questions 14 to 27, the respondents were asked to indicate how important they considered each of the 14 ethical issues to be with respect to promoting and protecting the interests of both the franchisor and the franchisee in order to ensure the long-term success of the franchising business. A six-point response scale that was designed using the Bass, Cascio, and O’Connor (1974) method for approximating an interval level of measurement was employed with these questions. The response scale labels were as follows: 0 = *not at all important*; 1 = *slightly important*; 2 = *important to some degree*; 3 = *moderately important*; 4 = *very important*; and 5 = *extremely important*. The responses to questions 14 through 27 serve as input into a factor analysis, which is intended to generate the dependent measures used in this study.

The results of the factor analysis are presented in Table 2, which appears on a subsequent page. The factor analysis used the principal components extraction procedure with varimax

rotation. As shown in Table 2, five factors with eigenvalues in excess of 1.0 emerged from the analysis, thereby meeting the threshold criterion suggested by Hair, Black, Babin, and Anderson (2010, p. 111) for identifying significant factors. Together the five factors — or *Ethical Issues in Franchising Business Success Subscales* (EIFBS Subscales) — accounted for 72.643% of the common variance. The factor loadings presented in Table 2 range between +.558 and +.845 for EIFBS Subscale 1, which is a five-item factor; and between +.595 and +.844 for EIFBS Subscale 2, which is a three-item factor. The loadings for the other three subscales, all of which are two-item factors, are +.620 and +.868 for Subscale 3, +.710 and +.873 for Subscale 4, and +.728 and +.771 for Subscale 5. In short, the factor loadings for each subscale are greater than +.50, thereby meeting the significance criterion specified by Hair, Black, Babin, and Anderson (2010, pp. 117-118) for a sample size of 150 or larger.

Based on an analysis of the questionnaire items contained in each factor or subscale, the following *Ethical Issues in Franchising Business Success Subscale* labels were derived: (1) *EIFBS Subscale 1* — issues concerning the development and maintenance of an ethical business culture for franchising; (2) *EIFBS Subscale 2* — ethical issues concerning the integrity of franchising information; (3) *EIFBS Subscale 3* — ethical issues concerning the franchising system's key stakeholder relationships; (4) *EIFBS Subscale 4* — ethical issues concerning the integrity of the franchising system; and (5) *EIFBS Subscale 5* — ethical issues concerning the protection and expansion of franchising business opportunities. The numerical value of the cases for each subscale reflects the arithmetic mean of the questionnaire items included in that subscale.

The factor analysis that established the five subscales also was supplemented with an analysis of the measurement reliability of each subscale, the results of which are shown in the row in Table 2 that is labeled Cronbach's alpha. As indicated in an earlier section, Hair, Black, Babin, and Anderson (2010, p. 125) recommend a reliability threshold level of .70; however, they do suggest .60 as an acceptable threshold level in exploratory research. Since the present study constitutes an early attempt to develop useful subscales of measurement for *Ethical Issues in Franchising Business Success*, the more generous .60 threshold is acceptable for our use. Cronbach's alpha was .830 for EIFBS Subscale 1, .700 for EIFBS Subscale 2, and .616 for EIFBS Subscale 4; all of which exceed the exploratory threshold level for acceptable reliability and two of which exceed the more rigorous threshold level. Cronbach's coefficient alpha was .586 for EIFBS Subscale 3 and .413 for EIFBS Subscale 5, both of which fall below the more liberal threshold level of .60 (Hair, Black, Babin, and Anderson, 2010, p. 125). However, coefficient alpha for Subscale 3 is quite close to the .60 threshold level and the factor analysis results for both Subscales 3 and 5 have factor loadings that are very significant. Moreover, both Subscales 3 and 5 are two-item scales. Since Subscales 3 and 5 meet the factor loading and eigenvalue criteria, and given that the present subscale development is exploratory and these two subscales only contain two items each, we will use them — with appropriate analytical caution — rather than abandon them due to the lower than desirable threshold reliability level.

In addition to the five EIFBS Subscales, an *Ethical Issues in Franchising Business Success Overall Scale* has been created. The EIFBS Overall Scale is the arithmetic mean of the 14 ethical issues questionnaire items (*i.e.*, survey questions 14 through 27). The EIFBS Overall Scale has a very high level of reliability as indicated by Cronbach's alpha of .831.

<b>TABLE 2: Results of Factor Analysis on Ethical Issues in Franchising Business Success (EIFBS)</b>					
<b>Subscales for Issues Regarding Long-Term Franchising Business Success</b>	<b>Factor 1</b>	<b>Factor 2</b>	<b>Factor 3</b>	<b>Factor 4</b>	<b>Factor 5</b>
<b>EIFBS Subscale 1:</b>					
<b>Q24:</b> Providing a quality product or service in line with the image of franchising business.	<u><b>.845</b></u>	.009	.070	.275	.017
<b>Q23:</b> Providing open and effective two-way communication among all parties.	<u><b>.813</b></u>	.176	-.154	-.151	-.006
<b>Q25:</b> Practicing non-discrimination and affirmative action regarding all parties.	<u><b>.771</b></u>	-.104	.059	.130	.119
<b>Q27:</b> Having a general statement promoting ethical principles that are consistent with the image of the franchising business.	<u><b>.643</b></u>	.078	.403	.138	.366
<b>Q21:</b> Complying with all applicable laws.	<u><b>.558</b></u>	.156	.327	.434	.221
<b>EIFBS Subscale 2:</b>					
<b>Q16:</b> Providing a notice and process for dealing with disputes, terminations, or expirations of agreements.	-.024	<u><b>.844</b></u>	.148	.110	-.123
<b>Q15:</b> Providing full and accurate disclosure of information when selling a franchise and after the franchising agreement is signed.	.104	<u><b>.804</b></u>	.329	-.088	.115
<b>Q18:</b> Avoiding questionable use of advertising payments and/or having no false or misleading advertising.	.100	<u><b>.595</b></u>	-.103	.362	.289
<b>EIFBS Subscale 3:</b>					
<b>Q22:</b> Having fair dealings between franchisor and franchisee.	-.029	.173	<u><b>.868</b></u>	-.034	.167
<b>Q26:</b> Safeguarding the public interest.	.534	.225	<u><b>.620</b></u>	.185	-.028
<b>EIFBS Subscale 4:</b>					
<b>Q19:</b> Having a franchise agreement that seems to protect the franchisor more than the franchisee.	.206	-.012	-.147	<u><b>.873</b></u>	.078
<b>Q17:</b> Maintaining the integrity and reputation of the franchise concept or system.	.064	.255	.422	<u><b>.710</b></u>	-.069
<b>EIFBS Subscale 5:</b>					
<b>Q14:</b> Pursuing dual distribution opportunities for the franchisor to increase sales for the franchising business.	.040	-.137	.094	.056	<u><b>.771</b></u>
<b>Q20:</b> Protecting trade secrets or proprietary information and not releasing proprietary information to outside parties.	.164	.316	.064	-.003	<u><b>.728</b></u>
<b>Eigenvalue</b>	3.076	2.050	1.792	1.779	1.464
<b>Percent of variance explained</b>	21.969	14.646	12.798	12.704	10.526
<b>Cronbach's alpha</b>	.803	.700	.586	.616	.413

### **SAMPLING PROCEDURE**

Although our general research interest is targeted toward ethical issues that are important in ensuring long-term business success for both franchisors and franchisees, the present study focuses specifically on the perceptions of franchisees regarding these ethical issues. Therefore, franchisees were used as the sampling units. The survey was conducted in two major cities in Turkey: Ankara (the capital of Turkey and its second largest city) and Eskisehir (one of the major cities in Turkey). In order to determine the number of franchisees in these cities, we contacted URFAD (Ulusal Franchising Dernegi — National Franchising Association of Turkey). Although URFAD did not provide us with a list of the franchisees in Ankara and in Eskisehir, the information provided by URFAD (2010a, 2010b) indicated there were 300 franchisees in Ankara and 60 in Eskisehir. This gave us a sampling frame of 360 franchisees; with the exception of gas stations, the majority of the franchise operations were located in major shopping malls. Also, recent research (Anonymous, 2010) shows that in Turkey 24% of the franchisees are in textiles, 27% in products, 16% in services, and 33% in apparel. Moreover the recent growth of the franchisees has been attributed to the opening of new shopping malls. Collectively, these informational items provided a reasonable indication of the distribution of franchisees by different industries as well as their locations, all of which served to guide our sampling. Our research showed that there were ten major shopping malls in Ankara and two shopping malls in Eskisehir.

Since there was no list of franchisees available in Ankara and Eskisehir from which to select samples, we were forced to use convenience sampling. However, in order to assure that various industries were included in the sample, we decided that convenience quota sampling would best serve the study purpose. Since most of the franchisees were located in shopping malls (Anonymous, 2010), researchers visited all 10 shopping malls in Ankara and one shopping mall in Eskisehir to administer the survey. Also included in the study were the franchised gas stations that were located outside of shopping malls. A total of 225 franchise operations were visited from the 360 franchisees that existed in Ankara (300) and Eskisehir (60) (URFAD, 2010a, 2010b). Of the 225 franchisees visited by the researchers, 192 franchisees returned useable surveys for subsequent analysis.

Of the 225 questionnaires that were distributed to franchisees in both cities, 189 were distributed to the franchisees at 11 shopping malls and 39 were distributed to the gas stations. The questionnaire was collected at the end of the day that it was distributed. The data collection period lasted a little over three weeks. Out of 225 questionnaires distributed, 192 usable questionnaires were received, yielding a response rate of 85%. This response rate is very satisfactory given the heavy surveying activity in the franchising business (Kaufmann & Dant, 2001). Based on information given to us by URFAD (2010a, 2010b), our survey covers 53.3% of the franchises (192/360) in both cities.

### **DEMOGRAPHIC CHARACTERISTICS OF THE SAMPLE**

Questions 28 (gender), 29 (age), 30 (education level), and 37 (position in the company) from the demographics section of the survey (see Appendix A) serve to characterize the 192 respondents in the survey sample. Table 3, at the top of the next page, presents information on these personal demographic characteristics. Slightly less than one-quarter of the sample consists of female respondents and slightly more than three-quarters are male. A slight majority of the respondents are in the 36 to 50 age group, with the remainder split between the 21 to 35 and 51 to 65 age groups in an approximate 3:2 ratio. The average age is 43.9 years. Over 90% of the respondents have at least a high school education, and 64% of them have at least an undergraduate college education. Slightly more than three-fifths of the respondents are franchise managers, slightly less



than one-fifth are franchise owners, and slightly less than one-fifth are both owners and managers.

<b>TABLE 3: Demographic Characteristics of the Sample</b>		
<b>Personal Demographic Characteristics</b>	<b>Frequency</b>	<b>Percent</b>
<b>Gender:</b>		
Female	43	22.4
Male	149	77.6
<b>Age:</b>		
21 to 35	37	19.3
36 to 50	100	52.1
51 to 65	55	28.6
<b>Education:*</b>		
Elementary Education	15	7.8
High School Education	54	28.1
Undergraduate Degree	97	50.5
Master's Degree	26	13.5
<b>Position in Company:*</b>		
Manager	119	62.0
Owner	36	18.8
Both Owner and Manager	37	19.3
* Percentages for the categories on this characteristic do not total to 100.0% due to rounding. Sample size = 192		

**RESULTS**

The results are organized according to each set of hypotheses. Since different analytical methods are used with the different sets of hypotheses, the particular method in use will be described in conjunction with the presentation of results for the specified set of hypotheses.

**FRANCHISEES' VIEWS OF STAKEHOLDERS' INTERESTS**

Collectively, Propositions 1a, 1b, and 1c assert that franchisees will view their own interests, franchisors' interests, and customers' interests as being of equal importance. In terms of the scale of measurement used for the three pairs of stakeholder interests that are relevant to these propositions, we expect the franchisees' responses to be in the middle of the nine-point scale wherein 5 = *equally important*. A one-sample *t*-test with the null hypothesis test value set equal to five is an appropriate way to statistically evaluate Propositions 1a, 1b, and 1c. Table 4, at the top of the next page, presents the results of the one-sample *t*-test. Although the results indicate that, statistically, each stakeholder comparison is significantly greater than 5.0, practically the means are, at most, slightly more than a half-point larger than the scale mid-point (and the mid-point indicates equal importance of the two stakeholder interests). While there is a statistically significant departure from the scale mid-point, it does not appreciably counter the hypotheses. Therefore, the evidence supports Propositions 1a, 1b, and 1c.

**ABLE 4: Results of One-Sample t-Test on Comparisons of Stakeholder Interests**

Stakeholder Interests	Mean	Std. Deviation	<i>t</i>	<i>df</i>	Sig. (2-tailed)
Franchisee’s interests vs. franchisor’s interests	5.245	1.201	2.824	191	.005
Customers’ interests vs. franchisor’s interests	5.234	1.168	2.781	191	.006
Franchisee’s interests vs. customers’ interests	5.542	1.072	6.999	191	.000
Test value of null hypothesis = 5					

**FRANCHISEES’ FUNDAMENTAL MORAL ORIENTATIONS**

Propositions 2a and 2b pertain to the frequency with which the three Fundamental Moral Orientations of selfishness, self-fullness, and selflessness occur among the franchisees. Table 5 presents the distribution of responses across the scale alternatives for survey questions 1 and 2. Response options 1, 2, and 3 reflect the selfishness FMO. On Q1 only a miniscule 0.52% of the respondents describe themselves as being selfish; on Q2 only 2.60% of the respondents describe themselves as being selfish. Response options 4, 5, and 6 identify the range of the self-fullness FMO. For Q1 65.63% of the respondents identify themselves as being self-full; for Q2 63.02% also characterize themselves as being self-full. Response options 7, 8, and 9 indicate selflessness. This FMO describes 33.85% of the respondents Q1 and 34.38% of the respondents to Q2. Without a doubt, the selflessness FMO describes only a very small minority of the franchisees, which clearly support Proposition 2a. Moreover, the self-fullness FMO characterizes a substantial majority of the respondents and the selflessness FMO describes a significant minority of the respondents, which strongly supports Proposition 2b.

**TABLE 5: Frequency Analysis for Fundamental Moral Orientations (FMO) Questions**

Original Response Options	Frequencies for Original Response Options		Summary Categories	Frequencies for Summary Categories	
	Survey Question 1	Survey Question 2		Survey Question 1	Survey Question 2
1	0	5	Selfishness FMO	1	5
2	0	0			
3	1	0			
4	1	6	Self-fullness FMO	126	121
5	52	47			
6	73	68			
7	59	54	Selflessness FMO	65	66
8	0	7			
9	6	5			
<p><b>Q1:</b> How would you describe the fundamental moral orientation that you follow in the decisions you make and the actions you take at work?</p> <p><b>Q2:</b> How would describe your decisions and actions at work during the past 1 to 3 years?</p>					

**FRANCHISEES’ FMOS IN RELATION TO THEIR STEWARDSHIP APPROACHES**

Given the manner in which the franchisees’ Fundamental Moral Orientations and stewardship approaches were measured, Propositions 3a, 3b, and 3c taken together posit a positive linear relationship between the two variables. Table 6 provides Pearson correlation coefficients for FMO questions 1 and 2 in relation to the three stewardship scales. As indicated in a previous section of this paper, Q1 provides a direct assessment of each respondent’s Fundamental Moral Orientation and Q2 provides an indirect assessment. The results reveal a significant direct correlation between Q1 and Stewardship Subscale 2 but non-significant correlations between Q1 and the other two stewardship measures. However, significant positive linear correlations exist between Q2 and all three stewardship measures. In short, one of the three correlations for the direct FMO measure support the hypothesized positive linear relationship predicted collectively by Propositions 3a, 3b, and 3c, whereas three of three correlations for the indirect FMO measure provide support for this hypothesized relationship. Thus, with respect to the number of significant relationships, the indirect method of measuring a person’s FMO is a much better predictor of his/her stewardship approach.

<b>TABLE 6: Pearson Product Moment Correlations for FMOs and Stewardship</b>				
<b>Stewardship Measures</b>	<b>Survey Question 1: FMOs</b>		<b>Survey Question 2: FMOs</b>	
	<b>Pearson Correlation</b>	<b>Sig. (2-tailed)</b>	<b>Pearson Correlation</b>	<b>Sig. (2-tailed)</b>
Overall Stewardship Scale	.123	.088	.540	.000
Stewardship Subscale 1	.014	.852	.354	.000
Stewardship Subscale 2	.265	.000	.544	.000
<b>Q1:</b> How would you describe the fundamental moral orientation that you follow in the decisions you make and the actions you take at work?				
<b>Q2:</b> How would describe your decisions and actions at work during the past 1 to 3 years?				

**FRANCHISEES’ STEWARDSHIP APPROACHES IN RELATION TO ETHICAL ISSUES IN FRANCHISING BUSINESS SUCCESS**

Proposition Set 4 addresses the relationship between the three forms of stewardship and the importance of various groupings of *Ethical Issues in Franchising Business Success*. Taken together, Propositions 4a, 4c, and 4d predict a direct linear relationship between the stewardship approaches and ethical issues. A competing alternative hypothesis of a quadratic (or U-shaped curvilinear) relationship between the stewardship approaches and ethical issues is posited by Propositions 4b, 4c, and 4d. To assess whether the linear model or the quadratic model provides the best representation of the relationship between stewardship approaches and ethical issues, the data are analyzed with polynomial regression analysis to ascertain whether the quadratic model provides a significant explanatory improvement beyond the linear model.

Table 7, which is on a subsequent page, summarizes the key results for the polynomial regression analysis of each stewardship measure relative to each ethical issues measure. The stewardship measures represent the independent variable in these analyses, and the ethical issues measures represent the dependent variable. For each linear analysis, Table 7 provides the *F*-test and Adjusted R<sup>2</sup> for the regression equation. For each quadratic analysis, Table 7 presents the *F*-test for the regression equation, Adjusted R<sup>2</sup> for the equation, change in Adjusted R<sup>2</sup> due to addition of the quadratic (or x<sup>2</sup>) term to the regression model, and the *F*-test for the addition of the quadratic term to the model. If the linear equation is significant as indicated by the *F*-test but the quadratic equation is not significant, then the statistical results support Proposition Subset 4a, 4c, and 4d — provided that the relevant linear plot shown in Figure 2 is positive. If, however, the

*F*-test for the quadratic equation is significant and the *F*-test for the additional variance explained by adding  $x^2$  to model is significant, the signal is that Proposition Subset 4b, 4c, and 4d is supported — provided the relevant quadratic plot shown in Figure 2 is a U-shaped curve. Each panel in Figure 2 provides a graph of both the linear relationship and the quadratic relationship for each significant independent/dependent variable pair.

*Overall Stewardship in Relation to EIFBS.* The regression results reported in Table 7 show that neither the linear model nor the quadratic model is significant with respect to the relationship between the Overall Stewardship Scale and EIFBS Subscale 2. Table 7 also shows that the quadratic model provides the best representation of the relationship between the Overall Stewardship Scale and the EIFBS Overall Scale, EIFBS Subscale 1, EIFBS Subscale 3, EIFBS Subscale 4, and EIFBS Subscale 5. In four of these five cases, both the linear model and the quadratic model are significant, but the quadratic model proves to be the better predictive model. With EIFBS Subscale 3 the linear model is not significant but the quadratic model is significant. Given that the quadratic model is the better statistical representation in the five analyses where significant results exist, we next must ascertain the shape of these five quadratic relationships — for it is the shape that will determine the validity of Proposition Subset 4b, 4c, and 4d. Panels A, B, C, D, and E of Figure 2 present the graphs that are relevant to the relationships between the Overall Stewardship Scale, on the one hand, and the EIFBS Overall Scale, EIFBS Subscale 1, EIFBS Subscale 3, EIFBS Subscale 4, and EIFBS Subscale 5, on the other hand. The quadratic relationship in each of these plots is U-shaped, thereby providing strong, unequivocal support for Proposition Subset 4b, 4c, and 4d.

*Social Justice Stewardship in Relation to EIFBS.* As reported in Table 7, neither the linear nor the quadratic relationships between Social Justice Stewardship (*i.e.*, Stewardship Subscale 1) and certain ethical issues (*i.e.*, EIFBS Subscale 2 and EIFBS Subscale 3) are significant. However, both the linear regression model and the quadratic regression model are significant with respect to the relationships between Social Justice Stewardship and the EIFBS Overall Scale, EIFBS Subscale 1, EIFBS Subscale 4, and EIFBS Subscale 5. In each case the quadratic model is superior to the linear model, as the addition of the  $x^2$  term to the model explains significantly more variance in the respective dependent variables. Thus, the statistical tests for these four independent/dependent variable pairs point in the direction of supporting Proposition Subset 4b, 4c, and 4d. This statistical signal is confirmed by the U-shaped quadratic relationship that is shown in Panels F, G, H, and I of Figure 2.

*Resource Utilization Stewardship in Relation to EIFBS.* With regard to Resource Utilization Stewardship (*i.e.*, Stewardship Subscale 2) and the importance of ethical issues, only 2 of the 6 analyses produce significant results. On the one hand, Stewardship Subscale 2 is not related to the EIFBS Overall Scale, EIFBS Subscale 1, EIFBS Subscale 2, or EIFBS Subscale 5. On the other hand, Resource Utilization Stewardship has a significant quadratic relationship with EIFBS Subscale 3 and a significant linear relationship with EIFBS Subscale 4. The quadratic relationship for EIFBS Subscale 3, however, does not support Proposition Subset 4b, 4c, and 4d because, as shown in Panel J of Figure 2, the relationship is an inverted U-shaped relationship rather than a U-shaped one. As demonstrated in Panel K of Figure 1, the linear relationship for EIFBS Subscale 4 is consistent with the prediction of Proposition Subset 4a, 4c, and 4d.

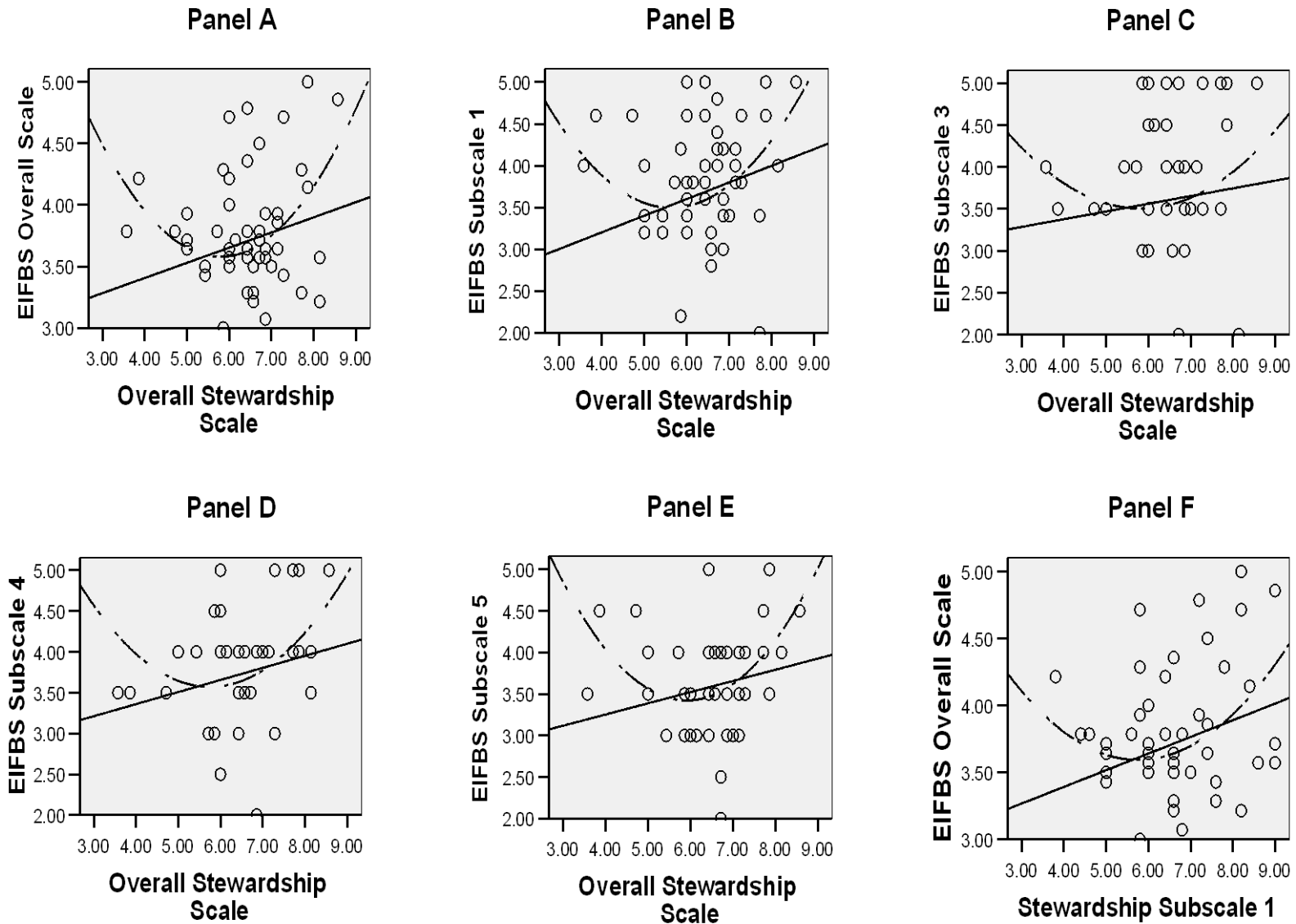
Overall, 11 of the 18 sets of regression analyses reported in Table 7 have significant results. Of the 11 analyses with significant results, nine provide evidence that supports the U-shaped relationship between stewardship approaches and the importance of *Ethical Issues in Franchising Business Success* as predicted by Proposition Subset 4b, 4c, and 4d. Of the other two significant analyses, one is an inverted U-shaped relationship that provides evidence contrary to Proposition

Subset 4b, 4c, and 4d; and the other is a linear relationship that supports Proposition Subset 4a, 4c, and 4d.

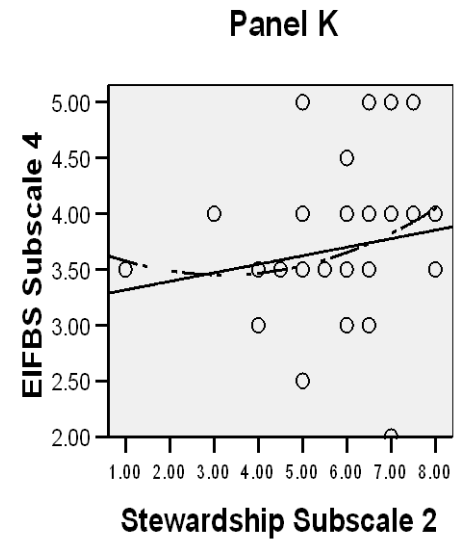
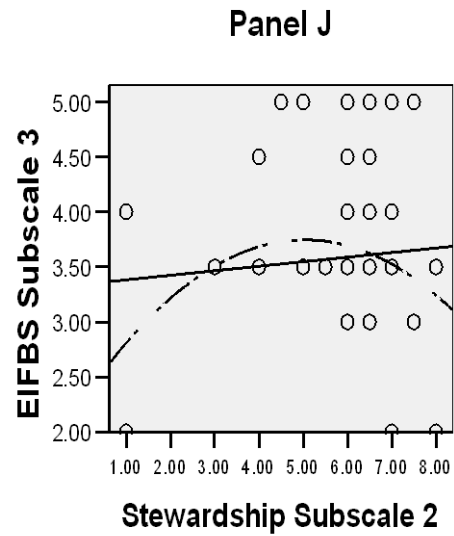
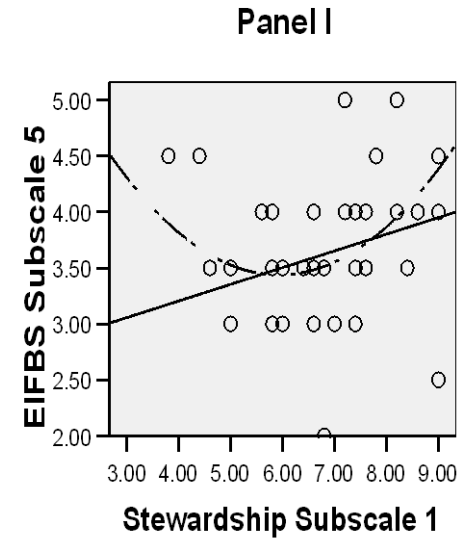
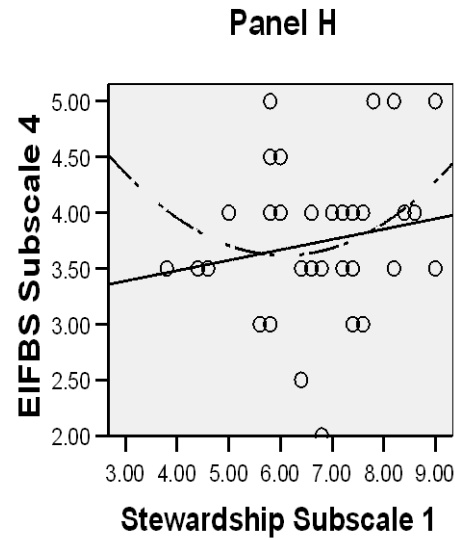
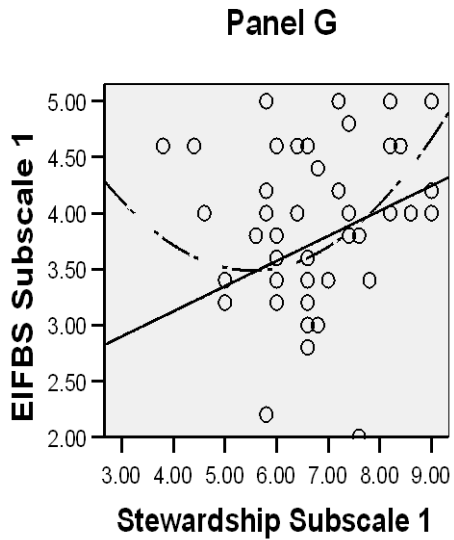
<b>TABLE 7: Results of Polynomial Regression Analysis for Stewardship Approaches and Ethical Issues in Franchising Business Success</b>						
<b>Independent Variable</b>	<b>Dependent Variable</b>	<b>Equation</b>	<b>F-test for Regression Equation<sup>A</sup></b>	<b>Adj. R<sup>2</sup></b>	<b>Change in Adj. R<sup>2</sup></b>	<b>F-test for Adding x<sup>2</sup> to Model<sup>B</sup></b>
Overall Stewardship Scale	EIFBS Overall Scale	Linear	10.973***	.050	—	—
		Quadratic	19.720***	.164	+.114	26.889***
	EIFBS Subscale 1	Linear	11.301***	.051	—	—
		Quadratic	13.850***	.119	+.068	15.516***
	EIFBS Subscale 2	Linear	.022	-.005	—	—
		Quadratic	.920	-.001	+.004	1.822
	EIFBS Subscale 3	Linear	2.355	.007	—	—
		Quadratic	4.086*	.031	+.024	5.753*
EIFBS Subscale 4	Linear	8.463**	.038	—	—	
	Quadratic	13.354***	.115	+.077	17.510***	
EIFBS Subscale 5	Linear	12.095***	.055	—	—	
	Quadratic	37.260***	.275	+.220	58.726***	
Stewardship Subscale 1	EIFBS Overall Scale	Linear	17.497***	.080	—	—
		Quadratic	16.623***	.141	+.061	14.506***
	EIFBS Subscale 1	Linear	23.037***	.103	—	—
		Quadratic	18.527***	.153	+.050	12.115***
	EIFBS Subscale 2	Linear	.008	-.005	—	—
		Quadratic	.314	-.007	-.002	.620
	EIFBS Subscale 3	Linear	1.583	.003	—	—
		Quadratic	1.023	.000	-.003	.466
EIFBS Subscale 4	Linear	4.975*	.020	—	—	
	Quadratic	7.376***	.063	+.043	9.540**	
EIFBS Subscale 5	Linear	28.690***	.106	—	—	
	Quadratic	30.513***	.236	+.130	33.348***	
Stewardship Subscale 2	EIFBS Overall Scale	Linear	.515	-.003	—	—
		Quadratic	.266	-.008	-.005	.015
	EIFBS Subscale 1	Linear	3.004	.010	—	—
		Quadratic	1.903	.009	-.001	.805
	EIFBS Subscale 2	Linear	.290	-.004	—	—
		Quadratic	.909	-.001	+.003	1.532
	EIFBS Subscale 3	Linear	1.018	.000	—	—
		Quadratic	6.710**	.056	+.056	12.330***
EIFBS Subscale 4	Linear	4.805*	.020	—	—	
	Quadratic	4.072*	.031	+.011	3.278	
EIFBS Subscale 5	Linear	2.548	.008	—	—	
	Quadratic	1.565	.006	-.002	.591	

<sup>A</sup>  $df_1 = 1, df_2 = 190$  for F-test for linear equation;  $df_1 = 2, df_2 = 189$  for F-test for quadratic equation.  
<sup>B</sup>  $df_1 = 1, df_2 = 189$  for F-test for adding  $x^2$  term to the model. \*  $p \leq .05$ ; \*\*  $p \leq .01$ ; \*\*\*  $p \leq .001$ .

**FIGURE 2: Best Fitting Regression Relationships between Stewardship Measures and Selected EIFBS Measures**



**FIGURE 2 (continued): Best Fitting Regression Relationships between Stewardship Measures and Selected EIFBS Measures**



## SUMMARY OF RESULTS

Overall, this study of Turkish franchisees has produced very strong evidence in support of the research propositions. Although the strength of support varies across the four sets of propositions, the overall consistent support is not only encouraging but robust. This robust evidence is summarized in the following paragraphs.

Collectively, Propositions 1a, 1b, and 1c argue that franchisees will take a balanced perspective regarding key stakeholders' interests — namely, customers' interests and franchisors' interests as well as their own interests. The results support this general argument. Practically speaking, from the viewpoint of franchisees, their own interests and those of franchisors are equally important, their own interests and those of customers are equally important, and the interests of franchisors and customers are equally important.

Propositions 2a and 2b argue that self-fullness will be the Fundamental Moral Orientation most frequently proclaimed by franchisees, selflessness will be the second most popular FMO, and selfishness will be the least popular FMO. The empirical survey results strongly support this theoretical prediction.

Propositions 3a, 3b, and 3c posit a positive linear relationship between the FMOs espoused by the franchisees and their professed stewardship approaches. One of three correlations supports the predicted positive linear relationship when the direct FMO measure (*i.e.*, survey question 1) is used. Three of three correlations support this prediction when the indirect FMO measure (*i.e.*, survey question 2) is used. Thus, there is credible evidence that: (1) franchisees who embrace the selfishness FMO will use the self-aggrandizing stewardship approach for making decisions and taking actions regarding resource management; (2) franchisees who endorse the self-fullness FMO will utilize the complete stewardship approach; and (3) franchisees who embrace the selflessness FMO will pursue the sacrificial stewardship approach.

Propositions 4a, 4b, 4c, and 4d can be broken into two overlapping subsets, each of which produces a different prediction regarding the relationship between the three stewardship approaches and the various groupings of *Ethical Issues in Franchising Business Success*. Proposition Subset 4a, 4c, and 4d hypothesizes a positive linear relationship between the stewardship approaches and the importance of the ethical issues in franchising. Proposition Subset 4b, 4c, and 4d posit a U-shaped quadratic relationship between stewardship approaches and franchising ethical issues. Eleven out of 18 sets of regression analyses produced significant results; nine of the 11 support the U-shaped relationship specified by Proposition Subset 4b, 4c, and 4d, whereas one indicates an inverted U-shaped relationship in opposition to this Proposition Subset and the other supports the linear relationship hypothesized by Proposition Subset 4a, 4c, and 4d. The clear preponderance of the evidence indicates that: (1) self-aggrandizing stewardship is associated with a relatively strong belief that ethical issues are important — perhaps due to the influence of pseudomorality; (2) complete stewardship is associated with a more moderate level of importance of franchising ethical issues; and (3) sacrificial stewardship is connected to a higher level of importance of these ethical issues.

## DISCUSSION OF THEORETICAL AND MANAGERIAL IMPLICATIONS

The results of this study are consistent with the theoretical predictions that emanate from the Fundamental Moral Orientations Paradigm. Thus, there is growing confidence in the usefulness of this emerging conceptual framework for understanding and explaining how resolving the tension between self-interest and community interests motivates stewardship decisions and actions; and, in turn, how those decisions and actions influence various personal and organizational phenomena, such as the importance of ethical issues in franchisor/franchisee



relationships. Although the current results are very encouraging, much more research is needed to have full confidence in the FMO Paradigm.

The results reveal that just under two-thirds of the sample endorse the self-fullness FMO and just over one-third of the sample embrace the selflessness FMO. This suggests that the most franchisees recognize the value of balancing their own interests against the interests of others, instead of going too far in one direction or the other — particularly in the direction of selfishness. Coupled with the demonstrated linear relationship between the three FMOs and the three stewardship approaches, this indicates that franchisees seem to place a premium on moderation in both the resolution of the autonomy/heteronomy tension and the selection of a stewardship approach. The results also show that a significant minority of franchisees endorse the selflessness FMO and employ sacrificial stewardship. This also suggests that these individuals might be inclined toward employing servant leadership (see for example: McCuddy & Cavin, 2008). According to Wilkes (1996, p. 15), “servant leaders give up personal rights to find greatness in service to others.” In other words, servant leaders sacrifice themselves for others (McCuddy, 2008, p. 18), and such sacrifice is not risk-free. In short, carrying selflessness and sacrificial stewardship to the extreme also can engender a risk — perhaps a substantial risk — of self-destruction. From a practical managerial perspective, the collective “bottom line” here is to be vigilant against going too far in the direction of selflessness and sacrificial stewardship and instead to promote self-fullness and complete stewardship.

With regard to the hypothesized positive linear relationship between the FMOs and the stewardship approaches, strong support exists when the indirect FMO measure (*i.e.*, survey question 2) is used whereas only weak support exists when the direct FMO measure (*i.e.*, survey question 1) is used. This could indicate that the indirect FMO measure is more promising for future research. It could also suggest some social desirability bias with respect to the franchisees responding less truthfully to a direct FMO measure than to an indirect FMO measure.

With respect to promoting self-fullness and complete stewardship, the conceptual and empirical equivalence between complete stewardship and sustainability needs to be explored and documented. Sustainability is a current ‘hot button’ issue that is likely to have substantial impact on business — and society at large — well into the foreseeable future. By connecting sustainability to the stewardship components of the FMO Paradigm, the theory and practical application of both the sustainability movement and the FMO Paradigm can be enhanced.

The relationship between stewardship approaches and the importance of ethical issues is both compelling from an empirical perspective and interesting from a practical perspective. The franchisees seem to recognize and understand that they and the franchisors are interdependent in achieving long-term business success. Each influences and is influenced by the other. As such, ethical issues become important and must be resolved effectively. Given the predominance of the U-shaped quadratic relationship between stewardship approaches and the importance of various groupings of franchising ethical issues, we can infer that most franchisees — in light of the frequency distribution results of the FMOs — also seem take a ‘moderation mentality’ toward the importance of ethical issues in the franchisee/franchisor relationship. Rather than discounting the importance of these issues or attributing too much importance to them, most franchisees seem to appreciate the value of moderation and act that way in the normal course of events.

## LIMITATIONS OF THE STUDY

Although the results of this study are very robust and encouraging, some limitations do exist — as they do in virtually every empirical study. Five important limitations must be noted.

First, the small number of respondents at the lower end of the FMO and stewardship scales may have biased the results. Would we see the same relationships emerge if a substantially larger number of respondents exist at the selfishness end of the FMO scale and the self-aggrandizing stewardship end of the respective scales? Popular opinion alone would suggest that selfishness is a more prevalent motivational force than these few cases reflect. Still selfishness — particularly in the extreme — is a phenomenon that, in our view, reflects a minority of the human population.

Second, given the choice between selfishness and selflessness, the latter can be argued to be preferable to the former. In the first decade of the 21<sup>st</sup> century all too many cases of corruption and greed that reflect unmitigated self-interest have occurred. One would be hard-pressed to find more than a minority of people who would prefer that organizations and their members behave so selfishly as opposed to being more selfless. Nonetheless, we must acknowledge the fact that such a preference might be colored by social desirability (see for example: King & Bruner, 2000; Ones, Viswesvaran, & Reiss, 1996). It stands to reason that most people would prefer to be viewed positively by others; being motivated by selflessness rather than selfishness and making decisions and taking actions that reflect selflessness rather than selfishness would be one important way of engaging in socially desirable behavior. Thus, there may be an inherent bias toward selflessness and away from selfishness when one seeks to empirically measure the propensity to engage in either one. Consequently, there may be some social desirability bias in survey question 1 (and perhaps in question 2). People may intentionally avoid describing themselves as selfish even if they are, or intentionally describe themselves as selfless even when they are not. Indeed, a hint of a social desirability effect occurred in a recent study that produced evidence that each gender tends to describe its own gender relatively more favorably on a selfishness/selflessness continuum than it does the opposite gender (McCuddy, Pinar, Birkan, & Kozak, 2009). Likewise there may be some social desirability manifested in the measurement of self-aggrandizing stewardship and sacrificial stewardship.

Third, and not unrelated to the second limitation, is the need to consider developing alternate methods for measuring FMOs. A possible alternate method is the development of descriptive scenarios of ethical dilemmas with an adaptation of a behaviorally-anchored response scale that reflects different orientations along the FMO continuum.

Fourth, there is a need to develop an effective way to assess the pseudomoral behavioral orientation so that its potential impact on the relationship of the selfishness FMO vis-à-vis other phenomena can be determined. Without such a measurement tool, the extent to which pseudomorality influences such results will remain a matter of speculation.

Fifth, the research questions used in this paper should be extended to studies beyond the current sample from Turkey. Studying franchisees in other nations would be useful. Studying the FMO Paradigm in the context of phenomena other than ethical issues would be appropriate as well. Extending this research to examine people's moral orientations and stewardship decisions and actions in other types of businesses, both in Turkey and elsewhere, is merited as well. Finally, extending this research to explain and understand people's behavior in other organizational settings — such as educational institutions, governmental agencies, or nongovernmental organizations — would also be worthwhile.

## CONCLUDING OBSERVATION

Drawing on survey data from a sample of franchisees in Turkey, this study has provided support for the Fundamental Moral Orientations Paradigm as a theoretical framework and has demonstrated that this framework is useful in exploring ethical issues in franchisor/franchisees relationships. The findings are very encouraging, as are the prospects for continued development of this paradigm. We hope that this theoretical framework and these results will stimulate others to also explore the validity and utility of the Fundamental Moral Orientations Paradigm and its implications.

## REFERENCES

- Amos, J.H. (2001). "Franchising, More Than Any Act of Government, Will Strengthen the Global Economy," *Franchising World*, **33** (4): 8.
- Anonymous. (2010). "Girisimcilerin Fuarı 'Bayim Olur musun?' (Entrepreneurship Trade Show 'would you be my franchisee?')," available online at <<http://www.isfikrim.org>>. Accessed October 13, 2010.
- Aydin, M. (2008). "UFRAD," *Hurriyet Newspaper*, November 26, 2008.
- Ball, D.A., W.H. McCulloch, Jr., P.L. Frantz, J.M. Geringer, and Minor, M.S. (2002). *International Business: The Challenge of Global Competition*, New York, NY, USA: McGraw-Hill Irwin.
- Bass, B.M., Cascio, W.F., and O'Connor, E.J. (1974). "Magnitude Estimations of Expressions of Frequency and Amount," *Journal of Applied Psychology*, **59** (3): 313-320.
- Brundtland, G. (Ed.) (1987). *Our Common Future: The World Commission on Environment and Development*, Oxford, England, United Kingdom: Oxford University Press.
- Chapman, P. (1997). "Life-Saver in a Perilous Sea of Job Losses (Future of Franchising in Europe), *The European*, October 9: p. 39.
- Cochet, O., Dormann, J., and Ebrmann, T. (2008). "Capitalizing on Franchise Autonomy: Relational Forms of Governance as Controls in Idiosyncratic Franchise Dyads," *Journal of Small Business Management*, **46** (1): 50-72.
- Doherty, A.M., and Alexander, N. (2006). "Power and Control in International Retail Franchising," *European Journal of Marketing*, **40** (11/12): 1292-1316.
- Doherty, A.M., and Quinn, B. (1999). "International Retail Franchising: An Agency Theory Perspective," *International Journal of Retail and Distribution Management*, **27** (6): 224-266.
- Elengo, B. and Fried, V.H. (1997). "Franchising Research: A Literature Review and Synthesis," *Journal of Small Business Management*, **35** (3): 68-82.
- "Franchise Industries," available online at <<http://www.franchiseopportunities.com>>. Accessed September 18, 2010.
- "Franchise Opportunities," available online at <<http://www.franchisedirect.com>>. Accessed September 18, 2010.
- Frazer, L. (2001). "Causes of Disruption to Franchise Operations," *Journal of Business Research*, **54** (3): 227-234.

- Gilligan, C. (1982). *In a Different Voice: Psychological Theory and Women's Development*, Cambridge, Massachusetts, USA: Harvard University Press.
- Gove, P.B. (Ed-in-Chief) (1976). *Webster's Third New International Dictionary* (unabridged). Springfield, Massachusetts, USA: G. & C. Merriam Company.
- Hall, P., and Dixon, R. (1988). *Franchising*, London, England, United Kingdom: Pitman Publishing
- Hair, Jr., J.F., Black, W.C., Babin, B.J., and Anderson, R.E. (2010). *Multivariate Data Analysis with Readings*, Upper Saddle River, New Jersey, USA: Prentice Hall.
- Hoffman, R.C., and Preble, J.F. (2004). "Global Franchising: Current Status and Future Challenges," *Journal of Services Marketing*, **18** (2): 101-113.
- Kaufmann, P., and Dant, R. (2001). "The Pricing of Franchise Rights," *Journal of Retailing*, **77**: 537-545.
- King, M.F., and Bruner, G.C. (2000). "Social Desirability Bias: A Neglected Aspect of Validity Testing," *Psychology & Marketing*, **17** (2): 79-103.
- Kohlberg, L. (1976). "Moral Stages and Moralization: The Cognitive-Development Approach," in T. Lickona (Ed.), *Moral Development and Behavior: Theory, Research, and Social Issues*, New York, New York, USA: Holt, Rinehart and Winston, pp. 219-240.
- Kohlberg, L. (1984). *The Psychology of Moral Development: The Nature and Validity of Moral Stages*, New York, NY, USA: Harper & Row.
- Kumkale, R. (2006). "Franchising," available online at <<http://www.alomaliye.com>>. Accessed August 4, 2010.
- Larson, P. (2002). "International Growth Patterns Remain Strong," *Franchising World*, (April): 6-8.
- Leopold, A.C. (1998). "Stewardship," in R. Chadwick (Ed.-in-Chief), *Encyclopedia of Applied Ethics, Vol. 4*, San Diego, California, USA: Academic Press, pp. 225-232.
- Maslow, A.H. (1970). *Motivation and Personality*, 2<sup>nd</sup> ed., New York, New York, USA: Harper & Row.
- Maslow, A.H. (1971). *The Farther Reaches of Human Nature*, New York, New York, USA: The Viking Press.
- McCuddy, M.K. (2005a). "Linking Moral Alternatives and Stewardship Options to Personal and Organizational Outcomes: A Proposed Model," *Review of Business Research*, **5** (1): 141-146.
- McCuddy, M.K. (2005b). "Moral Alternatives and the Pursuit of Stewardship in Business," *American Society of Business & Behavioral Sciences Proceedings 2005*, **12** (1): 1194-1199.
- McCuddy, M.K. (2006). "The Aftermath of Hurricane Katrina: A Moral Analysis of Human Responses to a Disaster," *American Society of Business and Behavioral Sciences Proceedings 2006*, **13** (1): 1348-1360.
- McCuddy, M.K. (2008). "Fundamental Moral Orientations: Implications for Values-Based Leadership," *The Journal of Values Based Leadership*, **1** (1): 9-21.
- McCuddy, M.K., and Cavin, M.C. (2008). "Fundamental Moral Orientations, Servant Leadership, and Leadership Effectiveness: An Empirical Test," *Review of Business Research*, **8** (4): 107-117.

- McCuddy, M.K., and Nondorf, J.G. (2009). "Ethics in College and University Admissions: A Trilogy of Concerns and Arguments," *International Journal of Educational Management*, 23 (7): 537-553.
- McCuddy, M.K., Pinar, M., Birkan, I., and Kozak, M. (2008). "Exploring Gender Differences in Fundamental Moral Orientations: An Empirical Study of the Hotel Industry in Turkey," *American Society of Business and Behavioral Sciences Proceedings 2008*, 15 (1): 844-858.
- McCuddy, M.K., Pinar, M., Birkan, I., and Kozak, M. (2009). "Gender and Perceived Fundamental Moral Orientations: An Empirical Study of the Turkish Hotel Industry," *Journal of Business Ethics*, 89: 331-349.
- McCuddy, M.K., Pinar, M., Kozak, M., and Birkan, I. (2008). "Exploring the Impact of Gender on the Linkages between Fundamental Moral Orientations and Outcome Orientations: An Empirical Study of the Hotel Industry in Turkey," *2008 Oxford Business & Economics Conference Proceedings*, published on CD without sequential pagination.
- McCuddy, M.K., Pinar, M., Kozak, M., and Birkan, I. (2010). "Gender Vis-à-vis Perceptions of Fundamental Moral Orientations and Outcome Preferences," submitted for publication in *Anatolia*.
- McCuddy, M.K., and Reeb-Gruber, S.A.G. (2008). Moving Beyond Teaching and Learning: Arguments for a Human Development Paradigm. Paper presented at 2008 Conference of Educational Innovation in Economics and Business (EDiNEB), Malaga, Spain.
- McCuddy, M.K., and Tuetken, E.L. (2005). "Responses of People and Businesses to the Tsunami: A Case of Altruism or Not?," *Proceedings of the International Academy of Business and Economics — 2005*, 1 (1): 65-73.
- Merriam-Webster.com. "Stewardship," available online at <<http://www.merriam-webster.com/dictionary/stewardship>>. Accessed September 18, 2010.
- Microsoft Word Dictionary. (2007). Accompanying Office 2007 software.
- Newton, L.H. (1997). "Stewardship," in P.H. Werhane and R.E. Freeman (Eds.), *The Blackwell Encyclopedic Dictionary of Business Ethics*, Oxford, United Kingdom: Blackwell Business, pp. 606-607.
- Ones, D.S., Viswesvaran, C., and Reiss, A.D. (1996). "Role of Social Desirability in Personality Testing for Personnel Selection: The Red Herring," *Journal of Applied Psychology*, 81 (6): 660-679.
- Parker, M. (1998). "Moral development," in R. Chadwick (Ed.-in-Chief), *Encyclopedia of Applied Ethics*, Vol. 3, San Diego, California, USA: Academic Press, pp. 267-273.
- Peterson, A., and Dant, R.P. (1990). "Perceived Advantages of the Franchise Options from the Franchise Perspective: Empirical Insights from a Service Franchise", *Journal of Small Business Management*, 28 (3): 46-61.
- Piaget, J. (1932/1965). *The Moral Development of the Child*. New York, New York, USA: Collier.
- Preble, J.F., and Hoffman, R.C. (1999). "The Nature of Ethics Codes in Franchise Associations Around the Globe," *Journal of Business Ethics*, 18: 239-253.
- Quinn, B., and Doherty, A.M. (2000). "Power and Control in International Retail Franchise: Evidence from Theory and Practice," *International Marketing Review*, 17 (4/5): 354-372.
- Shane, S.A. (1996). "Why Franchise Companies Expand Overseas," *Journal of Business Venturing*, 11 (2): 73-88.

Storholm, G., and Scheuing, E. (1994). "Ethical Implications of Business Format Franchising," *Journal of Business Ethics*, **13**: 181-188.

SPSS, Inc. (2005). "Oneway ANOVA", *SPSS Base 14.0 User's Guide*, Chicago, Illinois, USA: SPSS Inc., 379-387.

Thorelli, H.B. (1986). "Networks: Between Markets and Hierarchies," *Strategic Management Journal*, **7** (1): 37-51.

UFRAD — National Franchising Organization. (2010a). Available online at <[http:// www.ufrad.org.tr](http://www.ufrad.org.tr)>. Accessed August 19, 2010.

UFRAD — National Franchising Organization. (2010b). Personal communication, October 8, 2010.

Wilkes, C.G. (1996). *Jesus on Leadership: Becoming a Servant Leader*, Nashville, Tennessee, USA: LifeWay Press.

**APPENDIX A:**

**SURVEY OF PERSONAL ORIENTATION TOWARD WORK-RELATED DECISIONS AND ACTIONS**

**For question 1, please read the following three descriptions of different orientations you might take in making decisions and taking actions at work, and then select a number from 1 to 9 that most accurately describes you at work.**

- Selfishness involves pursuing one’s self-interest and seeking to maximize one’s utility. Selfishness exists in varying degrees, ranging from extreme greed and exploitation of others to merely seeking satisfaction, joy, and happiness in the conduct of one’s life.
- Self-fullness involves the simultaneous pursuit of reasonable self-interest and reasonable concern for the common good. Self-fullness exists in varying combinations of pursuing self-interest and serving others.
- Selflessness involves sharing for the common good. Selflessness exists in varying degrees, ranging from helping other individuals in small ways to total dedication to serving others.

1. How would you describe the fundamental moral orientation that you follow in the decisions you make and the actions you take at work?

	1	2	3	4	5	6	7	8	9
	↑				↑				↑
	Definitely				Definitely				Definitely
	Selfish				Self-full				Selfless

**For questions 2 and 3, think about the decisions you have made and the actions you have taken at work during the past 1-3 years, and then select a number from 1 to 9 that most accurately describes you at work.**

2. How would you describe your decisions and actions at work during the past 1-3 years?

	1	2	3	4	5	6	7	8	9
	↑				↑				↑
	I always pursue				I try to balance				I always focus
	my own interests				my own interests				on other’s
	and satisfy my				and needs against				interests and
	own needs				others’ interests				satisfy others’
					and needs				needs

3. How effective have your decisions and actions at work been during the past 1-3 years?

Extremely	→ 1	2	3	4	5	6	7	8	9 ←	Extremely
ineffective										effective

**For items 4 through 10, think about your approach to stewardship at work, and then select a number from 1 to 9 on each of the following scales that most accurately describes your stewardship orientation at work.**

4.	Use resources to	→ 1	2	3	4	5	6	7	8	9 ←	Use resources to
	maximize my personal										maximize others’
	benefit										benefits

5. Emphasize my rights to exploit natural resources → 1 2 3 4 5 6 7 8 9 ← Emphasize my obligation to conserve natural resources
6. Unwilling to share economic resources and wealth → 1 2 3 4 5 6 7 8 9 ← Willing to share economic resources and wealth
7. Willing to pollute the environment → 1 2 3 4 5 6 7 8 9 ← Unwilling to pollute the environment
8. Willing to violate human rights → 1 2 3 4 5 6 7 8 9 ← Unwilling to violate human rights
9. Committed to my personal development → 1 2 3 4 5 6 7 8 9 ← Committed to other people's development
10. Never seek to serve the needs of others or society → 1 2 3 4 5 6 7 8 9 ← Always strive to serve the needs of others or society

**For items 11 through 13, think about your relationship as a franchisee to your franchisor and your customers, and then select a number on each of the following scales that most accurately describes your orientation.**

11. Franchisee's interests are definitely important → 1 2 3 4 5 6 7 8 9 ← Franchisor's interests are definitely important  
 ↑  
 Equally important
12. Customers' interests are definitely important → 1 2 3 4 5 6 7 8 9 ← Franchisor's interests are definitely important  
 ↑  
 Equally important
13. Franchisee's interests are definitely important → 1 2 3 4 5 6 7 8 9 ← Customers' interests are definitely important  
 ↑  
 Equally important

**Please indicate how important you consider each of the following issues to be in promoting and protecting the interests of both franchisor and franchisee to ensure long-term success of the franchising business.**

14. Pursuing dual distribution opportunities for the franchisor to increase sales for the franchising business.<sup>1</sup>

0 = not important at all.      1 = slightly important.      2 = important to some degree.  
 3 = moderately important.      4 = very important.      5 = extremely important.

15. Providing full and accurate disclosure of information when selling a franchise and after the franchising agreement is signed.

<sup>1</sup> Questions 15 through 27 use the same response scale as appears underneath question 14.



16. Providing a notice and process for dealing with disputes, terminations, or expirations of agreements.
17. Maintaining the integrity and reputation of the franchise concept or system.
18. Avoiding questionable use of advertising payments and/or having no false or misleading advertising
19. Having a franchise agreement that seems to protect franchisor more than the franchisee.
20. Protecting trade secrets or proprietary information and not releasing proprietary information to outside parties.
21. Complying with all applicable laws.
22. Having fair dealings between franchisor and franchisee
23. Providing open and effective two-way communication among all parties.
24. Providing a quality product or service in line with the image of franchising business,
25. Practicing non-discrimination and affirmative action regarding all parties.
26. Safeguarding the public interest
27. Having a general statement promoting ethical principles that are consistent with the image of the franchising business.

**Please describe yourself by answering the following questions:**

28. Which are you? Male\_\_ Female \_\_
29. What is your age? \_\_
30. Your education? Elementary Education\_\_ High School Graduate\_\_  
College or University Graduate\_\_ Masters Degree\_\_ Doctoral Degree\_\_
31. How long have you been a franchisee of this Brand?  
1-2\_\_ 3-5 years\_\_ 6-10 years\_\_ More than 10 years\_\_
32. Please indicate the industry / sector are you operating in: \_\_\_\_\_
33. Your franchisor brand is: National\_\_ or International\_\_
34. How long is your current franchising agreement?  
1-2\_\_ 3-5 years\_\_ 6-10 years\_\_ More than 10 years\_\_
35. When you signing franchising agreement, did you go through any education or training? Yes\_\_ No\_\_
36. Do you have an annual meeting with the franchisor to discuss general franchising issues? Yes\_\_ No\_\_
37. Which of the following best describes your position in this company?  
Owner\_\_ Manager\_\_ Owner and manage \_\_

**This completes the survey. Thank you very much for your participation.**