



# Masteroppgave

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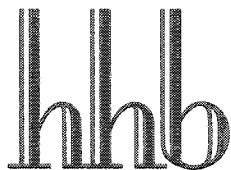
**MASTER THESIS**

**Franchising System in Ghana:  
Merits and Demerits to the Franchisee**

**By**

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**Spring, 2008**



Handelshøgskolen  
i Bodø

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## **ABSTRACT**

This thesis pertains to franchising in Ghana. It seeks to provide the information on the stage of franchising in the economy, like a product life cycle, which goes through different stages. It is a descriptive case study which stands to investigate the advantages and disadvantages of franchising system of international business to the Ghanaian franchisees found in various industry sectors in the country using some models outlined by academics in the subject area of franchising.

Ghana being “the Gate-Way to West Africa” has what it takes to attract international business organisations to invest in its business environment. It has a stable political system and happens to be the most peaceful country in sub-Saharan Africa. It is a developing country that has the potential to improve the standard of living of its people through franchising being a mode of entering into an international market. But is surprise for one to know that the country can not even boast of a single outlet of one of the celebrated franchisors in the world which is McDonalds, it for a reason such as this that the researcher has decided to investigate into the extent of franchising in his country, Ghana, a work he believes will help promote franchising in the sub-region.

Previous researches in franchising have been mainly focused on business format franchising, but this work covers all the types of franchising in the field of academics and tends to help bring into the knowledge of the majority of people who happen to have no knowledge about the significance of franchising and what it can contribute to societal benefits.

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# 1. INTRODUCTION

## 1.1. Background

Franchising is booming! Much of its popularity arises from its ability to offer those who lack business experience the chance to own and operate a business with a high probability of success.

Growth of franchising in recent years has been phenomenal, reaching far beyond the traditional auto dealerships and fast food outlets. Through franchised businesses, consumers can buy nearly every good or service imaginable – from singing telegrams and home cleaning services to waste-eating microbes and tax preparation services. ‘Franchising is the most successful marketing concept ever credited,’ says trend-tracker John Naisbitt (Scarborough and Zimmerer, 2003).

Despite the recent escalation of publicity, franchising is not by any means a new phenomenon in the internalisation process of a firm. It is frequently seen as a recent ‘import’ into Europe, particularly from the United States (Bradley, 2005).

Franchising, a derivative of *francorum rex* or ‘freedom from servitude’, is now a very significant organisational arrangement in the U.S. economy accounting for approximately 40 per cent of all retail sales and 10 per cent of gross domestic product (Bradley, 2005).

Today, some 5000 franchisors operate more than 600,000 franchise outlets throughout the world, and more are opening at an incredibly fast pace. A new franchise opens somewhere in the United States every 8 minutes and somewhere in the world every 6.5 minutes. Because of the many benefits it offers both franchisors and franchisees, franchising has experienced exponential growth rate in the United States and abroad. Franchises now account for 50 per cent of all retail sales, totalling more than \$1 trillion, and they employ more than 8 million people in more than 100 major industries (Scarborough and Zimmerer, 2003).

In contrast, franchised retail sales in Europe are much lower so there is considerable interest in franchising as part of the firm's competitive strategy and internationalisation process (Bradley, 2005).

Previous academic works on franchising have been done on some developed nations such as the United States, Britain and Australia, and some non-African developing countries such as Brazil, Croatia, Russia, Slovenia, Bulgaria, Indonesia and China (Welsh and Alon, 2001) but to the best of my knowledge there is no published studies of franchising as a mode of entering into an international market on the African continent, so therefore I have decided to undertake this work with Ghana as the focal point of my study.

My belief is that it will help contribute to the understanding of franchising in terms of its ability to create jobs in the business environment. Also tie in with a related works on the same topic in the same continent to give a better account of the nature or extent of franchising system in developing countries, and its advantages and disadvantages to the franchisees. This academic work will enable one to make comparative analysis between franchising from the franchisees perspective in developed countries and that of developing countries.

## **1.2. Research Question/Problem**

From the view point of small business researchers, franchising has been argued to be particular importance, since most franchisors still are, or have recently been, small businesses themselves and most of their royalty-paying franchisees are also small businesses. Thus, in principle, franchising offers a route to growth for the would-be franchisor and business opportunities with limited risk for would-be franchisees (Carter and Jones-Evans, 2000).

As with any other form of market entry, franchising offers advantages (merits) and disadvantages (demerits) to a company or a business unit. For that matter, the main question to be addressed is:

- What are the advantages and disadvantages of franchising to franchisees in Ghana?

### **1.3. Contribution of the study**

For any research to be carried out there should be a purpose without which it will not be expedient to undertake that particular research in question, be it for academic purpose or non-academic purpose.

The purpose of this academic work is to describe and analyse franchising from the perspective of the Ghanaian franchisee, to ascertain the advantages and disadvantages the concept of franchising brings to the franchisee's business concern. It will contribute to knowledge about franchising in developing economies in Africa.

The next chapter reviews literature relevant for this study.

### **1.4. The Thesis Structure**

The entire thesis comprises of six chapters which are introduction, theoretical framework, methodology, empirical part, analysis, and conclusion and implication. This project is therefore undertaken in partial fulfilment of the requirement leading to the award of a Master of Science degree in Business at the Bodø Graduate School of Business (Norway).

First and foremost, the introduction chapter has the goal to present a general view of the research assignment and to define the research question. It clarifies my motivation for the chosen research topic. The chapter spells the starting point for the choice of the theoretical framework.

Secondly, the theoretical framework throws light on the history of franchising, defines what franchising is about, and then continues to look at merits and demerits of franchising to the franchisee from a general perspective according to some academicians in the field of franchising.



On the other hand, the methodological chapter takes into consideration the collection of data for analysis. It highlights the research design/ strategy, qualitative method and inductive approach.

The analysis and discussion chapter emphasis the manner of which the information ascertained from the field work is discussed. The perceptions of the resource person that were interviewed are dealt with in this chapter

Finally, the conclusion and implication chapter provides a summary of the main points of research. There is recommendation suggested by me based on this research experience, contribution of the study, proposal for further study and limitation of the study.

## **2. THEORETICAL FRAMEWORK**

### **2.1. Introduction**

This section of the thesis highlights various philosophies propounded about the concept of franchising. “*There is no smoke without fire*”, for that matter it worth having some overview about the origin , some definitions and types of franchising systems before looking at the advantages (merits) and disadvantages (demerits) of franchising to the franchisee.

### **2.2. Origin of Franchising**

In reference to a book written by Gompers and Sahlman (2002), franchising is a term, which emanates from the French language and means to be free from servitude, developed as a business method in the 1850s in the United States. They claimed that franchising developed much earlier feudal times when the head of the Roman Catholic Church gave his clergy the right to collect tithes or church taxes locally. For this right, the clergy sent a portion of the tithes to Rome (Gompers and Sahlman, 2002).

Moreover, English beer brewers in the eighteenth century also engaged in the form of franchising. Some brewers entered into the licensing and financing arrangements with tavern owners for exclusive sale of beer and ale brands. In the U.S. in 1850, Isaac Singer sold licenses to individuals for up to \$5,000. These first franchisees established retail outlets for Singer’s new invention, the sewing machine, and spread the word of the Singer product line far more quickly than Singer would have been able to if he had sold the machines independently (Gompers and Sahlman, 2002).

Additionally, in 1898, General Motors established its first independent dealer to sell and service automobiles. In 1899, Coca-Cola sold its first bottling franchise in Chattanooga. Along with the automotive and soft drink industries, the oil industry quickly established itself among the first modern franchisors. Reasons for the development of franchising in the United States (Gompers and Sahlman, 2002):

- The size of the country meant that there were many logistical problems for producers and manufacturers in the distribution of goods and the establishment of national networks.
- The difficulty in raising capital for new or expanding businesses.
- Financial growth through franchise fees.

The growth of franchising during the 1950s is attributable to another set of reasons. In the post-war United States the population was growing, and licensing mobility meant that it was spreading throughout the country. The country was then prosperous, leading to rising disposable incomes and to greater demands for consumer goods and services. The population became familiar with brand names for products and services as technological advances led to television and nationwide advertising and brand recognition (Gompers and Sahlman, 2002).

### **2.3. What is the term franchising?**

The term franchising has been defined in several ways. Some of the definitions given to the study are as follows:

Franchising refers to the granting of the right by a parent company (the franchisor) to another, independent entity (the franchisee) to do business in a prescribed manner (Czinkota et al, 2003).

In an article written by Monroy and Alzola (2005:585), the European Franchise Federation defines franchise as “a system of marketing goods and /or services and /or technology, which is based upon a close, ongoing collaboration between legally and financially separate and independent undertakings, the Franchisor and its individual Franchisees, whereby the Franchisor grants its individual Franchisee the right, and imposes the obligation, to conduct a business in accordance with the Franchisor’s concept”.

According to Burns (2001), a franchise is a business in which the owner of the name or method of doing business (the franchisor) allows a local operator (the franchisee) to set up a business under that name. The local operator may be a sole trader or a limited

company. Justis and Judd defined franchising as “ a contractual business arrangement in which a firm grants an individual or company the rights to conduct business in a prescribed manner within a specified territory during an agreed time period in return for royalty contributions or other fee payments” ( Justis and Judd in Weaven and Frazer, 2006:225).

Likewise Cater and Jones-Evens (2000), it is referred to as comprising a contractual relationship between a franchisee (usually taking the form of a small business) and a franchisor (usually a larger business) in which the former agrees to produce or *market* a product or service in accordance with an overall “ *blue print*” devised by the franchisor.

From Root (1994) point of view, franchising is a form licensing in which a company (franchisor) licenses a business system as well as other property rights to an independent company or person (franchisee). For Hisrich and Peters (2002:542), it is “ an arrangement whereby the manufacturer or sole distributor of a trademarked product or service gives exclusive right of local distribution to independent retailers in return for their payment of royalties and conformance to standardized operating procedures.” The person offering the franchise is being referred to as the *franchisor*, whilst the *franchisee* is the party who has purchased the *franchise*, and is given the opportunity to enter a new business with a better chance to succeed than if he or she were to start a new business from scratch.

In the case of Welsh and Alon, it is referred to as comprising a contractual relationship between a franchisee (usually taking the form of a small business) and a franchisor (usually a larger business) in which the former agrees to produce or market a product or service in accordance with an overall “blue print” devised by the franchisor (Welsh & Alon, 2001:88).

From Longenecker, Moore and Petty (2000) perspective, franchising is defined is a *marketing* system revolving around a two-party legal agreement whereby one party (the franchisee) is granted the privilege to conduct business as an individual owner but is required to operate according to methods and terms specified by the other party (the franchisor).

This right granted to the franchisee can take the form of selling the franchisor's products, using its production, name, or its general business approach (Czinkota et al, 2003). There are two main forms of franchising: trademark (distributor) franchising and business format franchising (Welsh and Alon, 2001).

Finally, based on the various definitions given above, I can therefore simply define franchising as a contractual legally binding relationship between two persons, one being a franchisor and the other, the franchisee, where the former grants the latter the intellectual property right to operate a business according prescribed manner under the trade name of the franchisor. It involves the payment of fees or royalties by the franchisee to the franchisor. It is a mode of entering into an international market to operate business with an already established brand name making it easier to make early sales than starting from scratch as a new business

#### **2.4. Types of Franchise Systems**

According to Gompers and Sahlman (2002), there were two distinct types of franchise systems, which developed in the United States between the 1850s and the 1950s, and these were product/trade name franchising and business format franchising. However, Knowles (1996) brings a third type of franchising system which is Conversion franchising aside the aforementioned two types.

##### ➤ Product or trade name franchising

It was developed in the 1840s when the makers and the inventors of the new and complex machines used a modification of the agent /licensee system to spread knowledge of their products (Gompers and Sahlman, 2002). Examples are auto dealerships and gasoline service stations (Dant, 1995). With this system of franchising, manufacturers are able to govern the how retailers distribute their products (i.e. the franchisors products). The manufacturer hereby grants a store owner the authority to distribute goods by the manufacturer. The store owner or business owner is required to pay a fee or purchase a minimum inventory of stock in return for the right.

➤ **Business format franchising**

This took off in the 1950s as an industry in its own right as fast food chains such as McDonald's and Kentucky Fried Chicken expanded rapidly throughout the country during the decade (Gompers and Sahlman, 2002). This type of franchising is the most popular form of franchising. The system requires that a company provides a franchisee with a proven method for operating a business using the name and trademark of the company. The company will usually provide a significant amount of assistance to the business owner in starting and managing the company. The franchisee pays a fee or royalty in return.

➤ **Conversion franchising**

This encompasses benefits derived from collective power of a brand name and its national or international marketing promotion activities, training and purchasing. It could be emphasised that brand name franchising can be considered as conversion franchising. It involves the conversion of otherwise independently owned and operated businesses into a group sharing an umbrella brand name. The group members have to pay a fee for using the brand name.

## **2.5. Merits of franchising to the franchisee**

Franchising as a mode of entering into an international market in a type of business environment has advantages (merits) that make it attractive for prospective entrepreneur to cultivate the burning desire of wanting to operate a business using franchise owned by a franchisor. The advantages are Management Training and Support, Proven Products and Business Format, Financial Assistance, Brand Name Appeal, National Advertising, Standardised Quality of Goods and Services, Centralised Buying Power, Site Selection and Territorial Protection, Greater Chance for Success, Economies of scale, Attractive location, and Non- threatening help and advice.

### **2.5.1. Management Training and Support**

Franchisees receive follow-up training and counselling services from many franchisors, especially those franchisors that are well established (Hisrich et al, 2002) in the business environment. In starting a new business, (Vaughn, 1979) the

franchisor usually provides experience, or know-how, gained from starting other businesses successfully. The franchisor usually provides on-the-job and classroom training to the inexperienced franchisee.

This service is vital since most franchisors do not require a franchisee to have experience in that business. These programmes teach franchisees the details they need to know for the day-to-day operations as well as nuances of running their businesses successfully (Scarborough and Zimmerer, 2003).

Moreover the training programmes often involve both classroom and on-instructions to teach franchisees the basic operations of the business. Before beginning operations, McDonald's franchisees spend 14 days in Illinois at Hamburger University where they learn everything from how to scrape the grill correctly to "how to manage a \$1.6 million business." Dunkin' Donuts trains a franchisee for as long as five weeks in everything from accounting to dough making (Scarborough and Zimmerer, 2003).

In order to ensure franchisee's continued success, many franchisors supplement their start-up training programmes with ongoing support and instructions. Franchisors do offer these training programmes because they realise that their ultimate success depends on the franchisee's success (Scarborough and Zimmerer, 2003).

However, despite the positive features of training, inherent dangers exist in the trainer/trainee relationship. Every would-be franchisee should be aware that, in some cases, "assistance" from the franchisor tends to drift into "control" over the franchisee's business. Some franchisees also charge fees for their training services, so the franchisee should know exactly what she/he is agreeing to and how it costs. (Zimmerer and Scarborough, 2002)

### **2.5.2. Proven Products and Business Format**

A franchise owner does not have to build the business from scratch. What a franchisee essentially purchases is a franchisor's experience, products and expertise. Instead of being forced to rely solely on personal ability to establish a business and attract a clientele, a franchisee can depend on the methods and techniques of an established business. These standardized procedures and operations greatly enhance the

franchisee's chances of success and avoid the most inefficient type of learning - trial and error (Zimmerer and Scarborough, 2002).

### **2.5.3. Financial Assistance**

Franchisees rarely receive loans from franchisors to enable them to pay the initial franchise fees. However, once a franchisor locates a suitable prospective franchisee, it may offer the qualified candidate direct financial assistance in specific areas, such as purchasing equipment, inventory, or even the franchise fee (Zimmerer and Scarborough, 2002).

To Vaughn (1979), most franchisees in the business for a few years are happy with their positions, due in a large measure to the generally satisfactory level of franchisee income and the feeling of independence. Franchisors typically do not provide any extensive financial help for franchisees since they depend on their (franchisees) money to grow their businesses. Because the start-up costs of some franchises are already at breathtaking levels, some franchisors find that they must offer direct financial assistance (Zimmerer and Scarborough, 2002).

About half of the International Franchise Association's members indicate that they offer some type of financial assistance to their franchisees; but however, only one-fourth offer direct financial assistance. In most instances, financial assistance from franchisors takes a form other than *direct loans, leases, or short-term credit* (Zimmerer and Scarborough, 2002).

Furthermore, franchisors usually are willing to assist qualified franchisees in establishing relationship with banks, private investors, and other sources of funds. Such support and connections from the franchisor enhance a franchisee's credit standing because lenders recognise the lower failure rate among established franchises (Zimmerer and Scarborough, 2002).

On the other hand, preferred relationship between lenders and franchisors can be critics because finding financing for a franchise can be challenging, just like attracting capital for any business start-up (Zimmerer and Scarborough, 2002).



According to Carter and Jones-Evans (2000), it is claimed that franchisees require less capital than would be the case to equip a business independently. The franchisor can help with raising bank loans, site selection, heading leases on properties, and getting the business open and running smoothly.

However, franchise investment levels tend to be fairly high and it could be argued that one could start business successfully for a similar investment – or less, perhaps – without the obligations imposed by a franchisor (Carter and Jones-Evans, 2000).

#### **2.5.4. Brand-Name Appeal**

A licensed franchisee purchases the right to use a nationally known and advertised brand name for a service or product. Therefore, the franchisee has the advantage of identifying his business with a widely recognised trademark, which usually provides a great deal of drawing power (Zimmerer and Scarborough, 2002). The franchisor usually brings to the retail unit an accepted trade name that not only attracts customers but also provides the unit with a niche in the community and easier access to credit (Vaughn, 1979).

Customers recognise the identifying trademark, the standard symbols, the store design, and the products of an established franchise. Indeed, one of franchising's basic tenets is cloning franchise success. For example, nearly everyone is familiar with the golden arches of McDonald's or the red roof of the Red Roof Inn, and the standard products and quality offered at each (Zimmerer and Scarborough, 2002).

A customer is confident that the quality and content of a meal at McDonald's in Fort Lauderdale will be consistent with a meal at a San Francisco McDonald's. "it is a tremendous advantage to open a business with a recognise trademark that creates almost instant foot traffic," (Zimmerer and Scarborough, 2002).

If the product or service has already achieved brand awareness, this relieves the franchisee of many of the normal demands of the sales and marketing function and allows him or her to concentrate on other aspects of the business (Carter and Jones-Evans, 2000).

### 2.5.5. National Advertising

Many franchisors also require franchisors to spend a minimum amount on local advertising. An effective advertising programme is essential to the success of virtually all franchise operations (Zimmerer and Scarborough, 2002).

A regional or national advertising programme benefits all franchisees. Normally, such an advertising campaign is organised and controlled by the franchisor. It is financed by each franchisee's *contribution of a percentage of monthly sales*, usually 1 to 5% or a flat monthly fee. For instance, Subway franchisees must pay 3.5% of *gross revenues* to the Subway national advertising programme. These funds are pooled and used for a cooperative advertising programme, which has more impact than if the franchisees spent the same amount of money separately (Zimmerer and Scarborough, 2002).

Marketing a brand-name product or service over a wide geographic area requires a far-reaching advertising campaign. To supplement their national advertising efforts, both Wendy's and Burger king require franchisees to spend *at least 3% of gross sales* on local advertising (Zimmerer and Scarborough, 2002).

Some franchisors assist each franchisee in designing and producing its local ads. Many companies help franchisees create promotional plans and provide press releases and advertisement for grand openings (Zimmerer et al, 2002). Most franchisors undertake both national and local advertising campaigns to keep franchisees' product or services firmly in the public mind (Carter and Jones-Evans, 2000).

### 2.5.6. Standardized Quality of Goods and Services

Building a sound reputation in business is not achieved quickly, although destroying a good reputation takes no time at all. Because a franchisee purchases a licence to sell the franchisor's service or product and the privilege of using the associated brand name, the quality of the goods or service sold determines the franchisor's reputation. If some franchisees were allowed to operate at substandard levels, the image of the entire chain would suffer irreparable damage; therefore, franchisors normally demand compliance with uniform standards of quality and service throughout the entire chain (Zimmerer and Scarborough, 2002).

In many cases, the franchisor conducts periodic inspections of local facilities to assist in maintaining acceptable levels of performance. For instance, John Schnatter, founder of Papa John's, a fast-growing pizza franchise, makes personal visits to some of his franchisees' stores four to five times each week to make sure they are performing up to the company's high quality standards. Franchisees say that Schnatter, known for his attention to detail, often checks pizza for air bubbles in the crust or tomato sauce for freshness. "Pizza is Schnatter's life, and he takes it very seriously," says one industry analyst (Zimmerer and Scarborough, 2002).

Furthermore, maintaining quality is so important that most franchisors retain the right to terminate the franchise contract and to repurchase the outlet if the franchisee fails to comply with established standards (Zimmerer and Scarborough, 2002).

#### **2.5.7. Centralised Buying power**

A notable issue is the fact that, a significant advantage a franchisee has over an independent small business owner is participation in the franchisor's centralised and volume buying power. If franchisors sell goods and supplies to franchisees (not all do), they may pass onto franchisees any cost savings from quantity discounts they earn by buying in volume (Zimmerer and Scarborough, 2002).

For instance, it is unlikely that a small, independent ice cream parlor could match the buying power of Baskin-Robins with its 3,000-plus retail ice cream stores. In many instances, economies of scale simply preclude the independent owner from competing head-to-head with a franchise operation (Zimmerer and Scarborough, 2002).

#### **2.5.8. Site Selection and Territorial Protection**

A proper location is a critical to the success of any small business, and franchises are no exception. In fact, franchise experts consider the three most important factors in franchising to be *location, location and location*. Becoming affiliated with a franchisor may be the best way to get into prime location (Zimmerer and Scarborough, 2002).

Many franchisors will make an extensive location analysis for each new outlet, including researching traffic patterns, zoning ordinances, accessibility, and population density. McDonald's for instance, is well known for its ability to obtain prime locations in high-traffic areas (Zimmerer and Scarborough, 2002).

Although choosing a location is the franchisee's responsibility, the franchisor usually reserves the right to approve the final site. Choosing a suitable location requires a location analysis, including studies of traffic patterns, zoning ordinances, accessibility, population density, and demographics (Zimmerer and Scarborough, 2002).

Additionally, some franchisors offer franchisees territorial protection, which gives existing franchisees the right to exclusive distribution of brand-name goods or services within a particular geographical area. A clause establishing such a protective zone that bars other outlets from the same franchise gives franchisees significant protection and security (Zimmerer and Scarborough, 2002).

The size of a franchisee's territory varies from industry to industry. For instance, one national fast-food restaurant agrees not to license another franchisee within 1.5 miles of existing location (Zimmerer and Scarborough, 2002).

### **2.5.9. Greater Chance for Success**

According to the American Bar Association's Franchise Committee, one-third of the franchisees in a typical franchise system are making a decent profit, one-third are breaking even, and one-third are losing money (Zimmerer and Scarborough, 2002).

Investing in a franchise is not risk free. Between 200 and 300 new franchise companies enter the market each year, and not all of them survive. But available statistics suggest that franchising is less risky than building a business from the group up. One expert says that 'becoming a franchisee can be the safest way to scratch the entrepreneurial itch.' Approximately, 24% of new businesses fail by the second year of operation; in contrast, only about 7% of all franchises will fail by the second year. After 6 years, 85% of franchises are still in business compared to just 50% of independent businesses. This impressive success rate for franchises is attributed to the

broad range of services, assistance, and guidelines the franchisor provides (Zimmerer and Scarborough, 2002).

These statistics must be interpreted carefully, however, because when a franchise is in danger of failing, the franchisor often repurchases or relocates the outlet does not report it as a failure (Zimmerer and Scarborough, 2002).

The risk of purchasing a franchise is two-prolonged: success (or failure) depends on the entrepreneur's managerial skills and motivation and on the franchisor's business experience and system. Many owners are convinced that franchising has been a crucial part of their success. "It's the opportunity to be in business for yourself but not by yourself," says one franchisor (Zimmerer and Scarborough, 2002).

#### **2.5.10. Economies of scale**

It is possible for an individual to run his or her own business yet gains the advantages and economies of scale of a larger company. Here the advantages range from initial and ongoing training, to centralised buying, ongoing product/service and market research (Carter and Jones-Evans, 2000).

#### **2.5.11. Attractive location**

Many franchisees operate within a defined territory, which involves the franchisor giving an undertaking not to set up another competing outlet within a given geographical radius. However, there is nothing to stop another franchisor, or other conventional competition, moving into the same area if it appears attractive and lucrative (Carter and Jones-Evans, 2000).

#### **2.5.12. Non- threatening help and advice**

There are other franchisees in the same network with the same challenges and problems and so any individual franchisee can use them as a source of non-threatening help and advice (Carter and Jones-Evans, 2000).

## **2.6. Demerits of franchising to the franchisee**

In much as franchising gives some benefits to the franchisee, it should also be noted that franchising as a mode of entering into an foreign economy to undertake a business has its attendant disadvantages and therefore it worthwhile for would-be entrepreneurs and existing franchisee to take notice of them. The demerits (disadvantages) of franchising to the franchisee can be organised under the following headings: Franchisee Fees and Profit Sharing (this includes initial franchise fee, cash investment, royalty payments, and advertising costs), Limited Product Line, Less Freedom, Strict Adherence to Standardised Operations, Unsatisfactory Training Programmes, Market Saturation, Buying into Franchise can be expensive, Goodwill you build up dependent upon continuing franchise agreement, Franchisor may damage brand, and Not really your own idea and creation.

### **2.6.1. Franchise Fees and Profit Sharing**

Virtually all franchisors impose some type of fees and demand a share of the franchisee's sales revenues in return for the use of the franchisor's name, product or services, and business system. The fees and the initial capital requirements vary among the different franchisors. The Commerce Department reports that total investments for franchises range from \$1,000 for business services up to \$10 million for hotel and motel franchises. For instance, H & R Block requires a capital investment of \$2,000 to \$3000, and the Atlanta Bread Company estimates the total cost of opening a franchise to range from \$362,000 to \$584,000, depending on the size and location of the outlet. A McDonald's franchise requires an investment of \$408,600 to \$647,000 (but McDonald's owns the land and the building). The average start-up cost for a franchise is between \$150,000 and \$200,000 (Zimmerer and Scarborough, 2002).

Franchise costs have several components, all of which need to be recognised. Generally speaking, higher fees are charged by well-known franchisors. The four typical components of franchising costs are:

➤ Initial franchise fee

The total cost of a franchise begins with an initial franchise fee, which may range from several hundred to several thousand dollars (Longenecker et al, 2000).

➤ Cash investment

There may be significant costs involved in renting or building an outlet and stocking it with inventory and other equipment. Also, certain insurance premium, legal fees, and other start-up expenses must be paid. It is often recommended that funds be available to cover personal expenses emergencies for at least six months. A reputable franchisor will always provide a detail estimate of investment.

McDonald's requires that an individual have a minimum of \$75,000 of non-borrowed personal resources to be considered for a franchise (Longenecker et al, 2000).

➤ Royalty payments

A common practice is for the franchisor to receive continuing royalty payments based on a percentage of the franchise's gross income. TWO MEN AND A TRUCK, for instance, charges a 6 percent royalty fee. McDonald's currently charges a "service fee" of 4 percent of monthly sales plus the greater of (a) a monthly base rate or (b) a percentage rent that represents at least 8.5 percent of monthly sales (Longenecker et al, 2000).

➤ Advertising costs

Many franchisors require a contribution by franchisees to an advertising fund to promote the franchise. These fees are generally 1 to 2 percent of sales (Longenecker et al, 2000).

Start-up costs for franchises often include numerous additional fees. Most franchises impose a franchise fee up front for the right to use the company name. Other start-up costs might include site purchase and preparation, construction, signs, fixtures, equipment, management assistance, and training. Some franchise fees include these costs, whereas others do not. For instance, Closets by Design, a company that designs and installs closet (and garage) organizers, entertainment centers, and home office systems, charges a franchise fee ranging from \$19,500 to \$34,900, which includes both a license for an exclusive territory and management training and support.

Before signing any contract, a prospective franchisee should determine the total cost of a franchise, something every franchisor is required to disclose in item 10 of its Uniform Franchising Offering Circular (Zimmerer and Scarborough, 2002).

Franchisors also impose continuing royalty fees as profit-sharing devices. The royalty usually involves a percentage of gross sales with a required minimum, or a flat fee levied on the franchise. Royalty fees range from 1 percent to 11 percent, although most franchises assess a rate between 3 percent and 7 percent. The Atlanta Bread Company, for example, charges franchisor's royalty of 5 percent of gross sales, which is payable weekly (Zimmerer and Scarborough, 2002).

Moreover, these ongoing royalties can increase franchisee's overhead expenses significantly. Because the franchisor's royalties and fees are calculated as a percentage of a franchisee's sales, the franchisor gets paid (even if the franchisee fails to earn a profit). Sometimes unprepared franchisees discover (too late) that a franchisor's royalties and fees are the equivalent of the normal profit margin for a franchise (Zimmerer and Scarborough, 2002).

Furthermore, to avoid such problems, a prospective franchisee should find out which fees are required – some are merely recommended – and then determine what services and benefits the fees cover. One of the best ways to do this is to itemize what you are getting for your money, and then determine whether the cost corresponds to the benefits provided. Be sure to get the details on all expenses – amount, time of payment, and financing arrangements; find out which items, if any, are included in the initial franchise fee and which ones are “extra” (Zimmerer and Scarborough, 2002).

### **2.6.2. Limited Product Line**

In most cases, the franchise agreement stipulates that the franchisee can sell only those products approved by the franchisor. Unless they are willing to risk license cancellation, franchisees must avoid selling any unapproved products through their outlets. Franchisors strive for standardization in their product lines so that customers, wherever they may be, know what to expect. Some companies allow franchisees to modify their product or service offerings to suit regional or local tastes, but only with the franchisor's approval (Scarborough and Zimmerer, 2003).



Moreover, a franchise may be required to carry an unpopular product or be prevented from introducing a desirable one by the franchise agreement. A franchisee's freedom to adapt product line to local market conditions is restricted. Nevertheless, some franchisors solicit product suggestions from the franchisees (Scarborough and Zimmerer, 2003).

### **2.6.3. Less Freedom**

As franchisees purchase their franchises and sign the contract, they agree to sell the franchisor's product or service by following its prescribed formula. When McDonald's rolls out a new national product, for instance, all franchisees put it on their menus. Franchisors want to ensure success, and most monitor their franchisees' performance closely. Strict uniformity is the rule rather than the exception (Scarborough and Zimmerer, 2003).

Entrepreneurs who want to be their own bosses and to avoid being subject to the control of others will most likely be frustrated as franchisees. Highly independent, "go-my-own-way" individuals probably should not choose the franchise route to business ownership (Scarborough and Zimmerer, 2003).

### **2.6.4. Strict Adherence to Standardized operations**

To protect their public image, franchisors require their franchisees to maintain certain operating standards. If a franchisee constantly fails to meet the minimum standards, established for the business, the franchisor may terminate its license. Determining compliance with standards is usually accomplished by periodic inspections. At times, strict adherence to franchise standards may become a burden to the franchisee (Scarborough and Zimmerer, 2003).

Although franchisees own their businesses, they do not have the autonomy of independent owners. The terms of the franchise agreement govern the franchisor-franchisee relationship. That agreement requires franchisees to operate their outlets according to the principles spelled out in the franchisor's operations manual. Typical topics covered in the manual include operating hours, dress codes, operating policies

and procedures, product or service specifications, and confidentiality requirements (Scarborough and Zimmerer, 2003).

### **2.6.5. Unsatisfactory Training Programmes**

Every would-be franchisee must be wary of unscrupulous franchisors who promise extensive services, advice, and assistance but delivers nothing. For example, one owner relied on a franchisor to provide what had been described as an “extensive, rigorous training programme” after paying a handsome technical assistance fee. The programme was nothing but a set of pamphlets and do-it-yourself study guides (Scarborough and Zimmerer, 2003).

The rather high level of satisfaction of the majority of franchisees is offset in a significant percentage of franchises by dissatisfaction often resulting from the franchisor’s not performing up to their initial promises, by marginal incomes, and by a felt lack of prestige in the position (Vaughn, 1979). Common preys for dishonest franchisors are those impatient entrepreneurs who purchase franchises without investigating the business and never hear from the franchisor again. Although disclosure rules have reduced the severity of the problem, dishonest characters still thrive on unprepared prospective franchisees (Scarborough and Zimmerer, 2003).

### **2.6.6. Market Saturation**

As the owners of many fast-food and yogurt and ice cream franchises have been discovered, market saturation is a very real danger. Although, some franchisors offer franchisees territorial protection, many do not. Territorial encroachment has become a hotly contested issue in franchising as growth-seeking franchisors have exhausted most of the prime locations and are now setting up new franchises in close proximity to existing ones. The biggest challenge to the growth potential of franchising is the lack of satisfactory locations. In some areas of the country, franchisees are upset, claiming that their markets are over-saturated and their sales are suffering (Scarborough and Zimmerer, 2003).

Another challenge to territorial protection for franchisees is the Internet. Increasingly, franchisors are setting up Web sites, which some franchisees say are taking sales from their outlets and are in violation of their exclusive territory agreements. Franchisees of

one drug store chain recently filed arbitration claims to block the franchisor from competing with them by selling products over its Web site. The franchisor denied that its Web site was cannibalising sales of its franchised outlets and claimed that the site would promote the entire company's brand (Scarborough and Zimmerer, 2003).

#### **2.6.7. Buying into franchise can be expensive**

The service provided by the franchisor may constitute a heavy expense to the franchisee. The franchisee may be obliged to purchase equipment and ingredients from the franchisor, which he or she could have bought more cheaply from other sources. Also management service fees and charges may be high (Carter and Jones-Evans, 2000). The services provided by the franchisor which are an expense to the franchisee, in some instances may be of dubious value (Vaughn, 1979).

#### **2.6.8. Goodwill you build up dependent upon continuing franchise agreement**

There is the possibility that the franchise agreement may not fulfil the franchisee's expectations, both in terms of anticipated sales and profits and also possibly in terms of the franchisor not fulfilling his or her obligations (Carter and Jones-Evans, 2000).

#### **2.6.9. Franchisor may damage brand**

Should the trade name of the franchise become tarnished – perhaps through mismanagement by the franchisor or the shortcomings of other franchisees – then there is the possibility that the franchisee may suffer simply because he or she is seen by the public as a representative of the franchise organisation in question (Carter and Jones-Evans, 2000). The value of the trade name is questionable in certain business classifications. In those in which repeat sales at frequent intervals are sought, customer satisfaction with the product or service soon becomes much more important than the name or banner under which the establishment operates (Vaughn, 1979).

#### **2.6.10. Not really your own idea and creation**

The tight control exercised by the franchisor in order to regulate the way in which the product or service is presented to the consumer may leave little opportunity for the franchisee to impose his/her personality on the business (Carter and Jones-Evans, 2000).

**2.7. Conclusion**

Some franchisees, however, apparently fewer than ten percent, are dissatisfied largely because these franchisees feel that franchisors do not live up to their expectation promises, franchisees’ incomes are marginal, and their prestige is questionable. Misleading and downright fraudulent sales practices have soured and even bilked some would-be franchisees.

Broad generalisation about the merits and demerits of franchising to the franchisee are hazardous, and the individual should ask himself, ‘‘what are the merits and demerits of this particular franchise to me, as opposed to other alternatives?’’ Among the alternatives are securing a salaried job with a small or large firm, starting a business from scratch on one’s own, and buying a going business concern.

The field work study will investigate the extent to which these merits (advantages) and demerits (disadvantages) also applies to the franchisees business operations in Ghana. The franchisees should be able to manage the merits and demerits effectively so as to be able to stay longer in business. I hereby present a tabular form of the advantages and disadvantages of franchising to the franchising as below.

Table 1.1. Advantages and disadvantages of franchising to the franchisee

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>▪ Management Training and Support.</li> </ul>	Franchisee Fees and Profit Sharing
<ul style="list-style-type: none"> <li>▪ Proven Products and Business Format</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited Product Line</li> </ul>
<ul style="list-style-type: none"> <li>▪ Financial Assistance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Less Freedom</li> </ul>
<ul style="list-style-type: none"> <li>▪ Brand Name Appeal</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strict Adherence to Standardised Operations</li> </ul>
<ul style="list-style-type: none"> <li>▪ National Advertising</li> </ul>	<ul style="list-style-type: none"> <li>▪ Unsatisfactory Training Programmes</li> </ul>

<ul style="list-style-type: none"> <li>▪ Standardised Quality of Goods and Services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Market Saturation</li> </ul>
<ul style="list-style-type: none"> <li>▪ Centralised Buying Power</li> </ul>	<ul style="list-style-type: none"> <li>▪ Buying into Franchise can be expensive</li> </ul>
<ul style="list-style-type: none"> <li>▪ Site Selection and Territorial Protection</li> </ul>	<ul style="list-style-type: none"> <li>▪ Goodwill you build up dependent upon continuing franchise agreement</li> </ul>
3. Greater Chance for Success	<ul style="list-style-type: none"> <li>▪ Franchisor may damage brand</li> </ul>
4. Economies of scale	5. Not really your own idea and creation.
6. Attractive location	
7. Non- threatening help and advice	

## 3. METHODOLOGY

### 3.1. Introduction

This chapter presents the methodological aspects that are related to gathering of data which will be analysed afterwards. According to Saunders et al. (2003), methodology is ‘the theory of how research should be undertaken, including the theoretical and philosophical assumptions upon which research is based and the implications of these for the method or methods adopted.’ (Saunders et al., 2003:481).

### 3.2. Research Design

A research design is the specification of methods and procedures for acquiring the information needed to structure or to solve problem. It is the overall operational pattern of framework of the project that stipulates what information is to be collected, from which sources, and what procedures (Green et al., 1998).

Once the objectives of the research are determined and the sort of data required is planned, the researcher should decide on a research design, which in turn will influence the task involved in the remainder of the project. The research design explains what procedures are supposed to apply in connection with gathering information (Parasuraman, 1991).

My research study is an empirical descriptive case study and it is focused on determining the advantages (merits) and disadvantages (demerits) experienced by Ghanaian franchisees. Saunders et al. (2006: 103) list seven different types of research strategies depicted in a research onion and this include experiment, survey, case study, action research, grounded theory, ethnography and archival research. My choice of research strategy is that of a case study research.

#### 3.2.1. Qualitative Method

Qualitative research method is a method which usually involves small samples and attempt to elicit descriptive information about the thoughts and feeling of respondents on a topic of interest to the research (Proctor, 2003). Maanen (1993:9) defines qualitative technique as ‘an array of interpretative techniques which seek to describe,

decode, translate and otherwise come to terms with the meaning, not the frequency of certain more or less naturally occurring phenomenon in the social world’.

The most fundamental of all qualitative methods is that of in-depth interview (Easterby-Smith et al., 2002). Qualitative data include non-numerical information expressed in descriptions, opinions and judgements. They can be biased due to higher subjectivity and provide less rigid results that are more difficult to compare, but permit incorporate immeasurable information and allow more deep and detailed analysis. However, since qualitative data are less standardized, they provide less reliable results and less generalisability (Patton, 1990).

Moreover, qualitative methods permit the evaluation researcher to study selected issues in-depth and detail (Patton, 1990). Qualitative research examines the feelings, attitudes and motivations of product users. It is research which does not subject its findings to quantification or quantitative analysis. Executives are reluctant to base important strategy decisions on small-sample research because it relies so much on the subjectivity and the interpretation of the researcher (Proctor, 2003).

My research focused on qualitative data and encompassed the collection of data concerning the advantages (merits) and disadvantages (demerits) of the franchising system in Ghana (from the perspective of the franchisee) ascertained through the administering of qualitative interview, with my role as complete observer.

Mostyn (1985) gives the features of qualitative method and the table (table 3.1.) depicts such features.

**Table 3.1. The major features of Qualitative method**

<b>Aspect</b>	<b>Qualitative</b>
Samples	Small, typically less than hundred
Interview length	Long, longer than one hour

Questioning	Following respondent reaction
Objectives	Expansion of existing data
Analysis	Content analysis
Report based on	Theories of motivation, “why?”
Reliability and validity	Can rarely be determined (subjective nature of research)

### 3.2.2. Case Study research

According Robson (1993: 40), a case study is defined as the ‘development of detailed, intensive knowledge about a single “case”, or a small number of related “cases”.’

This strategy chosen by me will enable me to gain a rich understanding of the context of the research I am undertaking. Any use of multiple-case study designs should follow a replication, not a sampling logic, and an investigator must choose each case carefully.

Yin (2003) mentions four types of case study research design and these are:

- Holistic Single-case design

This is a single-case study which examines only the global nature of an organisation or of a program. This design is advantageous when no logical subunits can be identified or when the relevant theory underlying the case study is itself of a holistic nature. Potential problems arise, however, when a global approach allows an investigator to avoid examining any specific phenomenon in operational detail. Thus, a typical problem with the holistic design is that the entire case study may be conducted at an abstract level, lacking any clear measures or data.



- Embedded single-case design

This is used, when in an evaluation of a case study, the single case is a public program that involves large numbers of funded projects. Embedded units can be selected through *sampling* or *cluster* techniques (McClintock, 1985).

- Holistic multiple-case design

In this design, each individual case study may include the collection and analysis of less quantitative data or qualitative data. My case study involves at least two franchisees depending on the number of franchisees who are ready to help me with data ascertainment to carry out this research - since it is usual that there is the likelihood of not having access to information from some firms in this 'research world'- and it involves less quantitative data.

- Embedded multiple-case design

In this design, a study may call for the conduct of a survey at each separate case study. Moreover, each individual case study under this design may in fact include the collection and analysis of highly quantitative data or qualitative data.

It should be noted that although all designs can lead to successful case studies, a *multiple-case* designs may be preferred over *single-case* designs. Undertaking at least a "two-case" case study, a researcher's chances of doing a good case study will be better than using a single-case design. Additionally, the analytic benefits of having two (or more) cases can be substantial (Yin, 2003: 53).

I have multiple units of cases since I was able to get seven units (institutions) to study in Ghana, and therefore it is a holistic multiple-case design using Yin (2003) approach to case study research.

I have Ghana as my case study to explore the merits and demerits of the system of franchising in Ghana from the franchisee's perspective.

### 3.2.3. Inductive approach

There are varied approaches to research undertaken and various academics and researchers have made attempts to express their views on the differences between inductive and deductive approach to research assignment.

According to Saunders et al. (2003), inductive approach concerns with a research approach involving the development of a theory as a result of the observation of empirical data. Gill and Johnson (1991) also indicated that induction approach commences with the observation of empirical data based upon which explanations and theories were established.

From Gilbert (1993) perspective, the inductive approach deals with the technique for generating theories. From another dimension, Saunders et al. (2003) added that the inductive approach focuses on qualitative data. For Riley et al. (2002), the inductive approach is the process whereby the exploration and analysis of related observations proceed to the induction of a theory that systematically links such observations in a meaningful way.

Moreover, Saunders et al. (2006) outlined some characteristics of the inductive or induction approach:

- ✓ The collection of qualitative data
- ✓ A realisation that the researcher is part of the research process
- ✓ Less concern with the need to generalise
- ✓ Gaining an understanding of the meanings humans attach to events
- ✓ A more flexible structure to permit changes of research emphasis as the research progresses.

Emphatically, induction is a process of reasoning (arguing) which infers a *general* conclusion based on *individual cases*. In other words, inductive reasoning works from specific observations to broader generalisations and theories. Guidelines for logical and valid induction:

- When a body of evidence is being evaluated, the conclusion about that evidence which is the simplest but still covers all the facts is the best conclusion.

- The evidence needs to be well-known and understood.
- The evidence needs to be sufficient. When generalising from a sample to an entire population, the sample should be large enough to show a real pattern.
- The evidence needs to be representative. It should be typical of the entire population being generalised.

My generalisations in this research focused on sufficient or large elements (their number of outcomes) in that appear in the table (4.2.) for merits of franchising to the franchisee from the manager's point of view and table (4.3) for demerits of franchising to the franchisee from the manager's view point. For instance, international exposure as an element of the merits outlined which appeared in four international franchised firms in Ghana out of the total of seven respondents, and I therefore based on this evidence generalised that it is a dominant merit among the international franchised firms in Ghana.

### **3.3. Data Collection**

My data collection takes primary data collection nature. Primary data is 'data collected specifically for the research project being undertaken' (Saunders et al., 2006). Primary data could be accumulated by way of interviews and observations generally.

#### **3.3.1. Interview**

This is data collected specifically for the research project being undertaken (Saunders et al., 2006). My primary data collection involved the use of semi- structured interview conducted with:

- The heads of marketing/sales department of the seven franchisees business concern in Ghana.
- A resource person from the main government institution (Ghana Investment Promotion Centre) in charged with, among other obligations, keeping records and registering of all enterprises to which the GIPC Act 478 of 1994 is applicable.

An interview is a purposeful discussion between two or more people (Kahn and Cannell in Saunders et al. 2003). Interviews can help a researcher gather valid and

reliable data that are relevant to the research question(s) and objectives. The nature of any interview should be consistent with the researcher's research question(s) and objectives, the purpose of one's research and the research strategy that the researcher has adopted. Interview can take the form of qualitative or quantitative. Qualitative interviews are classified into two main forms which are *one-to-one* interview and *one-to-many* interview. The *one-to-one* interview comprises of *face-to-face* interviews and *telephone* interviews. On the other hand, one-to-many interview comprises of focus group interviews (Saunders et al., 2003).

Thus my research interview is that of qualitative interview. I undertook one-to-one form of qualitative interview in which both face-to-face interviews and telephone interview were used. Most of the interviews I conducted were more face-to-face oriented than telephone oriented. The telephone interviews took the form such as asking questions about issues that I forgot to ask during the interview period and also calling to make time with appointments. Prior to the conducting of the interview, introduction letters from the Graduate Business School were given to the known franchised institutions in Ghana. On the average each face-to-face interview took 45 minutes at the premises of the respondents and took place on different days determined by them.

As part of my field work data collection, my laptop with windows vista operating software programme was used in my interview at the premises of the interviewees. The windows vista, being the current operating software in this year (2008) under consideration has a voice recording function which makes it easier for the user to make any type of recording. It emphatically aided my interview process at the offices of the respondents. A resource person at the Ghana Investment Promotion Centre showed me Collective Bargaining Book and read the portion the portion concerning the working condition of workers in Ghana where the regulatory requirement stated the prescribed total hours expected for a worker.

### 3.3.2. Observation

The physical stance that both the researcher and the interview embark upon affects the reliability of the final research outcome. From Saunders et al. (2003) perspective, participant observation is qualitative and derives from the work of social anthropology

earlier in the twentieth century. Its emphasis is on discovering the meanings that people attach to their actions. The other type of observation is structured observation and it is quantitative and is more concerned with the frequency of people's actions.

As my research is qualitative oriented I chose the participant observation type where I took the stance of complete observer role in which I did not let the interviewees realise that I was observing their facial expression regarding the information they were unearthing to me. According to Saunders et al. (2003), a researcher who takes the *complete observer* role, which is part of the four roles a researcher can choose from (the others are *complete participant*, *observer as participant* and *participant as observer*), has the complete significant advantage of not conditioning the behaviour of the research subjects under study. My observation during the interviews revealed that the interviewees were refusing to give some information that was considered by them as very sensitive to the nature of the franchise system they were operating with.

Moreover, as *stressful working hours* happens to be a dominant demerit in the franchising system in Ghana, my observation of the physical performance of the workers (both management members and staff members) revealed how stressful they were. The observation was then in such a manner that the worker did not have such knowledge in mind about my implicit action.

### 3.3.3. Definition of Population and Sample

Population refers to the full set of cases from which the sample is taken. In sampling, the term population is not used in the normal sense, as the full set of cases need not necessarily be people (Saunders et al., 1997). The population as regard the total number of international franchised firms known to be operating in Ghana is 10. It is customary to dispatch questionnaire to all members when the population is small, perhaps less than 500 (Easterby-Smith et al., 2002).

Sampling provides a valid alternative to a census when (Saunders et al., 1997):

- ✓ One's budget constraints prevent a survey of the entire population;
- ✓ One has collected all the data but need the results quickly;
- ✓ It would be impractical for one to survey the entire population;
- ✓ One's time constraints prevent a survey of the entire population.

The simplest form of sample is the *random* sample. With this type of sample, every unit of the population has an equal chance of being selected for the sample, and this can be done by using a table of random numbers (Easterby-Smith et al., 2002). In my research, the total population of the ten franchisees' firms in Ghana were visited by me and introduction letters made available to them.

The other types of samples are stratified, quota and cluster samples. Stratified sample or stratified random sampling entails dividing the population into two or more strata based on one or a number of attributes. In effect, one sampling frame is divided into a number of subsets (Saunders et al., 1997). The quota and cluster sample produce less representative pictures than the random and stratified samples (Easterby-Smith et al., 2002).

It should be noted that there were local (domestic) franchised companies in Ghana which have their franchisors as Ghanaian citizens running their operations in the country with their franchisees' companies running their operations in the country also. The local franchisors did not have any of their outlets outside the four cardinal points of Ghana. They included Frankies (with two franchisees), Papaye (with six franchisees) and Bus Stop (with four franchisees) and these companies operate in the fast food industry of Ghana. The nature of the research demanded that the focus is on firms with international franchisees so for that reason I did not consider the merits and demerits of the domestic franchisees in Ghana.

After locating and getting in touch with these institutions, out of the total of 10 companies which were given introduction letters to grant me interview, only 7 business firms responded to grant me the permission for interview. The officials were very sceptical about the likely consequences of releasing information to someone they are unfamiliar with, so they did not delve deep into very confidential facts about their institutional operations. They found my interview guide as simple and straight forward task to handle.

Due to limited time factor to embark on the field work data collection, coupled with the nature of the appointment arranged by the resource persons I came into contact,

the questionnaire portion was not answered. However, my data collection guide was actually made with great emphasis on the interview section in such a way as to be able to carry-out the project work with or without the questionnaire portion filled by the respondent. I could not get in contact with the actual owners of the franchise in Ghana (i.e. the franchisee in person) so I had to interact with managers with ideas about the franchise system in firms in which they are working.

Finally, the main governmental agency or institution (GIPC) with the database for registered enterprises in Ghana did not have information on the number of franchised firms in the country. It was Miss Dora Marfo, a supervisor at EDC Consulting Limited (a management consulting institution in Ghana), who was able to list 10 international franchised institutions in Ghana based on a previous research on labour relations they (the management team members of EDC Consulting Limited) conducted at these institutions that brought a random sample of these institutions. According to the face-to-face interview, the lady indicated that there may be more than 10 franchised institutions in the country, but the problem is due to lack of documentary data on franchising system in Ghana. No resource person was ever ready to answer any question at the Association of Ghana Industries (AGI).

### **3.4. Evaluation of Data**

In order to make sure a research has good quality, it should possess reliability and validity characteristics or consideration.

#### **3.4.1. Introduction**

Reliability and validity in reference to a research assignment are of distinct meanings. Both are influenced by the respondent's ability to answer a question accurately. In the case where a respondent is not informed on a topic or exhibits poor memory recall relating to the topic, the accuracy of responses will be impeded. In such a situation, the reliability and validity of the question is in doubt (Proctor, 2003).

#### **3.4.2. Reliability**

It is the extent to which measures are free from random error and give consistent results (Proctor, 2003). The objective of reliability in research work is to be sure that if

a later investigator followed the same procedures as described by an earlier investigator and conducted the same case study all over again, the later investigator should arrive at the same findings and conclusions (Yin, 2003).

To Proctor (2003), reliability reflects whether asking the same question of the same person on a subsequent occasion will elicit the same response. The goal of reliability is to minimize the errors and biases in a study (Yin, 2003). From the perspective of Easterby-Smith et al. (2002), reliability is primarily a matter of stability which means that if an instrument is administered to the same individual on two different occasions the question is, will it yield the same result?

There is the likelihood of an investigator to encounter some degree of threats in research work and Robson (1993) hereby believes that there may be four different threats to reliability in a research project. These are: subject error, subject bias, observer error and observer bias. These four threats are therefore discussed briefly to get the understanding of what each is about.

First and foremost, *subject error* occurs when different circumstances influence the results of the study, thus leading to different conclusions. The researcher or investigator should try as much as possible to neutralize such influences by choosing the correct environment for the study (Robson, 1993). In my research, data were collected from the franchisees' managers in their private offices within the premises of the business centres. Thus, it gave me the correct environment to undertake my interviews with them without any external influence from any third party.

Secondly, *subject bias* may also occur in scientific studies. In my case study, there was the likelihood of some restraint or bias in the information granted to me by franchisees' heads of marketing/sales departments/units due to the nature of the franchising contract between franchisees and their franchisors for fear of breaching the franchising agreement, like information regarding trade secret due to competition in the respective industries where each of the franchisees firms is operating. Thus not every bit of information was released to me.



Thirdly, *observer error* was at its minimum level since the interview was conducted by me as a single individual as compared to a situation of two or more researchers where it may involve different individual's own manner of observing phenomenon, thus depicting a high error with regards to observation by such group. However, introducing a high degree of structure to the interview schedule lessened this threat to reliability (Robson, 1993) of my data ascertainment from the fieldwork exercise.

Finally, *observer bias* was also at minimum level as I undertook the interpreting of data alone as compared with a difficult level regarding a group of researchers' interpretation who might have found it uneasy to come to a consensus as each of them has his or her own way of interpreting data (Robson, 1993).

In the cause of my research data collection, the position I chose as a complete observer meant that I did not influence the outcome of the information that I received from the respondents and for that matter the results of my analysis based of the data acquisition are very reliable.

*“Working with audio and video recordings and transcripts eliminates at one stroke many of the problems that ethnographers have with unspecified accuracy of field notes and with the limited public access to them” (Silverman, 2004:285).*

I prepared an interview guide which absolutely focused on the research problem in chapter one of this research work and each potential respondent was given a copy. My laptop personal computer, with the quality recording system by courtesy of windows vista, was used to undertake the recording at the respondent's premises, as it was easy to use. The hand-written notes (transcript) that I embarked on during the interview were compared with the electronic recordings (i.e. the laptop computer) with differences sorted out. Greater priority was on the laptop as it recorded very bit of message talked about.

Moreover, the resource persons (i.e. the heads of marketing/sales departments or units) that I interviewed were people of high grade in their chosen employment arena, thus gave me the assurance that the information being delivered to me was coming from a reliable source. I personally believed that getting the anticipated information

from equally superiors of reputable positions in the franchisee's business concerns was something I could confidently depend on to execute this assignment.

For each time after every meeting with a particular respondent, a USB pen drive is used to copy from my laptop personal computer by the respondent so as to cross-check what has been given to me so as to make sure that information certainty is highly assured devoid of misrepresentation of fact. There is feedback given to me by way of a phone call or email, after the respondent has reviewed the interview process at his leisure time prior to the next meeting with him.

I believe that it would be an easy repetitive interview process by a potential researcher who may decide to use the same style I used to ascertain data in a similar research from the seven heads of marketing/sales departments or units as mine, thus fulfilling the requirement of research reliability.

### **3.4.3. Validity**

According to Proctor (2003: 530), validity is 'the extent to which instruments measure that which they are intended to measure or research findings reflect as we might know'. Likewise, validity is a question of how far we can be sure that a test or instrument measures the attribute that is supposed to really measure. It is not too easy to ascertain validity for reason being that if one already had a better way of measuring the attribute, there would be no need for a new instrument (Easterby-Smith et al., 2002).

This (Validity) according to Saunders et al. (1997) is concerned with whether the findings are really about what they appear to be about. Proctor (2003:186) emphasised that 'validity reflects whether you are ascertaining through a question what you think you are ascertaining'. In as much as there are threats to reliability, there are also threats to validity and the researcher should be aware of them. A research design should be chosen in a way so as to reduce the potential lack of validity.

The information that was given to me during the interview was in line with the research problem of this work under consideration. The respondents gave answers with particular attention to the structure of the questions on the interview guide and

also took a verbatim glance with answers to each question simultaneously to make sure that they did not deviate from the core of the interview process. This action therefore contributed to the validity of the data ascertainment from the seven franchisees' representatives.

Moreover, by getting access to interview seven heads of marketing / sales departments or units, it meant that the outcome of the entire research work stood to be also valid as seven respondents out of an expected total population of 10 franchisees' business concerns accounted for a 70% cover.

To Proctor (2003), external validity (a kind of validity) relates to the extent to which research findings can be generalised to and across populations of interest in different situations and at different levels. In the case of Easterby-Smith et al (2002), external validity involves defining the domains to which the results of the study may be generalised; with this kind of validity, case studies rely on analytic rather than statistical generalisations.

## 4. ANALYSIS AND DISCUSSION

### 4.1. Introduction

This section outlines the information ascertained from the fieldwork exercise undertaken at the premises of the resource persons visited for interviews, and also analyses the findings ascertained with consideration of the understanding of the theoretical framework. It gives the merit and demerits of franchising system in Ghana from the perspective of the firms' superiors (heads of departments) interviewed and make conclusion with inductive approach for the franchising system situation in Ghana.

**Table 4.1. List of franchisees (in Ghana) and their related franchisors (foreign)**

Franchisee in Ghana	Franchisor (country of origin)	Industry\sector	Number of outlets	Number of franchisees
Woolworths	South African	Retail (clothing)	02	01
Pizza Inn	United States of America	Restaurant (fast food)	03	01
Taco bell	United States of America	Restaurant (fast food)	06	01
Steers	South African	Restaurant (fast food)	03	01
SFC Express	British	Restaurant (fast food)	02	01
NIIT	India	Service	05	01
Mechanical Lloyd	Germany	Automobile	01	01

Source: adapted from the data ascertained as per interview with respondents.

Note: SFC means Southern Fried Chicken

### 4.2. Case by case analysis

This is where I holistically look at each firm merits and demerits from the perspective of heads of marketing/sales departments or units. The information outlined for each firm is as a result of the interview conducted at each business premises. The firms

under consideration are Woolworths (Ghana), Pizza Inn (Ghana), Taco bell (Ghana), Steers (Ghana), Southern Fried Chicken (Ghana), NIIT (Ghana) and Mechanical Lloyd Company Limited (Ghana).

#### 4.2.1. Perspective of Woolworths Ghana

Woolworths in Ghana is considered as part of the global supermarket chain. It is one of the franchised Woolworths jointly operated by Woolworths of South Africa and Handa Group of companies. According to the operation manager, the franchisor's business name is Woolworths of South Africa. The first outlet (branch) in the country (Ghana) which happened to be the first in the South-Sahara Africa and for that matter in West Africa sub-region was incorporated or established on November 19, 2002. There are three main reasons, which were given for the investment of such business in Ghana. These are:

- The political stability in the country,
- The investor friendly environment,
- The bright economic prospect of the nation.

The company in Ghana has between 40 and 50 Ghanaian employees and 9 expatriates. There are four departments in the franchisee's company (Woolworths Ghana) namely sales, textiles, food and warehouse. The main competitors to this franchised business enterprise are Koala and Max Mart, making the other big supermarkets in the country. The products offered for sale include men's wear, ladies wear and children's wear. The manager (Tony Koomson) according to interview I had with him, gave me the merits of the Woolworths franchising system as follows:

First and foremost, *international exposure* is enjoyed by a worker in the franchised business enterprise at a lower cost as sometimes they have to attend international conferences organised by the franchisor at a subsidized amount or even sometimes with all expenses paid for which to his opinion will be virtual impossible in non-franchised business in the retail sector of a developing economy such as Ghana where the majority of the income group fall within the low level category. The income distribution of the country can be group into three main categories being the high income earners, middle income and the low income earners group. The greater part of

the population constitutes the low income group and therefore has low purchasing power.

The visiting of franchisors abroad gives them opportunity to undertake sightseeing and interact with expert on issues of great importance not only relating to the nature of the business of retailing clothing but also other areas of relevance in the business world.

Secondly, *management backing* is a merit factor in working in a franchised business enterprise whereby Woolworths (Ghana) obtain advice on regular basis from the franchisor (Woolworth South Africa) regarding the retailing of the goods effectively. The assistance usually commerce with telephone conversation, then followed by letter writing. Where there is the need for an expert to be present at the premises to help rectify a situation, he or she or a delegation is sent by the franchisor from South Africa to Ghana to help rectify the situation. Some of the activities involve organising seminars to the management and staff of Woolworths (Ghana).

The business concern which is Woolworths in Ghana intermittently receives representative(s) from the franchisor who come and participate in the actual retailing at the business premises along side the Ghanaian workers.

Furthermore, *economies of scale in buying* the goods take place between the franchisee (Woolworth in South Africa) and the franchisor, Woolworth in Ghana. The retail chain (Woolworth in Ghana) buys goods at cheap prices from the franchisor which has been in business since 1931 and therefore is known for its product quality. For anytime that stock of goods fall to re-order level, requisition for replenishment is made to add-up to what is already left which are well structured so as they meet demand for the product.

Additionally, the operations manager said that the franchising system brings *recognition* to the business as a whole and they workers as individuals before the public. Every customer or non-customer in the country believes that management and staff of Woolworths are people of high calibre. This recognition that they encountered with the public, boost their morale in working for the organisation.

Mr Tony argued that the franchising system offers *standardised appearance* to customers whereby they have come to realise from their contact with customers, both Ghanaians and foreigners that their products are of expected quality standard and therefore always have the confidence in buying products offered by Woolworths. The Ghanaian populace has the perception of the country South-Africa as well-developed in relation to Ghana and therefore perceive products from South Africa as products of good quality as compared to locally manufactured clothing (men's, women's and children's ware) in the country.

Besides, *promotional assistance* is another merit factor, from the manager's point of view. By this he means that the company receives advertising and other promotional materials from the franchisor. These materials come in the form of leaflets, print-cards, handbook and e-mails. Since the franchisor has been in business for a very long time, when it comes to designing advertising programme to be broadcast on the media, the franchisee (Woolworths in Ghana) consults the franchisor on how the programme should be presented. The recorded advertisement programme is air-mailed to the franchisee.

The manager additionally said there is also the merit of *lower risk factor* in operating with the franchise system. It is believed that the purchase of the system had already eliminated any trial and error failures usually experienced by the non-franchised entrepreneur in the industry. As most enterprises do not succeed in the operations, it is very idealistic that the Woolworths Ghana is a franchised business enterprise making it comfortable in a lower risk position.

In addition, *complimentary training* offered by the franchisor benefits the management and staff members of the franchisee's business concern (Woolworths Ghana). For the management part, as he is a member of the team, they usually have direct training from the franchisor. They (the members of the management team of the franchisee's business) organise two weeks training for staff members. Elaborating on the training aspect, he said that workers or staff members are introduced to the structure of the company (Woolworths - Ghana) and customer relations.

The customer relations course is considered by the staff members and he as a manager as indispensable part of their job performance. According to him, Woolworths is very particular about customer care and does everything to ensure high standards of customer care. This year 2008, they are expecting a South African trainer to come and train the Ghanaian staff, an arrangement which has already been planned and will hopefully take-off very soon. He further said that although the training programme is tailored specifically to suit the needs of the company, some aspects of the training will be beneficial for his career and for the career of the rest of the workers in this franchised business concern, even when they are no longer with Woolworths.

The manager in the course of the interview added that there is *credit facility accessibility* which is identified with the Woolworths franchise in Ghana. The company finds it very easy to effect credit transactions involving assets such as pieces of equipment, stationery, motor vehicle, fixture and fittings' furniture and machinery. The credit terms are so very favourable to the extent that the business is always able to beat deadlines as regard payments.

With the creditworthy background of the franchisor on records, the vendors for the supplies of such assets to the franchisee's company find it also worthwhile to come into such credit terms with the hope that the franchisee's enterprise will honour its part of obligation. Independent start-up small enterprise will normally not be efficient in honouring its obligation as regards these credit transactions but this franchised business enterprise in Ghana is very efficient in that.

There is *guaranteed compensation* that emerges from the franchise agreement or the Woolworths franchise in the country. It is a common issue to hear that some independent non-franchised enterprises in the country have their workers embarking on strike action due to non payment of salaries that even call for government intervention, thus tarnishing the image of such firms, but with Woolworths Ghana, workers are paid their salaries and bonuses due them.

*Low initial investment* is considered a merit of using this franchise system in Ghana due to the fact that the franchisee was made to pay 4 % less of the initial franchise fee, unlike fellow franchisees in South Africa who strictly paid the full amount of the



initial fee. He believes that there is consideration given to franchisees in poor countries.

The manager increasingly said that the franchise contract which has however brought the Woolworths to Ghana and referred to as Woolworths Ghana brings about a *faster start-up* merit. By operating with this franchise, the company experiences a short learning curve as it gains assistance from the franchisor (Woolworths South Africa) which possesses much experience to draw upon in starting other new operation successfully. The designs of the physical structure and the procedure for undertaking logistics have been furnished by the franchisor, at the point when the contractual agreement between the individual franchisee and the franchisor took place, making it easier in starting new operation with no time wastage. They business (Woolworths Ghana) feels a sense of competitive edge above the independent non-franchised entrepreneur within the industry where Woolworths finds itself.

*Concerning the demerits of the Woolworths franchise system in Ghana, the following were put forward by him:*

First and foremost, the most dominant demerit is *royalty fees* which wanes Woolworths (Ghana) net profit of the year. It is always calculated as a percentage of the gross profit. This is paid monthly or in bulk at the end of the financial year Woolworths (South Africa).

Additionally, *sole sourcing* happens to be a demerit factor characterising the franchise system Woolworths Ghana is operating with. The franchisee's business concern has to buy the main goods and other items from the franchisor in South Africa. With regards to this matter, it takes high cost getting the goods shipped to the warehouse of the franchisee's company (Woolworths Ghana). This is as the result of the fact that the South Africa harbour of shipment is not noted for its popularity as compared with Rotterdam harbour in Germany, Beijing harbour in China or Abu Dubai harbour in the United Arab Emirates of the Middle East. Whilst the institution's competitors (Koala and Maxi Mart) in the industry faces less shipment cost as they buy goods coming from harbours noted for a lot of businesses shipments, the franchisee's company unfortunately encounters high transportation from the South African

harbour. The Woolworths franchisees in South Africa (the majority) do experience no harbour –to-harbour shipment cost thus standing at an advantage as against the Woolworth Ghana at a disadvantage in talking about harbour-to-harbour shipments.

Furthermore, there is the demerit of *bad decision by the franchisor* which turns to undermine the competency of the management and staff members of the Woolworths Ghana. He (the manager) admitted that the workers (the management and staff members) are people of high calibre with degrees from the educational institutions of higher learning in the country (the Universities and Polytechnics in Ghana) and ought to be given the recognition by the franchisor in taking decisions affecting the overall operation of the business in Ghana. For instance, the decision by franchisor of buying stationery from a particular supplier in the country (Ghana), which they believe the supplier's product are very costly, whilst they know of a other suppliers in the same country who deal in the same quality products but at cheap prices, affect the franchisee's business financial performance adversely.

The manager indicated that there is *delay in policy implementation* which is a demerit to the Woolworth (Ghana) operations in the country. When they (the members of the management team) want to take immediate and very quick decision regarding prices of goods on sale, in seeking consent of the Woolworths (South Africa) on such issues, it takes along time to receive written responds from the franchisor.

The manager emphasised that the franchisee's business concern (Woolworths Ghana) workers (including him as a manger) suffer from *Goodwill transfer loss* to the franchisor in the event of termination of the franchise agreement (contract). For their dedication to duty and entrenched hard work contribute the increased reputation of the Woolworths franchise in the local retail clothing market in Ghana.

It could be emphasised that the Woolworths franchise system brings very *stressful working condition* to the workers of Woolworths (Ghana). The supermarket is opened throughout the week, from Monday to Sunday. An individual worker works 9 hours a day and is entitled to 15 minutes breakfast break and 30 minutes lunch break. According to Mr. James Mintah, Head of Human Resource Department of the Ghana Investment Promotion Centre (GIPC), the normal working hours stated in the

Collective Bargaining Agreement dealing with labour issues in Ghana, each employee is entitled to 8-hourly job daily, so working over 8 hours day is very stressful. There is non-overtime bonus package available to workers. The workers lament about insufficient off-days which they need to have some rest and be with their families at home. There is no labour union at the workplace and there is the fear of a worker making suggesting for the establishment of one to fight for the right of workers. An attempt by an individual to do that will put his or her job at risk.

#### **4.2.2. Perspective of Pizza Inn Ghana**

For Pizza Inn in Ghana, Mr. Jeremiah Folson being the marketing manager of the Legon (a suburb of Accra) outlet gave his opinion on the merits of franchising to the franchised business (Pizza Inn – Ghana) where he has been working for the past 6 years. He thinks that starting any business involves some element of risk but compared to buying a franchise it less risky to operate with a franchise than starting a new unknown business.

First and foremost, Mr. Jeremiah claimed that working in this company offers him and for that matter Pizza Inn Ghana *Proven Systems* whereby the business in which he works benefits from accumulated experience of the original business owner, Pizza Inn – United States of America. He believes that the system of Pizza Inn franchise had stood the test of time which made it very successful in the U.S. and also in Ghana here. Foreigners who visit and live in the country always visit to buy pizza from the outlet as they have been practising in their country of nationality. The proven systems enable the franchisee's business to avoid the mistakes by most independent own start-up enterprises in Ghana.

Moreover, the Pizza Inn Ghana merits from *Rapid Turnover Growth*. The recognisable brand established by the franchisor gives the franchisee's business rapid growth in sales as compared to non-franchised business within the same industry sector. Customers (Ghanaians) who have the mental perception of products from the U .S.A. as better than those made locally pop-in frequently to buy pizza from their outlets.

Additionally, *operational support* is granted to him or the franchisee's business as a whole. The business receives scheduling, hiring and accounting systems necessary to run the business. For anytime there is a new accounting software development, they receive such programme free of charge from the franchisor, Pizza Inn U.S.

Another dimension of merit of franchising for Pizza Inn (Ghana) to him is *Prestige*. For the restaurant industry in the country, there is the feeling of prestige in working in a company which has recognition worldwide. As compared with colleagues working in the Ghanaian-owned restaurants he feels some respect is given to him by such colleagues to the effect that he is seen as working in a top class organisation in restaurant industry in the world.

There is *Human Resource Development* merit which takes place whereby he yearly travels to the franchisor in the U.S.A. for further education on issues concerning the retailing of Pizza. Such expenses are partly financed by the franchisor in the U.S. The employees get further education and training in this business. An employee undergoes classroom training for *4 weeks* before he or she is made to start the on-the-job training which also last a period of *4 weeks*. During the training sessions, the employee who is being trained by the management team as a whole or a member of the team is paid the salary as a when the time is due. The staff members are normally equipped with the required logistics to enable them to deliver according to customer's satisfaction.

*Time Savings in setup cost* is another merit in working in a franchised business. High time consuming factor associated with the cost of establishing a new manufacturing procedure such as design costs, location and acquisition of equipment, and the hiring and training of employees in a non-franchised business in the same restaurant industry is very lower in franchised business in which he is working. In this franchised business enterprise, they have operation setup package document which covers every aspect concerning the setting-up of the whole business given to them by the franchisor which made the establishment of the business faster.

*Reliable product quality* is a merit factor the business (Pizza Inn Ghana) can not do without. The franchise system has given the business the expected quality that is required of by the customers who frequently visit the company to buy food. The

customers' loyalty to the firm has been due to the quality nature of services provided by staff members of the sales department, who have become expert by way of training made available to them, initiated by the franchisor requiring to having them well groomed to be able to meet customers' desire. According to him, the business or him as a manager does not compromise on quality decisions about food services to customers for the customers are seen as the financial blood of the business.

*Quick preamble* is something that he believed to be a merit of franchising to Pizza Inn Ghana. The franchisee (the owner) took one month to establish the premises with all the design and logistics to commerce operation. Whilst on the average it takes a non-franchised small company owner at least 6months to get everything in place as regards premises and logistics. He argued that the business has the ability of starting a new outlet within a short time and there are arrangements towards the implementation of such project. The proven operation systems which serve as guidelines provided by the franchisor makes it easier and faster for them to open a new outlet which is not the case of a non-franchised firm.

Arguably, there is also the merit of *information share* or *knowledge transfer* that characteristics the duty of the franchisee's business, which stands to explain that in the on-going process of service delivery of food to customers, there is the exchange of ideas between Pizza Inn Ghana and other franchisees such as Pizza Inn Nigeria, Pizza Inn Gambia etc (in neighbouring countries) to find out how far they are doing with the Pizza Inn franchise. This happens when, what they are sharing as ideas have nothing to do with the franchisor but with the line of Pizza Inn franchisees. The different Pizza Inn franchisees that they encountered have different experiences developed in the cause of the franchise business and such helps them to exchange information. The information share improves the nature of the business of the Pizza Inn Ghana franchisee.

Moreover, he welcomes the merit of *low initial outlay* at the introduction stage of the Pizza Inn (Ghana) business concern. The building materials for the construction and designing are ascertained from the local market from dealers with quality recognition for the products they are into. Such cost is lower compared with their colleagues in the United States of America. The money payment the Pizza Inn (Ghana) made to

franchisor was 7% less than what happens to be the usual collection from Pizza Inn franchisees' businesses in the United States. The amount is payable immediately the franchise contract has been signed.

It is laudable fact from the opinion of the manager that the franchise contract for the Pizza Inn Ghana offers *flourishing business*. The experience of the franchisor ascertained during the previous years has accrued him a track record which has placed him in the profit zone and made him successful. By relying on the proven model of the franchisor, the franchisee is being successful in this business in Ghana. The continual profitability of the Pizza Inn Ghana has granted much confidence in the members of the management team that they stand the chance of opening more outlets in the country. Within one year, they were able to increase the labour force from 20 to 60 staff members. In a developing country like Ghana, it is very uncommon for an independent start-up firm or business concern to increase labour to such a number.

Finally, it was mentioned by him that *commission on sale* is a merit of the franchising system which is running the business (Pizza Inn Ghana). Aside what the staff members receive as remuneration at the end of every month, they additionally receive commission on sales, increasing the take-home-pay of the employee. It is very uncommon to witness such in the non-franchised enterprise within the industry in which Pizza Inn Ghana is operating who either pays only salaries or commission on sales. The sales commission paid by the franchised institution is 6%.

*The following were given buy manager as the demerits from Pizza Inn franchised business in the country:*

Moreover, there is *reduced profitability* demerit with regards to the Pizza Inn franchise system in Ghana. The payment of royalties monthly or annually reduces the overall profitability of the Pizza Inn (Ghana). The purchasing of certain items from approved sources with higher prices also contributes to profit reduction.

Additionally, the *initial investment cost* that is payable to the Pizza Inn (United States of America) serves as the obstacle to his ability to buy a franchise. He continued that the domestic currency of Ghana (the Ghanaian cedis) is of less value to the major

foreign currencies on the international front, and it cost a lot of money to pay such initial amount at the contractual stage of the franchise, though the contract provides 7% reduction to any Ghanaian who is interested in the Pizza Inn franchise, whilst their fellow franchisees in developed countries pay the full amount.

The manager further admitted that *restricted product expansion* characterises operations of Pizza Inn (Ghana). There is much demand for local food by the majority of the Ghanaian customers who patronise the main menu offered by Pizza Inn worldwide. Their (the management and staff members of Pizza Inn Ghana) market analysis reveal that it would be lucrative for them to add local products to the already existing continental products being offered by the Pizza Inn (Ghana).

The nature of the Pizza Inn franchise to the Ghanaian franchisee's business concern denotes *strict observation of rules*. The management and staff members in the business are bound by the rules and regulation that set out the conditions for running the company in Ghana. The franchisor's organisation normally sent a representative to undertake monitoring of the activities of the Pizza Inn to ensure that laid-down procedures are strictly followed so as to help preserve the image of the brand name of the franchisor (Pizza Inn, United States of America). The representative visits the business enterprise for inspection once every year, as compared to Pizza Inn franchisees in the United Kingdom which have an average of one-visit in every two years.

#### **4.2.3. Perspective of Taco bell Ghana**

The Taco bell Ghana fast food restaurant started operation in 1995 with the preamble of the Legon branch. The next branch or outlet was established in 1997 and the third was in year 2000. The Sales Manager of Taco bell franchised outlet in Ghana at Legon argued that working for the franchisee's business *Taco bell* (Ghana) offers some benefits to him.

Taco bell restaurant sells four meals to the public and these are *melty, crunchy, spicy and grilled*. The business concern of the franchisee consists of finance, administrative, food, sales & marketing, and warehouse department. There are six outlets in the country; Legon (in the Greater Accra Region), Osu (in the Greater Accra Region),

Kumasi (in the Ashanti Region), Cape Coast (in the Central Region), Wineba (in the Central Region) and Tema (in the Greater Accra Region) outlets.

Mr. Benson Ninson, first and foremost talked about *hard worker creation*. He believed that the devotion to duty and long hours of working bestows him respect and makes him and the staff hard workers with motivation to duty. Work starts at 8:00 in the morning to 23:00. The normal working hours for labour in Ghana is 8 hours but the franchise contract permits overtime period in the business.

The next merit he talked about has to deal with *risk reduction*. The classroom and the on-the-job training that are made available to him and the employees bring about high efficiency in their performance which at the end of the day helps them to achieve targets. There is degree of comfort in working with the staff members as he believed that the employees have been given the requisite education to work in the organisation.

Furthermore, he talked about *sales commission*. Aside the salaries that are paid to him and the workers, they also receive commission on the sales they make at the end of the day. They exhibit job rotation at the sales department whereby each seller turn to work in the 'shoes' of the other so as to have the feel of serving every kind of food the institution deals in. The sales commission is 5%.

Moreover there is also *gratis adverting*. Most of the advertising programmes which concern the products of the company are undertaken by *Taco bell* United States which reduce the financial burden on the company in the area of advertisement. Where it comes to undertaking any promotional activity according to the taste of the Ghanaian community, the management seeks the consent of the franchisor which has proven record in the field of fast food selling so as not to incur the displeasure of the franchisor.

There is also easy access to *credit facilities*. Since the *Taco bell* (United States) has worldwide reputation in the restaurant industry, there is easy access to credit facilities to him or a worker in *Taco bell* Ghana from a local bank in the country (Ghana). The banking system in Ghana has undergone a deregulation system whereby a person does



not require a collateral security such as building in order to be granted a credit facility but now a person can get credit facility if he/she has a guarantee employee to witness the person 's being an employee of a company.

For Mr. Benson, working in this franchisee's business has earned him and the rest of the staff *reliable training*. The management team (comprising the franchisee as an individual) have undergone 16 weeks training in the United States at the Yum! University whereby the cost of training was partly financed by the franchisor, Taco bell United States of America. This took place in 1998. The first batch of staff members at their first outlet in Legon where given 4 weeks training in the same year. The training in the United States consisted of both on-the -job training and class room training. The classroom training took the form of seminars.

There is also *free development and standardised service*. The company in Ghana receives standardized building plans from the franchisor for their endorsed brand combination. There is standardisation with regards to typical site layout, architectural specifications; equipment cut sheets, cost baselines, and exterior and interior facility design. During the construction of their outlet in Osu (a suburb of Accra) they received some representatives from the franchisor's Regional Architectural Partners from the United States who came to assist in the construction of the outlet.

*Financial accessibility*, as a merit of franchising for the company and it workers, deals with the situation where he as a manager or a worker, finds it easier getting loans from the bank in his area of residence. For the workers who have had to get some loans from other banking firms, the story has been the same as all the time. That is they have also found it easier getting such facility which from his best of knowledge, would have been very difficult if not impossible to secure such a credit facility from the bank as an independent entrepreneur operating a non-franchised business or working in a non-franchised firm. It is due to the fact that Taco franchisor in the United States of America is noted for its proven financial performance over the past years since it came into being and has a very low credit risk level.

There is also the merit of *management consulting service* which is easily and freely accessible to the company. The franchisor in the United States of America has a

management team which give advisory services to Taco bell Ghana to combat certain difficulties beyond the reach of the franchisee. This service is initiated by phone calls by a member of the management team of the franchisee's company, and then followed by emails stating the problem to be address. Sometimes there is the need to send written letter by post to Taco bell United States. Due to the vast time difference between Ghana and the United States of America

*Notwithstanding the above mentioned merit, the manager gave the demerits of the Taco bell franchise system in Ghana as follow:*

The manager of Taco bell (Ghana) stated that *limited income generation* is a demerit to the franchisee's company from his point of view. The continual payments to the franchisor as royalties diminishes the income generation the business earn notwithstanding the amount of sales they have been making. The accumulated amount of money they have been paying over the years is capable of building additional outlets.

Moreover, there is the demerit of *costly start-up* in embarking on the Taco bell franchise. The offering of the initial investment fee to the franchisor to acquire the Taco bell franchise is such huge money in the Ghanaian local currency although the payment expected from the Ghanaian franchisee is *5% less* to those expected from the franchisee in the United States of America. As an ordinary Ghanaian ( the manager), it will take him some years to get such money in order for him to buy the Taco bell franchise and become a franchisee of Taco bell (United States of America). The shop setting and appearance of the enterprise in conformance to the international standard set by the Taco bell franchise is very costly to the ordinary Ghanaian as he is.

Furthermore, he admitted that there is the *threat of customer loss* as a demerit. He believes that the likely malfunction of another franchisee holding Taco bell franchise and operating the same type of business will equally affect the customer frequency rate ( where he is working) making the business lose customers as well. The malfunction by a Taco bell franchisee in South Africa or Nigeria as a result of an instance of poor quality food, will automatically affect adversely the customer frequency ratio of his company.

Additionally, he made mention of *delay delivery* as another demerit to the Taco bell Ghana franchised company. The ingredients which are supplied by the franchisor sometimes do not come in on time as expected and such affect their product output which is offered to customers.

Likewise, there is *hectic working condition* which is being experienced by the workers of the business. The management and staff members each will have to undergo 12 working hours a day as part of their stipulated work schedule and have 6 working days in a week. There is only one-off day entitled to each worker and the number of hours spent at the workplace is very disgusting.

#### **4.2.4. Perspective of Steers Ghana**

The Steers franchised business was incorporated in the country 1991 and opened the first outlet (also the head office) at Osu and later opened additional two outlets. The locations of the other two outlets are Kumasi and Cape coast. These outlets or branches were opened in 1995 and 1998 respectively. The products offered by Steers (Ghana) include combo meals (mushroom & cheese burger, steer burger, caramelised onion & cheese burger, hero roll, king steer burger, and cheese burger), burgers (dagwood burger, triple stack burger, mushroom & cheese burger, bermuda burger, cheese burger, rave burger, bacon & cheese burger, king steer burger, steer burger, and caramelised onion & cheese burger), breakfast (on the run and hot beverages), classics (hero steak roll, mega ribs & chips , and lunch box), drinks & ice cream (brat pack, desserts, and milkshakes).

There are 33 employees of the franchisee who undertake a working-shift pattern. The work schedule runs from 06:00 to 10:00 and is tailored to the convenience of the employee and the customer. Each of the workers is supposed to work 8 hours daily. The company encompasses food, sales & marketing, accounts and administrative units which work in harmony to achieve the corporate objective of the franchisee (Steers Ghana).

*Low cost branding and marketing* is the first merit to Mr. Bigson Asante, the marketing manager of Steers fast food restaurant in Ghana. He said that the franchised

company has been experiencing less expensive branding and marketing for the past 10 years with the help of the franchisor Steers South Africa compared to non-franchised companies within the fast food industry

*Reduced Business Failure* is an element which he believes to be associated with Taco bell (Ghana). To him Taco bell business operation has the least possibility to fail (among other business within the same industry who are non-franchised) in its activities because the operational system in place is what has been used by the franchisor for many years since the franchisor came into being. The laid down procedure is being followed strictly so as not to endanger the profitability of the business and also not tarnish the hard-won reputation of the franchisor.

As well, there is the added merit of *lower initial investment fees* to the franchisor's business concern for the Steers (Ghana). Whilst their colleagues in South Africa which are equally operating with the steers franchise system or contract, are paying more at the initial contractual stage, Steers Ghana paid an amount relatively *9% less* than what these other Steers franchisees paid in their home country, South Africa. The difference between payments serve as a form of savings to the business which could had been channelled into different project by the franchisee (Steers Ghana).

He further argued that the *financial support* is merit to franchising. As it is very difficult for small scale businesses to get loans from the banks in the country, Taco bell Ghana gets easy access to loans from the bank and it is the same situation for a worker in the company. The individual non-franchised firms are seen by the banks in the country as having a high default rate as they operate with unproven systems whilst taco bell Ghana is believed to be operating with a proven system for many years and has been very successful in the industry.

*Scale Economies* is seen to be another factor merit characterising Steers Ghana. When it comes to the issue of buying ingredients to be used by the food department, it is usually the case that they make the purchases at lower price as all the outlet come together to make the bulk purchase, thus reducing the unit cost through the granting of high discount. The franchisor issues the directives specifying the type of ingredient they have to use and where they have to make such purchases.

*Credit purchase* is easily made available to Steers Ghana. The company have it easy when it comes to buying tangible assets on account such as vehicle, fixtures and fittings, freehold land and equipment which is the unlikely case with non-franchised small companies operating similar type of business in the country (Ghana). The dealers or suppliers of such item deal with different types of business units so they are abreast with those businesses which are creditworthy and so in talking about franchised businesses and non-franchised businesses, the suppliers in the country find the franchised businesses as much creditworthy than the non-franchised small businesses.

He also claimed that Steers Ghana have *Marketing assistance* as a form of merit in this franchised business. Although they have sales personnel well trained in providing customer relations service to the public, the franchisor, which reside in the advanced country (South Africa) in Africa has highly educated experts in the field of marketing who provide advice on issues concerning adverting and sales promotion. The participatory discussion on decisions about advertising and sales promotion which take into consideration the cultural aspect of the Ghanaian society who happen to be the dominant customers with regards to the taste of the products offered for sale.

The franchisee's business concern has access to broad range of proficiently designed marketing materials received from the franchisor. The materials come in the form of print advertisements, press releases, brochures, T-shirts and newsletters. This are made available to the franchisee's company on free basis.

*International exposure* is another merit regarded as indispensable in working in this franchised business. He as a manager gets the opportunity to attend international conferences organised by the franchisor and its associated partners whereby he happen to meet a lot of businesses tycoons who are very experienced people and share ideas together on issues concerning the new development in the franchise system and the impact of technological change on franchising as a whole. This takes place every two years.

This opportunity is virtually absent in non-franchised small businesses in Ghana which constitute the greater proportion of the total number of firms in the country. The business sector of the Ghanaian economy is made up of State Corporation and private companies. The private companies or the private sector is divided into large companies, small and medium enterprises (SMEs). Small enterprises are grouped into registered and non-registered institutions. It is believed that the non-registered small enterprises constitute the greater proportion of the whole business industry.

The non-registration of such business enterprises is due to their attitude towards the payment of taxes to the Government of the country. The greater proportion of small companies or enterprises is being run by people who are not well educated in the area of operation and the owners of such businesses do not think about the welfare of their workers so it is virtually impossible for a manager like him to get the opportunity to travel abroad to have such international exposure if he were to work in such small companies who exhibit such characteristics and are also non-franchised firms. So he is lucky working in this franchised business being owned by trained professional.

*Recognition* is something he claims will never escape his mind when dealing with issues concerning the merit of franchising to the franchisee from the manager's perspective. The name Steers is a recognised international fast food restaurant chain on the African continent as it operates in several African countries and has been very successful. South Africa is considered as a better place to live economically compared to Ghana and any other African country, but when it comes to the issue of peace, Ghana is the peaceful country in Africa it is for such a reason that the franchisor has found it a great idea to have a franchisee in Ghana, as the political stability of a country influences the spirit of entrepreneurship of a country. Every worker of the company, be it a member of the management team or staff, is seen by the public as well trained person who possesses what it takes to provide customer satisfaction so as to achieve the objectives of the business. Such recognition that he has with the public motivates him to worker harder for the company so as to remain employed for a very long time as it very difficult for one to get job in the country. The employees working in the company also share the same experience as he. By this recognition they also work hard so as to project the image of the business and stay longer as workers of the company.

*Quality service* is a merit that comes with working in this franchised business. There is a quality standard system put in place which is followed by everyone in the company which has been directed by the franchisor that makes them deliver product of high quality standards that meets the ultimate satisfaction of their numerous customers. The customer population consist of about 40% foreigners and 60% Ghanaians who are very particular about the quality of what they buy as food as far as health matters are concerned. High supervision undertaken by him and other superiors of the company ensures that food and sales department put in their best so as not to incur the displeasure of their customers which, when happens will cause the company to loose some customers to competitors. They give immediate attention to customer compliant as when it happens and resolves the situation as fast they could. Since the preamble of the Steers business enterprise into the Ghanaian fast food restaurant industry, they have only witnessed customer compliant on two occasions and were perfectly resolved and has not happen since the past four years.

Mr Bigson emphasised that *rapid expansion* is a merit that characterises the franchising system. Unlike the case of non-franchised institutions, Steers as a franchised firm has the ability to undertake expansion project very faster for they have a proven system which has been in operation by the franchisor for many years and therefore very reliable for them to open an outlet with the highest degree of success in mind. Steers Ghana has manuals from the franchisor which have well-defined track upon which to launch and operate the business and also easily embark on expansion.

There is also *learning opportunity* that takes place in working in this business whereby, as one meets and interacts with customers, there is the opportunity for him to know what the customers like and changes in their behaviour which may have an impact on the company's sales performance. There is also the ability for him as a superior to learn something from food department and the accounts department.

*Improved Managerial skill* is a merit to the franchisee's business in which he is working (Steers Ghana) from his point of view. Aside his education prior to his recruitment by the company, he has the opportunity to travel outside for further education and training on issues concerning the running of the business in South Africa. This education and training are being provided by the franchisor, Steers South

Africa. They as the management who benefit from such education abroad impact such knowledge acquired on their staff members. Such knowledge covers areas such as accounting, customer relation, leadership, and advertising. He has the improved skill to handle compliant with ease. This opportunity is at a very low level in a non-franchised small companies operating within the same industry in Ghana. The additional knowledge acquired abroad builds the confidence in him to take decision that reaps the benefits for which reasons they were taken.

*On the other hand, the interview with the manager would not have been completed without talking about the demerits. He there gave the demerits of the Steers franchise system in Ghana as follow:*

The manager at Steers (Ghana) made mention of *strict observation of rules and regulation* as a demerit of the Steers franchise system. There is no avenue for management members to undertake any sort of beneficial initiative about the product offering by the business. They have the idea of adding a local menu (product) to the officially continental assigned product currently on sale, so as to target those potential customers who are addicted to local dishes. The franchisor has prevented them of such development. The decision came as a result of their customers' suggestions to the effect that it will be very expedient for them to attach local food to what they (the customers) are already purchasing (the continental food).

Additionally, *loss of autonomy* is demerit which characterises the Steers franchise in Ghana. The contractual obligation for the franchisee's company to follow the strict instructions of the franchisor (Steers South Africa) depicts some loss of autonomy. The independent entrepreneur within the same industry has the freedom to decide on any changes with regards to the nature of the business, but with the Steers franchisee, the management team has limited autonomy in usage of the franchising system.

Moreover, there is also the demerit of *stressful working period*. He explains that the amount of time located to each worker is enormous, whereby a worker has to spend 12 hours at the site with little time for breakfast, lunch and supper break. Each break is allocated with 20 minutes to each worker.



#### 4.2.5. Perspective of Southern Fried Chicken Ghana

SFC (Southern Fried Chicken) Express fast food restaurant franchisee's companies in Ghana are located at Greater Accra Region and the Ashanti Region, comprising of three outlets (including the head office). One is at Osu (a suburb of Accra and the location of the head office), the second one is at Tema (a city closed to Accra), and the third outlet is at Kumasi of the Ashanti Region. The food offered by SFC Express (Ghana) include grilled chicken, salads, chicken meal, chicken burgers, piri piri chicken, side orders, burgers, baguettes & subs, SFC morning berrys, chicken nuggets, potato wedges, SFC Plum and oranges. SFC is the United Kingdom's foremost fast food franchise prospect for the years 1990s. The first outlet in Ghana (the Osu outlet) was established and started operation in 1991.

It is an absolute turkey fast food restaurant concept which has been moulded to suit qualified investors and investment groups which are therefore hunting for entry into the exciting fast food restaurant market. SFC Ghana, apart from serving the continental fast food, offers Chinese and Ghanaian (local) dishes. The continental dishes are patronised by foreigners most of them being British nationals residing in the country; the Chinese dishes are to a large extent patronised by Chinese nationals (other foreign nationals and Ghanaians also utilize both Continental and Chinese dishes). The local dishes are tailored towards the needs of the Ghanaian who is not comfortable with the non-Ghanaian dishes.

The Sales and Marketing manager, Mr. Nana Sarpong, addressed the merit of franchising to the franchisee's business (SFC Express Ghana) from his point of view. He gave the following as the merits:

First and foremost, there is *time savings in set-up cost*. This merit comes into existence in the situation where the franchisee is given an expert with absolute knowledge about the establishment of the premises and the setting up of pieces of equipment, fittings and fixtures so as to have the standard nature of the SFC worldwide. The appropriate procedure for setting-up the company is ready at hand and makes the construction faster than what will be in the case of a non-franchised fast food restaurant. The manner of building the physical structures of the company

are strictly followed so as to reflect what was agreed upon between the franchisor and the franchisee in the franchise contractual agreement.

Secondly, there is *reliable quality product delivery* which is of major consent to foreign nationals and Ghanaians who pop-in to buy food at the premises. For health wise, foreigners will want to consume food which is free from likely defects that may harm their health status so having this franchised institution gives them confidence in food consumption in Ghana. Though there are non-franchised fast food restaurant which are owned by Ghanaians, but they will exercise the safety of buying from a reliable source which is SFC restaurant.

The Southern Fried Chicken (SFC) Express Ghana operating arrangement conveys products of key quality. The food offered by the institution is therefore served fresh with the best ingredients selected for all menu items. The company embarks on proven equipment and production techniques to ensure consistency in taste and presentation. The Southern Fried Chicken Ghana has exclusive packaging materials which have extensively tested by customers as of higher quality for carrying food. The packaging materials are environmental friendly. The store itself is characterised by quality whereby the scheme designs have therefore been applied to create clean, comfortable and spacious condition.

Moreover, the manager talked about *progressive managerial skills*. This merit deals with the fact that in order to protect the hard-won reputation of the franchisor, there is the opportunity for him travelling to the franchisor's home country (England) to undergo management education so as to better handle conditions revolving the franchised business in which he is working. The management education he undergoes, along side other members of the management team, enhances his managerial skills in helping improve the image of the brand name and achieving the objective of the franchisee's business.

He emphatically stated that the education he benefited from working in the company has given him knowledge about the different levels of managerial skills which makes running the business very comfortable. The skills of management are conceptual, technical and human. The conceptual skill involves the formulation of ideas; technical

skill deals with the process or technique of knowledge and proficiency in applying a specific tool to solve a specific problem at the work place; human skill concerns the ability to interact effectively with people.

*Persistent marketing support*, as a merit of franchising to Southern Fried Chicken Ghana stands to mean that the company is continually given advertising and promotional facilitation from the franchisor SFC England. This remarkable assistance reduces the cost burden on the franchisee's business to use some medium of advertising that are very expensive in the country.

The franchisee's worry of having to advert on the internet has already been taken care of by the franchisor. As regards television advertisement which is the most expensive medium of communicating pictorial aspects of the product offered by the company, less amount of money is spent in doing that. The advertisements do not cover verbal medium in the likes of radio and one-to-one mode. He argues that whether the SFC Ghana embarks upon media advert or not, they still get more customers making purchases from the sales units of the outlets in the country (Ghana).

Posters are made available to them by the franchisor and they come on hand as and when they have been produced. Some of their posters also include Ghanaian characters which are designed and produced by the franchisor targeting only the Ghanaian market, but sent to other countries where there are equal franchisees operating with the franchisor.

Mr. Sarpong moreover emphasised that there is also *rapid growth sales* advantage in working with the franchise contract or in working with this franchised company. The long-lived reputation of the trade name attracts more customers who demands value for their money and therefore feel "at home" when buying from such business with great experience in the fast food restaurant industry. He understands that buying from non-franchised fast food restaurant is considered by the customers as more risky, for he thinks that some Ghanaian own-operated fast food restaurant are run by non-qualified people who are bent-on doing such business as the means of survival without taking into consideration the health of customers who will fall victim in buying their poor quality product.

*Quick preamble* or introduction into the fast food restaurant comes with the franchise contract which has brought the business into the Ghanaian private sector. As the wise saying goes '*the early bird catches the worm*', this literally applies that by getting started on the fastest move in the industry with the already "cooked" methods or procedure of doing the business furnished by the franchised in ways such as manuals, the franchisee or the SFC Ghana is assured of making quick sales than the case of the entrepreneur who has to go through a very long and risky procedure to start making sales with very little confidence.

The manager added that there is *trade credit accessibility* which is commonly encountered in working in this franchised company. For anytime he as a manager wants to buy some items on account, it is the case that he gets the transaction on credit bases with no difficulty at all, for the celebrated name of the business gives him that opportunity.

There are times when the company (SFC Express Ghana) buys certain assets on credit. These items include pieces of equipment, fixtures, fittings, furniture and machinery. The credit system is either offered by the franchisor or by dealers within the country. Where they have to buy from dealers in order to avoid some delays, they seek the approval of the franchisor who knows the best brand of item the business enterprise will have to purchase. As it is very difficult for small non-franchised companies to ascertain trade credit in Ghana, SFC Express Ghana gets trade credit easily for the business running.

There is the added advantage of the *sale of going-concern* with regards to the franchised firm. The manager stated that where it happens that the franchisee (the individual who purchased the franchise from the franchisor) wants to bring his ownership of the business to a halt, it is easy for him to sell it to the franchisor or will get a buyer immediately to do the transfer of ownership. In the case of non-franchised fast food restaurant, it is difficult to get someone to buy the business immediately.

Furthermore, Mr. Sarpong mentioned that the franchisee's company receives *operational assistance* from the SFC England in areas such as book-keeping and

customer relations. There is operational manual furnished by the franchisor which enables SFC Express Ghana to easily run the business. Where it happens that certain information is not clear, the franchisee's business gets the needed assistance from the franchisor. There is a field service consultant who is ever ready to attend to compliance by the franchisee. Accounting procedures with book-keeping software for faster financial records keeping are made available to the franchisee's business. New methods of carrying out certain business activities that emerges in today's business world are also consistently made available to the organisation.

There is the virtue of *reduced failure in business* as stated by the superior in the Southern Fried Chicken Ghana. He explains it to mean that the franchise contract or system brings risk minimisation to the franchisee's company of going out of business as the firm strictly follow the strategic mechanism of going about the day-to-day running of the business enterprise. There is the high risk and therefore the higher probability of business failure in the case of the entrepreneur who decides to start his or her own business from the scratch without the purchase of a franchise. He mentioned that most studies that he has ever come across revealed that over 90% of non-franchised enterprises go out of business within 3 years of their operation in Ghana and thinks that making the choice of franchise is the best one to go with.

Also, *international experience* characterises the SFC franchised business in Ghana. It is a great opportunity for a worker as he is, to travel outside the country to the United Kingdom to learn something further about the running of the SFC franchise system in Ghana, and also take the opportunity to visit places of interest by way of sightseeing which in actual fact serve as one-time life experience to him and other workers who also embark on such trip. Meeting different SFC franchisees' business representatives from different countries gives him the opportunity to know about the on-going business situation facing others (i.e. other franchisees) under the franchise system, and also learn something about other cultures.

*The manager continued to give the following as the demerits characterising the Southern Fried Chicken franchise in Ghana:*

With regards to the demerits of SFC franchise system from the SFC (Ghana) manager's point of view, there is the presence of *strict control* being exercised by the franchisor on the actions of the management and staff members which leave them with little control to operate with. There is a Field Inspection Officer sent by the franchisor who normally undertakes visits to SFC (Ghana) to verify the operational performance of the franchisee's business concern and forward and dicey information to the franchisor, and also put things right where he finds certain faulty happenings. The officer undertakes the visits to the premises *once* in every *two years*, as compared with an SFC franchisee in London, which experience visits from an officer from the franchisor once in every *4 years*.

There is also the demerit of *upfront cash payment* incurred by the SFC franchisee in Ghana at the initial stages of the contractual process. The franchisee was made to pay *8% less* of what SFC franchisees in the United Kingdom have been paying. He also emphatically admitted that the money was huge in terms of Ghanaian local currency (Cedis). The money could have been used by the independent entrepreneur in Ghana to purchase other tangible assets to earn some returns. According to the manager, the magnitude of the payment is so huge that it can be used by 4 or more Ghanaians to start a small scale business in the food service sector as it does not require large some of money to do such business in Ghana.

Moreover, he admitted that the SFC (England) *misconduct* can be a demerit as it will eventually affect the sales performance of SFC (Ghana). 'to err is human', where it happens that the franchisor (SFC England) makes mistake in the product offering and such incidence happen to incur the displeasure of the customers in that country, it may likely affect the product offering of SFC Ghana also.

#### **4.2.6. Perspective of NIIT Ghana**

In 1999, i2000 Limited was incorporated and bought the NIIT franchise from NIIT India in year 2000. The company have been operating under the brand-name since that year and has been committed to addressing the IT (Information Technology) needs of Ghana. The company (NIIT Ghana) now stands as the "number one" IT institution in Ghana and still growing bigger and bigger. The NIIT India's vast education programme network delivery spreads over 30 countries in Europe, Asia,

Middle East, the Americas, Australia/Oceania and Africa. There are about over 3000 training centre across the globe. Thus it has its presence all over the world. The Information Technology education takes the form of classroom and on-line format.

According to the Marketing Director of NIIT Ghana, Mr. Kumar, the first outlet of the company was established in May 2000, and within a year of its operation, the franchisee's company (NIIT - Ghana) attained the status of the largest Information Technology educational institute in the nation. The company has therefore *five* outlets in the country, and has therefore the capacity of training over 7,500 people per annum.

Concerning the merits of the franchising to the franchisee (NIIT Ghana) from the opinion of the Head of the Sales and Marketing Department, Mr. Uday Kumar, the merits can be described as follow:

*Intercontinental publicity* is the first thing that comes into mind of Mr. Kumar, which has to deal with the fact that he as a member of the management team gets the opportunity to travel abroad to countries which are also NIIT franchised to attend international conference meetings organised by the franchisor in India, and have the feel of how issues are handled in different cultures of those countries. The place of destination for the organisation of the events is at different countries where there are NIIT franchised institutions and the events take a rotation pattern from one country to another. Since he joined the business enterprise for the past 6 years, he has been enjoying the opportunity annually. The events organised by way of seminars gives the opportunity for him and other members of his management team to know how each of the other franchised firms (the franchisee's business) is doing especially in terms of profitability. He therefore said that as far as he was aware, this opportunity was not available in the non-franchised IT educational institution where he worked previously before joining NIIT Ghana.

Moreover, he said that *high Prestige* is an emotional satisfaction he enjoys by working in this franchised company. In the Ghanaian community, it is a great privilege for one to be working in a renowned international organisation. He commands much respect than ever since he started working in this franchised business.

Furthermore, Mr. Kumar emphasised that *quality performance* is merit that can not be over emphasised. The products that they come up with at the end of a particular period have been doing very well at the job centres where they are working. This has been attested by institutions in the country (Ghana), such as financial firms and non-bank financial firms, which have recruited such individuals who have undergone IT training in their outlets in the country.

He also argued that there is *technological advancement* that he as a member of the management team benefits from in NIIT Ghana. As the world has come to be a technological world meaning the technology industry is the leading industry in the world, there are new innovations that are taking place in business and commerce cycle and calls for one to upgrade his or her IT skills and working in this company offer him the immediate access to upgrade his technological competence faster.

Furthermore, there is easy *knowledge transfer* system that also occurs as a merit factor to him and other colleagues in the franchised company. This is where he can easily access information from other NIIT franchised business enterprises (franchisees) or exchange ideas with other superiors working in other franchisees' companies worldwide without necessary consulting the franchisor with regards to matters that concerns the franchisees dealing with NIIT India. This merit is very indispensable when it comes to decision-making issues. This benefit is not easy to come by when dealing with non-franchised IT companies or enterprises which are competitors in the IT sector of the Ghanaian economy.

Operating the business under the franchisor's brand-name (NIIT) has brought about *rapid business expansion* not only for the franchisor but for the franchisee (NIIT Ghana). From the inception of the first centre in Ghana, it has within less than 10 years added four outlet bringing the total centres (including the headquarters) to five which is not a common characteristic with a non-franchised small companies or enterprises in Ghana as a developing country. After initially training students accounting for 50 in the number of roll, now by this year 2008, the franchisee's company boast of over 7,500 student participants.



Moreover, with *operational support*, the franchisee's company (NIIT Ghana) gets the requisite materials needed for effective performance. This shore up ranges from hardware to software and training. The franchisor, having been operating since 1981, has forged a lot of links with some international recognised institutions within academic learning and in business pursuit. The software shore up or support emanate from Ansys Inc. (USA), Mentor Graphics (USA), Datamine (UK), Powersoft Corporation (USA), Sybase Inc. (USA), Oracle Corporation, Intersolve Inc. (USA), Software Publishing Corporation (USA) and Environmental Systems Research Institute (USA), and Kockums Computers Systems (Sweden). The franchisee's organisation therefore has access to technical support and advice from these aforementioned institutions with the consent of the franchisor.

NIIT Ghana receives *marketing assistance* from the franchisor as it believes the franchisor has the rich experience in conducting advertising and promotional campaign that promote the reputation of NIIT (India) to facilitate the achievement of its objectives. The franchisee's business enterprise undertakes less cost and time in taking decisions with regards advertising as it benefits from the overall advertisement by the franchisor. The advertising package undertaken by the franchisee's organisation takes into consideration Ghanaian characters as the majority of the enterprises (state or private enterprises) are own and run by Ghanaians. Comparatively, they do more adverts than their competitors in the IT sector of the Ghanaian economy which are non-franchised IT institutions. They (the members of the NIIT Ghana management team) have known this as a result of their frequent monitoring of the media advertisement by their competitors.

Additionally, *low cost purchases* is advantageous to the franchised business enterprise as it buys computers and accessories from manufacturers abroad which are partners to the franchisor (NIIT India). The suppliers of computers and accessories are Acer and Hewllet-Packard. Since all the franchisees of NIIT buy these computers and accessories from these suppliers which are noted for their quality products based on their track records, they get price discount due to bulk purchases and customers loyalty relationship forged between NIIT and the suppliers. It takes about *one month* for consignment to be received from abroad when they are in shortage of computers either for teaching purpose or administrative purpose. Single purchase or individual

purchase of computers and accessories by small businesses or enterprises which do not have the financial strength to purchase large quantities suffer from higher prices. The company (NIIT Ghana) does not rely on the use old computers which have lost their significance in this modern era.

*Steadfast training* is a remarkable merit of franchising to NIIT Ghana and to him especially. The business enterprise has affiliates abroad from where they (the management team members and staff) receive classroom training to beef-up their technical knowledge in information technology. The training session takes place yearly and covers a period of *four months*. The cost of training abroad is partly financed by the franchisor which has an objective of producing world class IT professionals in the world to meet the needs of current business environment. The franchisee also has arrangement with these affiliate firms where it is also possible for their students to take up online education or travel abroad to further their education. The institutions are University of Northumbria (Newcastle, UK), University of Winnipeg (Canada), University of Sunderland (UK), University of Canberra (Australia), Deakin University (Melbourne, Australia), University of Southern New Hampshire (USA), University of South Australia (Australia), RMIT University (Melbourne, Australia), AIS Saint Helens (New Zealand), Dundalk Institute of Technology (Dundalk, Ireland) and Bolton Institute (Bolton, UK).

*International standardisation* is also a further merit to the company (NIIT Ghana) which has to deal with the fact that the sort of service they provide to their clients (the private sector, and the state enterprises & agencies) who contact them for IT professionals have attested that their personnel who have undergone their tuition are performing well at the workplace according the standards expected of in any part of the world. This is as a result of the fact that the franchisor has the international expertise that provides very pleasant educational atmosphere to ensure quality delivery of service to the general public. The premises and educational materials used in teaching their students are the same across the NIIT franchised institutions all over the globe.

It could be also mentioned according to him that the NIIT franchise which has come to stay in Ghana brings about *attractive compensation* to him, other workers and the public /students who undergo their (NIIT Ghana) Information Technology education. Beneficiaries from their outlets services stand tall in pay scheme on the job market compared to products from non-franchised Information Technology educational institutions in the country. Where as products or beneficiaries from non-franchised IT educational organisations do go round doing job searching, it is rather business enterprises that ‘chase’ people with NIIT qualifications.

*As much as the manager mentioned the above merits about the NIIT franchise in Ghana, he also gave the following as the demerits encountered in the business under the NIIT franchise system:*

The manager of NIIT Ghana first and foremost argued about *limited control* as demerit feature of the franchise contract operating in Ghana. They have the duty to follow-up strictly with operations procedures outlined in the manuals granted to the franchisee’s business concern (NIIT Ghana). Issues concerning labour relations, product offering, marketing and finance must be at the fore knowledge of the franchisor but not at the discretion of them. The consent of the franchisor is sort via the use of e-mails, telephone and post mail.

Furthermore, the NIIT franchise system according to him brings about *lack of creativity* in NIIT Ghana business operation among the management team and staff members. As the franchisor (NIIT India) requires them to follow the operations manuals verbatim to ensure level of consistency among the existing franchisees chain worldwide, such expectation from the franchisor serves as a sense of rigidity which restrains their creativity and independence and gives him emotional discomfort.

Besides, the manager happens to talk about *traumatic working condition* where he explained that the number of hours they have to spend working at the departments is overwhelming. Each of them is entitled to 13 working hours per day and has lunch break time of 35 minutes and 25 minutes as supper break. Working so long a time makes him feel very tired always. It is the same time allotted to each worker across all

the outlets over Ghana. Thus, he finds it difficult having a very good time with his family.

Moreover, *costly start-up* is another demerit to the NIIT Ghana from the manager's perspective for the reasons being that an initial up-front payment is made to the franchisor at the contractual level. The payment is *10% less* than what their fellow NIIT franchisees in India pay. Although the amount is less, it is relatively huge money when paying such money as a self-starter Ghanaian as the local currency is weaker against the required convertible currency (the U.S. dollar).

In addition, there is demerit of *delay in policy implementation* which is encountered in the cause of running the business. There is a bureaucratic system which slows down policy implementation. The final decider of policies, rest in the arms of the franchisor. Proposed projects, when they are to be executed, are first of all sent by email to the franchisor (NIIT India) which reviews them with the experts at its disposal before granting approval, and such take really along time to receive the final approval before the execution.

Likewise, there is the demerit of *Goodwill transfer* loss from the efforts of the management and staff members to the franchisor. He explains that by working so hard in order to continually reap profits and also protect the image of the franchisor, the service they render to the Ghanaian and foreign (foreign residence in Ghana) public in the cause of daily operations increasing build more goodwill for the brand name of the franchisor, and if it occurs that the purchaser of the NIIT franchise in Ghana sells the franchise to another investor in country, it is still the franchisor (NIIT India) which had benefited from their efforts.

#### **4.2.7. Perspective of Mechanical Lloyd Ghana**

The Mechanical Lloyd Company Limited is a leading motor company and garage operator, holding franchise for BMW, Land Rover, Massey Ferguson, DAF buses, Honda cars and Lucas products, in Ghana. The history of the company dates back to the 1960s when the company was formerly called Technical Lloyd and was a Dutch-owned company operating in Ghana, dealing in knapsack sprayers, BMW cars and motorcycles. On August 7th, 1970, the company was purchased and incorporated by a

Ghanaian entrepreneur named Mr. R. A. Darko who renamed the company as Mechanical Lloyd. The company in the country (i.e. Mechanical Lloyd Company Ltd) has the aim of being the leader in the Ghana Automobile Industry by providing good quality, competitive priced products delivered in the most professional manner and securing for its shareholders the optimum return on their invested capital.

In talking to the director of marketing, Mr. Samuel Asante stated that there are 4 departments in the company which are Marketing, Human Resource, Finance & Accounts, and Operations department. There are a total number of 165 employees and the deeds of the company involve the importation, distribution and servicing and maintenance of motor vehicles, farm machinery, trucks and buses. The company has only one establishment in the country's capital, Accra, and no outlet or branch elsewhere in the country. The automobile industry of Ghana comprises of seven companies and among these institutions, Mechanical Lloyd Company is one of the two automobile companies operating with a franchise system. The other automobile companies are Modern Automated Services Limited, Silver Star Auto Limited (the other franchised automobile company), Toyota Ghana Company Limited, Japan Motors Limited, CFAO Ghana Limited, and Tractor & Equipment Ghana Limited. Concerning the merit of franchising system to the franchisee's business from the point of view of the head of the department, the following were given:

First and foremost, the franchising system brings about *quality service* to the franchisee's company which deal with the fact that the company receives modern state of the art facilities to provide reliable services to the customers in the country.

The quality services offered include:

- Body shop repairs
- Tyre alignment and balancing service
- All types of mechanical services
- Rust proofing services

Customers demand value for their money so the company hold after-sales service in high esteem which has created customer loyalty for the product they (the management

and staff of Mechanical Lloyd Company Ltd) sell. The customers are assured of three years warranty for their purchase of product from the firm.

Secondly, there is *operational assistance* that emerges with the franchise system which is advantageous to the franchisee's company. The business enterprise continually receives inventory of spare parts from the franchisor. There are technical and experienced experts sent by the franchisor's company who frequently visit the franchisee to assist in solving problems beyond the reach of the franchisee's company capability.

Moreover, it was mentioned that the franchising system brings about the *subsidised marketing assistance*. There is very low cost that is spent on promotional and advertising activities for it is the franchisor which covers the greater portion of the advertising and sales promotional activity cost. Advertising and promotional material come in different forms; some include print materials such as calendars and posters. Other materials include key holders, pens, bags etc. with the brand name logo the company and the products offered for sale written on them. The television advertisement is the most costly medium of communicating the features about a product in the country (Ghana), and this advertising medium is subsidised by the franchisor in terms of a percentage. The majority of the people do not have access to internet facility so the company does not embark on any form of internet advertisement.

Furthermore, it worth considering the merit of *management consulting service* whereby Mechanical Lloyd seeks the consent or advice from the franchisor on matters or decisions relating to human relations at the workplace, marketing and accounting systems. The consultation usually takes the means of telephone calls, emails, post mails and the visit by experts to the franchisee's business establishment. The consultancy services are given the immediate attention as much as possible.

Besides, there is the *recognition* merit that follows the franchise system undertaken. Working in this company that deals in one of the best brand of cars in the world (BMW) is very fantastic as he (a functional head) turns to have recognition with the public around him according him much respect'. He stressed that once the products

being offered for sale (e.g. BMW cars) are products already with quality imprint in the minds of the public, it gives an easier recognition to Mechanical Lloyd Company whereby loyal customers and potential customers do not doubt the nature of services offered to them. The recognition avoids the perception of non-genuine accessories that customers have with dealers in the country (Ghana).

Above and beyond, the Mechanical Lloyd Company Limited benefited from a reduction in the *initial outright payment* at the contractual period in the cause of documentation processing. The franchisee's business concern merited from 8% reduction which is something of substantial amount in consideration to value of the Ghanaian currency. It is the case that other franchisees in well developed nations who are partners to Mechanical Lloyd pay the full amount outright.

Another merit of franchising is *research and development* to the franchisee's business from the head of department's point of view. With this he indicated that whilst the normal activities are going on in Mechanical Company Lloyd, the franchisor (BMW Germany) is constantly embarking on research and development of the product and brand, and therefore the Mechanical Lloyd is conveniently focused on operations relieving it from the burden of research that characterises an independent non-franchised entrepreneur. Research and development are activities that usually involve high cost and having the franchisor shouldering these is therefore a state of relief to the franchisee's business concern and the management team of the business also.

In other to better serve customers in terms of their satisfaction, there is *comprehensive training* that Mechanical Lloyd merits from. The executives in the operations department who are much involved in the after sales services such as maintenance and repairs have undergone intensive training in the area of maintenance and repairs so as to meet customer satisfaction with the product they buy from the firm. The cost of the training is partly financed by the franchisor. The training makes the institution (Mechanical Lloyd Company Ltd) comfortable in dealing with customer's complaint.

The company (Mechanical Lloyd Company Limited) additionally merits from the *accessibility to financial support*. The marketing director /manager pointed out that it becomes easy for the Mechanical Lloyd Company Limited to source funds from the

general public who are aware of the product and services offered by the organisation or are well informed about the nature of business of the franchisee's firm. It attracts a lot of people to buy shares and also it is (i.e. the company) able secure loans from the financial firms in the country.

*However, the director of marketing of the marketing manager gave the following as the demerits that comes along with the franchise system operating in the business in Ghana:*

The manager of Mechanical Lloyd Company Limited first of all stated *strict observation of rules* as a demerit of the franchise system. They management members deem it an obligation to ensure that the principles outlined in the operations manuals supplied to the franchisee's company are followed religiously. This requirement kills their intended initiatives in manner of daily tasks undertaken. As the main customers of the business (Mechanical Lloyd) are Ghanaians, there is variety in satisfaction with Ghanaian from other cultures so they also being think that they can give more satisfaction to the Ghanaian customer if they are give some liberation by the franchisor as regards especially customer service delivery.

Moreover, the company continually incur *ongoing fees* to the franchisor, a mount of money which decreases their annual profit which lessens their capacity to meet their corporate social responsibilities. The money is payable irrespective of the overall profitability of the firm at the end of the financial period. With a large size of labour force at the company, there is the desire for the management and staff to pay more very attractive remuneration to workers but the ongoing fees payment weakens the intended plans.

Additionally, there is the demerit of *solitary sourcing* affecting the financial strength of Mechanical Lloyd Company Limited. The company purchases equipment and furniture from single suppliers in the country. The equipment includes computers, whereby there are other dealers who offer relatively quality at cheap prices than the supplier they have been authorised by the franchisor to buy from. Likewise, the purchase of office furniture and fittings is very costly to them due to where they buy



them from as instructed by the franchisor, whilst they can have a cheap source to get the same product in the country.

There is the demerit of *late delivery* encountered by them (the management team members of Mechanical Lloyd Company Limited) in the running of the business. The accessories of spare parts that are used in making after-sales servicing do not normally arrive in time as they come in by shipment only from Germany.

### 4.3. Multiple cases analysis

This part deals with the use of different categorisations of cases to analyse the merits and demerits of franchising system in Ghana from the perspective of the seven franchisees' managers who are heads of marketing/sales departments or units.

These different categorisations of cases are *western and non-western international firms*, business format franchised firms and product /trade name franchised firms, and *restaurant and non-restaurant retail fast food companies*.

The seven international franchised firms could be group into western and non-western international firms. Taco bell (Ghana), Pizza Inn (Ghana), Southern Fried Chicken (Ghana) and Mechanical Lloyd Company Limited may be classified as having western nation oriented franchise whilst the other three firms which include Steers (Ghana), Woolworths (Ghana) and NIIT (Ghana) belong to the non-western nation oriented franchise (refer to table 4.1).

Moreover, the seven firms in question can be classified into business format franchised firms and product /trade name franchised firms (reference to page 8 and 9). Southern Fried Chicken (Ghana), Steers (Ghana), Taco bell (Ghana) and Pizza Inn (Ghana) are considered as belonging to the business format franchise system, whilst NIIT (Ghana), Mechanical Lloyd Company Limited and Woolworths (Ghana) are within the Product/Trade name division

Besides, the seven firms in this case under consideration could be categorised into restaurant and restaurant retail fast food companies. Taco bell (Ghana), Steers

(Ghana), Pizza Inn (Ghana) and Southern Fried Chicken (Ghana) fall into the restaurant fast food retail category. The other firms which are Woolworths (Ghana), NIIT (Ghana) and Mechanical Lloyd Company Limited fall into the non-restaurant retail fast food category.

#### 4.3.1. Merits

The above data ascertained from the representatives of the franchisees' businesses or enterprises in Ghana may be analysed and therefore discussed as below:

It may be witnessed that international exposure (Table 4.2.) is a similarity which characterises the majority of the firms which are four in totality. These are Woolworths (Ghana), Steers (Ghana), SFC Express (Ghana) and NIIT (Ghana). This merit does not reflect in the general merit of franchising as can be seen in the theoretical framework in comparison with findings as per fieldwork

Furthermore, operational support/management backing/operational assistance is a similarity among five franchisees firms in Ghana and these include Woolworths, Pizza Inn, Taco bell, Southern Fried Chicken express and Mechanical Lloyd Company Limited. Operational support could be seen as having the same meaning as management backing and operational assistance. Likewise is credit facility accessibility which may be composed of credit purchases and financial accessibility and such characterises five franchised business concerns in Ghana which are Mechanical Lloyd Company Limited, Southern Fried Chicken express, Steers, Woolworths and Taco bell.

There are more western nation franchised firms (i.e. four firms) in Ghana than non-western nation franchised firms (i.e. three firms). On continental level, *two* international franchised firms in Ghana represent the North American continent (table 4.1.) and these are Pizza Inn (Ghana) and Taco bell (Ghana). Also, *two* international franchised firms represent the European continent and these are Mechanical Lloyd Company Limited and Southern Fried Chicken (Ghana). There are also two international franchised firms which represent the African continent in Ghana and these are Woolworths (Ghana) and Steers (Ghana), and only one internationally franchised firm represent the Asian continent and the firm is NIIT (Ghana).

Commission on sales merit is being associated only with western international franchised firms in Ghana

As well, the merit of economies of scale is a similarity among three franchisees' firms in Ghana and these firms are Woolworths (Ghana), Steers (Ghana) and NIIT (Ghana). Recognition happens to be another similarity among Mechanical Lloyd Company, Steers (Ghana) and Woolworths (Ghana). Promotional assistance/ marketing assistance may be viewed as being a likeness among Southern Fried Chicken express (Ghana), NIIT (Ghana), Steers (Ghana), Woolworths (Ghana) and Mechanical Lloyd Company Limited.

Also, international exposure as a merit of franchising system in Ghana is dominant among non-western franchised firms being Woolworths (Ghana), Steers (Ghana) and NIIT (Ghana). The merit of economies of scale in buying only reflects in non-western franchised firms in Ghana (in reference to table 4.2.) and does not reflect in any of the western franchised firms. This can be ascertained from table 4.2. by a careful observation of the marked boxes in it.

In addition, human resource development /training/improved managerial skills happens to be a common merit associated with all the seven international franchised firms in Ghana and these are already mentioned as being Pizza Inn, Woolworths, Taco bell, Mechanical Lloyd Company Limited, SFC express, Steers and NIIT. Southern Fried Chicken express Ghana and NIIT Ghana have the greatest number of the merits of franchising system in Ghana with Taco bell Ghana having the least number of merits among all the seven firms under consideration.

**Table 4.2. Merits of franchising to the franchisee from the manager's view**

Franchisee in Ghana	Woolworths	Pizza Inn	Taco bell	Steers	SFC Express	NIIT	Mechanical Lloyd
<i>international exposure</i>	✓			✓	✓	✓	
<i>management backing</i>	✓					✓	
<i>economies of scale in buying</i>	✓			✓		✓	

<i>recognition</i>	✓			✓			✓
<i>standardised appearance</i>	✓						
<i>promotional assistance</i>	✓				✓	✓	✓
<i>lower risk factor</i>	✓						
<i>complimentary training</i>	✓					✓	✓
<i>credit facility accessibility</i>	✓		✓				
<i>guaranteed compensation</i>	✓						
<i>Low initial investment</i>		✓					✓
<i>faster start-up</i>	✓			✓			
<i>Proven Systems</i>		✓					
<i>Rapid Turnover Growth</i>					✓		
<i>operational support</i>		✓			✓		✓
<i>Prestige</i>		✓				✓	
<i>Human Resource Development</i>		✓					
<i>Time Savings in setup cost</i>		✓			✓		
<i>Reliable product quality</i>		✓		✓	✓		✓
<i>Quick preamble knowledge transfer</i>		✓			✓	✓	
<i>flourishing business</i>		✓				✓	
<i>commission on sale</i>		✓	✓				
<i>hard worker creation</i>			✓				
<i>risk reduction</i>			✓	✓	✓		
<i>Financial accessibility</i>			✓				✓
<i>reliable training</i>			✓				
<i>free development and standardised service</i>			✓			✓	
<i>management consulting service</i>			✓				✓
<i>Low cost branding and marketing</i>				✓			
<i>Reduced Business</i>				✓	✓		

<i>Failure</i>							
<i>Credit purchase</i>				✓	✓		
<i>rapid expansion</i>						✓	
<i>learning opportunity</i>				✓			
<i>Improved Managerial skill</i>				✓	✓		
<i>technological advancement</i>						✓	
<i>International standardisation</i>						✓	
<i>attractive compensation</i>						✓	
<i>sale of going-concern</i>					✓		
<i>operational assistance</i>						✓	
<i>research and development</i>						✓	✓

Source: adapted from the demerits outlined from heads of marketing/sales departments/units.

Generally, the international exposure is a dominant merit characterising the franchising system in Ghana. This is the same scenario with reliable product quality aspect of the franchised business concerns in Ghana.

In talking about franchising system in Ghana it could be inductively stated based on figures given that franchised firms or institutions in Ghana merit from an average of 7.29% (refer to table 4.4.) reduction in cost at the introduction stages of the franchise contracts as they operate in this developing country in West Africa.

Franchising, however, has its shortcomings. Not all franchises are as successful as McDonald’s. Many entrepreneurs are uninterested in becoming franchisees because their business behaviours will be too closely regulated and monitored by the franchisor. As there are many benefits to owing a franchise, there are also some drawbacks that one ought to be aware of prior to one’s commitment of becoming a franchise owner.

**4.3.2. Demerits**

Stressful working condition as a demerit of the franchising system in Ghana is more familiarised with non-western international franchised firms (table 4.3.) which are Woolworths (Ghana), Steers (Ghana) and NIIT (Ghana) than with western international franchised business enterprises. Strict observation of rules as a demerit is also dominant among western internationally franchised firms than with non-western international franchised businesses in the country.

The demerit of goodwill transfer loss is associated with non-western international franchised firms. Additionally, the demerit loss of autonomy is associated non-western international franchised business enterprises.

NIIT Ghana and Woolworths record more demerits of franchising system in Ghana among the all the seven firms with Steers Ghana and Southern Fried Chicken express Ghana recording less number of demerits.

**Table 4.3. Demerits of franchising to the franchisee from the manager’s view**

Franchisee in Ghana	Woolworths	Pizza Inn	Taco bell	Steers	SFC Express	NIIT	Mechanical Lloyd
Royalty fees	✓						✓
sole sourcing	✓						✓
bad decision by the franchisor	✓				✓		
delay in policy implementation	✓						
Goodwill transfer loss	✓					✓	
stressful working condition	✓		✓	✓		✓	
reduced profitability		✓					
initial investment cost		✓			✓		
restricted product expansion		✓					
strict observation of rules		✓		✓	✓		✓
limited income generation			✓				
costly start-up			✓			✓	
threat of customer loss			✓				

<i>delay in policy implementation</i>			✓			✓	✓
<i>loss of autonomy</i>				✓		✓	
<i>Lack of creativity</i>						✓	

Source: adapted from the demerits outlined from heads of marketing/sales departments/units.

In general, it could be stated that the franchising system in Ghana has stressful working condition and strict observation of rules as the dominant demerits characterising the franchised firms in Ghana. The average working hours therefore has been computed to be 11.5 hours daily (appendix 2) which is such an unwelcome situation for the health of a worker in the franchise sector of the economy of Ghana.

**Table 4.4. Difference in initial investment cost paid by franchisees in Ghana compared with those in advance nations.**

<b>Franchisee in Ghana</b>	<b>Initial Invest Cost difference</b>
Woolworths	4 % less
Pizza Inn	7 % less
Taco bell	5 % less
Steers	9 % less
SFC Express	8% less
NIIT	10% less
Mechanical Lloyd	8% less
<b>Average</b>	<b>7.29%</b>

Source: figures collected from the data given as regard merits and demerits of the franchising system in Ghana from the opinion of managers.

Finally, as the bearing of this work is towards looking at the merit and demerits of the franchising system in Ghana from the franchisee’s perspective, it could be realised that some of the merits and demerit of well-known academicians do not reflect in the Ghanaian case. Such merits include Site Selection and Territorial Protection (Zimmerer and Scarborough, 2002), and demerits such as Unsatisfactory Training

Programmes (Scarborough and Zimmerer, 2003), Market Saturation (Scarborough and Zimmerer, 2003).



## **5. CONCLUSION AND IMPLICATIONS**

### **5.1. Introduction**

The purpose of the research has focused on the merits and demerits of the franchising system from the perspective of the franchisee in Ghana. The previous chapter had look at the analysis of data and this section provides conclusion and implication based on the analysis of the findings using the inductive approach.

### **5.2. Conclusion**

With inductive approach and careful observation of table (4.2) and table (4.3.), the franchising system in Ghana tends to portray that it is characterised by more merits than demerits and this makes it likelihood for one to go into franchising business in Ghana.

Moreover, it could be said with little doubt that there are few international franchised business firms in nations within the West Africa or Sub-Saharan Africa region. To a large extent, there are few internationally franchised firms in low income countries in Africa (South Africa is the only middle income country in Africa).

### **5.3. Implications**

For the government of Ghana, to help increase the presence of franchising system of operation in Ghana, there is the need for enough education on the merits it brings to the entrepreneur and with the view that the merits far outweigh the demerits that comes with it.

Additionally, there should be the coming together of the international franchised institutions in the country to help promote common objectives among them or help achieve individual institutional objectives more easily.

To the prospective entrepreneur who would want to go into business, it is worth noting the merits and demerits of a particular franchise system, weigh it merit as against the demerit before making the decision to chose franchising or not. However,

my research findings reveals the merits that a prospective entrepreneur will encounter far outweighs the demerits that will be suffered so it worth going into franchising.

Having a lot of franchising businesses in Ghana help reduce the unemployment problem facing the Ghanaian society as it will offer job to some Ghanaians in the society who are already without jobs and put smile on their faces.

Hence, franchising has become an important concept in business because it has proven to the effect that starting a business oblige not be difficult and risky, with franchising, it can be a “piece of cake”.

#### **5.4. Limitation of the Study**

In any case study, it is not uncommon to encounter limitation and such is a common feature of any thesis or research work. The limitation will eventually influence the empirical findings.

I could not get in contact with the actual owners of the franchise in Ghana (i.e. the franchisee in person) so I had to interact with managers with idea about the franchise system in firms in which they are working, however this could not deter me from achieving the objective of the research.

Though only 3 firms did not respond to my access to interview with them due to the limited time I was to spend in the data collection (one and a half month), based on the fact that they were busy with their own projects assignments and could not get any representative to be interviewees, it is perhaps what I will consider as a little limitation in this case, but my being able to get access to 7 respondents makes a strength as regards my research.

#### **5.5. Proposal for further research**

I would like to propose a future research on the impact of national culture on the products offering of an international franchised institution. I believe the extent of taste of product vary from one culture to another and from one country to another.

Additionally, having a similar research work under the same theme in other developing countries in the West African sub-region where there are also franchised institutions will help envisage the nature of franchising system in the West African region in totality.

Moreover, I wish a research is carried out in the near future to reflect the comparativeness of the franchising system between international franchised firms and domestic franchised firms.

Finally, as there is not enough work conducted in this field in Africa, my work has therefore contributed to building knowledge about the state of the franchising system in developing countries.

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Appendix 1

**INTERVIEW GUIDE**

*(Spring 2008)*

This interview is meant to facilitate the researcher who is a master student at Bodø University College (Bodø Graduate Business School), Norway, carry-out his thesis on the topic:

**. Franchising System in Ghana:  
Merits and Demerits to the Franchisee**

*Data provided will be treated as highly confidential.*

Name of business unit/organisation:.....

Name of resource person: Mr./Mrs./Dr./Miss:.....

Job position in the firm:.....

The name of your franchisor and country of location.....

This interview is in two parts. The first part deals with the merits (advantages) of franchising to the Ghanaian franchisee and the second part looks at the demerits (disadvantages) of franchising to the Ghanaian franchisee.

a) Describe your franchising business.

**1. Advantages of franchising to franchisee**

- i. What are the **advantages** you have been benefiting from the **franchise contract** as a franchisee? Describe them.



- ii. In your *own opinion* as a *franchisee*, what are the *advantages* that your *manager* benefits from the franchise contract?

## **2. Disadvantages of franchising to franchisee**

- i. What are the **disadvantages** you have been suffering from the **franchise contract** as a franchisee? Describe them.
  
- ii. Still from your point of view, what demerits (disadvantages) does the *manager* encounter in this franchised business?

**BASIC HIGHLIGHTS ON GENERAL MERITS AND DEMERITS  
OF FRANCHISING TO THE FRANCHISEE**

**Merits (advantages) of franchising to the franchisee**

- a) *Management Training and Support*
- b) *Proven Products and Business Format*
- c) *Financial Assistance*
  - i. *Initial franchise fee*
  - ii. *Cash investment*
  - iii. *Royalty payments*
  - iv. *Advertising costs*
- d) *Brand-Name Appeal*
- e) *National Advertising*
- f) *Standardized Quality of Goods and Services*
- g) *Centralised Buying power*
- h) *Site Selection and Territorial Protection*
- i) *Greater Chance for Success*
- j) *Economies of scale*
- k) *Attractive location*
- l) *Non- threatening help and advice*

**Demerits (disadvantages) of franchising to the franchisee**

- i. Franchise Fees and Profit Sharing
- ii. Limited Product Line
- iii. Less Freedom
- iv. Strict Adherence to Standardized operations
- v. Unsatisfactory Training Programmes
- vi. Market Saturation
- vii. Buying into franchise can be expensive/ Restriction on Purchasing
- viii. Goodwill you build up dependent upon continuing franchise agreement
- ix. Franchisor may damage brand
- x. Not really your own idea and creation
- x. How is/are dispute(s) settled between you as a franchisee and your franchisor?

Explain.

**INTERVIEW GUIDE**  
**(MANAGER)**

**Advantages**

1. What are the **advantages** you have been benefiting from the **franchise contract** as a *manager*? Describe them.
  
2. In your *own opinion* as a manager, what are the *advantages* that the *franchisee* benefits from the franchise contract?
  
3. What kind of advantages do *employees* benefit in this franchised institution?

**Disadvantages**

1. From your own opinion as a franchisee's manager of a franchised business, what disadvantages do you encounter in this business?
  
2. Still from your point of view, what demerits (disadvantages) does the franchisee encounter in this franchised business?
  
3. Describe the *disadvantages* your employees experience in this franchised institution.

**Appendix 2****Franchisees' businesses and their working hours**

<b>Franchisee in Ghana</b>	<b>Working hours</b>
Woolworths	9
Pizza Inn	
Taco bell	12
Steers	12
SFC Express	
NIIT	13
Mechanical Lloyd	
<b>Total</b>	<b>46</b>
<b>Average</b>	<b>11.5</b>

Figures collected from the data given from franchisees' business managers in Ghana perspective.