

WOMEN PARTICIPATION IN BUSINESS:  
A FOCUS ON FRANCHISING VENTURE

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**Abstract**

The number of women involved in business sector is a growing phenomenon worldwide. Despite this scenario, the involvement of women in business particularly in franchising business is not being studied thoroughly and systematically. Franchising is known as a mean to provide opportunities to minorities and women who have interests to venture in business. This study attempts to look into a few questions related to women involvement in franchising venture. The questions are: 1) what is the pattern of women's participation in franchise business 2) problems faced by franchisees in the franchise business and 3) what are the role of government in promoting and assisting the women in their franchise business. The study is conducted by taking samples of 24 women franchisors and 31 franchisees all over Malaysia participating in franchise business. The findings show that there are less women franchisors in the top administrative positions such as the managing director, chairman and the general manager. The top three problems identified by franchisees are limited control in managing the franchise business, the power to terminate the agreement by franchisees and tough competition facing them as franchisees. The government is really showing their commitment and doing their part in supporting the franchise business by giving loans and setting up agencies which seriously looked into the matters of franchising in Malaysia.

# CHAPTER 1

## INTRODUCTION

### 1.1 Introduction

Franchising has emerged in recent years as a significant strategy for business growth, job creation and economic development both in the United States and world markets (Hoffmann and Preble, 1991). Each year many individuals and families turn to franchising to start their own business. In 1992, there were more than 558,000 units of franchise business in the United States of America. It contributed to a sales volume of USD803 billions or 35 per cent of all retail sales (Kuratko and Welsch, 2001). A decade later this figure has increased tremendously. Statistics collected by the International Franchise Association (IFA) showed that in 2002, retail sales from franchised outlets make up nearly 50 per cent of all retail sales in the United States, estimated at over USD1 trillion and employing over 10 million people (Sherman, 2003).

In Malaysia, the Government believes that Bumiputeras' participation in franchise business could help develop the Bumiputera Commercial and Industrial Community (BCIC). George Miranda (2002) wrote that the Franchise Development Programme (FDP), which was established by the Government at the end of 1992 through the Implementation Co-ordination Unit of the Prime Minister's Department (later transferred to the Ministry of Entrepreneur Development), was the major turning-point in stimulating the growth of franchising in Malaysia. The FDP, which was officially launched by the then Prime Minister, Dato Seri Dr. Mahathir Mohamad on 27 January 1994, was adopted to produce more Bumiputera franchisees as one of the main agendas of the National Development Plan.

The size of the franchise market in Malaysia in 1986 is estimated at USD154 millions (RM383.46 millions). This is an increase of 1.4 per cent as compared to the previous year. However, this volume has increased significantly to USD214 millions (RM532.86 millions) in 1990 with an average growth rate of 9 per cent per annum (Noraini Ibrahim, 2002). To help in the development of the BCIC, The Ministry of Entrepreneur Development was set up in May 1995. The important task of this ministry is to be the main agency in the development of Bumiputera entrepreneurs. The year 2001 was announced as the Franchise Year by the Malaysian government to facilitate the franchise industry in Malaysia. It is hoped that Malaysia can become the central player in the franchise business in the Asian region. The announcement was made by the Minister of the Ministry of Entrepreneur Development, Datuk Seri Mohd Nazri Abdul Aziz in January 1999 ( Utusan Melayu, Februari 26, 2001).

Parallel to the above scenario, women's participation in business as entrepreneurs is also growing in number worldwide. In Malaysia, women comprised of only one third of the total labour force even though almost half of Malaysian population is female, which is 11.4 millions out of 23.27 millions total population (Eighth Malaysia Plan, 2001 - 2005). Since independence, the number of women who entered the labour force has increased slightly. It was from 30.8 per cent in 1957 to 47.1 per cent in 1995 (Seventh Malaysia Plan, 1996 – 2000). However the number of women who participate in franchising business in Malaysia is still difficult to obtain although the franchise business has entered Malaysian market since the 1960's.

Franchisors are classified either as product-trade name or as business format franchisors. Business format franchising is designed to have the franchisee replicates, in different locations, the entire franchisor's business concept including the marketing strategy and plan, the operating manuals and standards and quality control. The arrangement is formalized through a legally binding contract. As a part of its contracted obligations and role, the franchisor must provide its franchisees with some support, guidance and assistance in order to obtain from them the required performance.

The strength of a franchise operation is focused around the dual roles of (1) excellent management and operation and (2) outstanding quality and reliability of the product and service (Foster, 1988). However there exist within franchise relationships classic problems of control and self interest. The franchisor faces a dichotomous problem of marketing to both (1) perspective franchisees and (2) end consumers or customers. The franchisor often has the responsibility of promoting the product or service to the end consumer.

It has been widely accepted that franchise system is a form of business that could help spur the growth of an economy while facing a low risk of failure and at the same time creates many job opportunities for the minority groups especially women. Despite its numerous positive aspects, franchise business has its own sets of problems (Price, 1997). Even though the franchise system is able to make a business grow at a faster rate with a relatively small capital in comparison to other businesses but without a good management it can end up a failure.

## **1.2 Problem Statement**

Numerous studies (Dhaliwal, 2000, Lerner et al., 1997, McKay, 2001, Zapalska, 1997, Lee, 1997, Lee-Gosselin and Grise, 1990, Stoner et al., 1990, Birley, 1989) have been done on women entrepreneurs since the beginning of the 1980's. These studies which looked into various aspects of women and entrepreneurship help shed some light on women entrepreneurs. They painted us a rather detailed picture of the personal characteristics of women entrepreneurs and their firms. Even though many studies have been done on women entrepreneurs, there are still very limited literatures on women franchisors/franchisees in Malaysia. This study undertakes the task of looking into the pattern of women's participation in franchise business and also at the problems faced by franchisees in the franchise business. The study also examines the role of the government in promoting and assisting women in their franchise business.

### **1.3 Purpose of Study**

This study attempts to explore women's involvement in franchising venture and problems faced by them. It will also try to determine the pattern of women's participation in franchise business and the government's role in supporting and encouraging the franchise business in Malaysia.

### **1.4 Objectives of Study**

There are three objectives to be achieved in this study. They are:

1. to identify the pattern of women's participation in franchise business.
2. to identify problems faced by women franchisees in the franchise business.
3. to evaluate the role of the government in promoting and assisting women in their franchise business.

### **1.5 Scope of Study**

This study only looked at women in the franchise business. The results may not be suitable to extend to women in other business.

### **1.6 Limitation of Study**

This study was initially done by three researchers who started it in 2001. This study has many weaknesses. Due to the researchers' inexperience, the questionnaire which was mailed in 2002 to the respondents was rather poor in quality. There were many more questions that should have been included but were not asked in the questionnaire. The response rate was also poor. These questionnaires were viewed as the

first set. To strengthen the first set, a new set of questionnaire (the second set) was sent out to a group of women franchisees in 2004 and the results of the first questionnaire and the second questionnaire were both portrayed in the analysis.

## **1.7 Significance of Study**

This study is significant to both entrepreneurs and government agencies that are involved in franchise business.

- (a) Franchisors and franchisees can identify the problems highlighted in this study and try to avoid making them.
- (b) Certain aspects of the study may help franchisors and franchisees to better understand each other and thus have a fruitful working relationship.
- (c) The study may provide some insight to the government or government agencies on franchising in Malaysia.

## **1.8 Conclusion**

The franchise business is growing rapidly in Malaysia. It serves as a tool to develop the country by increasing the number of successful entrepreneurs. Thus, it is important to identify patterns of these franchisors and franchisees and problems facing them in the franchise business.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

CEOs of a few leading local franchising companies have these to say when asked “what made them decide to expand their business through franchising” (Miranda, 2002):

“We believe franchising is the fast track to building up a brand name and multiplication of stores”

“Through franchising you’ll be able to grow your business to its optimum size and reasonable profitability for these reasons:

(i) In franchising, the capital needed to expand the business is provided by the franchisee. (ii) Franchisees are well-trained in franchise systems and are also very committed.

“Franchising is a proven business concept and has been very successful in the West. It allows an entrepreneur with limited capital but a good business concept to expand business fast. Since the concept of franchising basically uses other people’s capital to expand the business, the risk to the entrepreneur is reduced.”

The franchise system is used as a tool by the local entrepreneurs to increase their capabilities and knowledge in business (Noraini Ibrahim, 2002). In the Eighth Malaysia Plan, with a budget of RM100 million, the government has set a goal of helping to set up



1000 franchisees and at least 50 franchisors (Miranda, 2002). Besides this, The Franchise City Programme, which belonged to Kota Francais (M) Sdn. Bhd. in Shah Alam, is viewed as a programme with an objective of making Malaysia as a Franchise Growth Centre in the Asian Region (Utusan Melayu, Mac 12, 1998).

Sherman (2003) said that franchise is a form of marketing or distribution where parent company giving permission and rights to an individual person or company, which is relatively smaller in size, to carry out business following set rules which have been laid out within a known time frame as agreed upon by both parties. To ensure the success of a franchise business, the two parties, the franchisor and the franchisee, have their respective responsibilities. The responsibilities must be based on the franchise business system.

## **2.2 Franchise Defined**

According to Barrow and Golzen (2002), franchise originated from the French word 'franco' which means freedom. Franchise is a method of marketing and distributing of product or services based on a two-party relationship; that is the franchisor (the owner and granter of right) and the franchisee (recipient of right) relationship. The right granted is for the purpose of running the business by using the trademark or trade name based on a specific system, at specified location or area within a specified period of time.

Another definition by Selz (1982) is that franchising is an arrangement whereby the manufacturer or sole distributor of a trade-market product or service gives exclusive rights of local distribution to independent retailers in return for their payment of royalties and conformance to standardised operating procedures. A party granting a right (or franchise) is known as the franchisor, while the recipient is called the franchisee.

According to the International Franchising Association (IFA), franchising is a method to distribute product or service. It is an agreement or license which outlined the relationship between the franchisor and franchisee, including the use of the trademark, payment of royalty, the assistance and support and monitors the conformance of the operating procedures.

### **2.3 Franchise Relationship**

Awalan Abdul Aziz (1999) differentiates between a few types of franchise system depending on the approach and its forms:

#### **(a) Master Franchisee**

Normally a franchisor gives the right to the master franchisee for certain territories, states or countries. Where the right is given in a territory, the master franchisee has the right to set up sub-franchising either in the form of area franchisee or unit franchisee. However the master franchisee has the choice not to practice sub-franchising and expand the business on his own by operating outlets that are fully owned by him in his specific territory.

#### **(b) Area Franchisee**

Similarly, to master franchisee, an area franchisee is also given the territorial right by the franchisor (or master franchisee). An area franchisee also fully operates its business on its own without involving any sub-franchise.

#### **(c) Unit Franchisee**

Unit franchisee is an individual entrepreneur, or a small company, holding the right given by the franchisor to operate a specific franchise business in a specific location or premise only. A unit franchisee is not allowed to practice sub-franchise.

According to George Miranda (2002) there are three category of franchise system; Business Format Franchising, Master Franchisee and Area Franchisee. The Business Format Franchise is the grant of a license by one person (a franchisor) to another (a franchisee), which entitles the franchisee to trade under the trademark/trade name of the franchisor and to make use of an entire package. A Master Franchisee is a franchisee who is granted the right to exercise powers normally reserved for the franchisor in a specific territory. A separate initial fee is usually charged to the Master Franchisee for the right to sub franchise an area or territory. Master Franchisees generally have the right to offer and sell franchises and to collect fees and royalties.

## **2.4 The Franchise Concept**

Generally there are three types of popular franchise system. They are Trademark/Trade Name Franchise, Product Distribution Franchise and Business Format Franchise. An example of Trademark Franchise is the bottling of the Coca-Cola soft drinks and the production of Walt Disney Cartoon's products. An example of Product Distribution Franchise is Edaran Otomobil Nasional Berhad (EON) and some chains of petrol stations such as Petronas, Shell and Mobil to name a few. An example of Business Format Franchise is McDonalds Corporation.

## **2.5 Franchise in Malaysia**

Franchise business in Malaysia has started more than 60 years ago through companies like Singer, Bata, petrol stations and distributors of automobiles. However it was only noticeable when the fast food restaurants such as Mc Donald's, KFC and A & W came into the country around the 70's and early 80's (Awalan Abdul Aziz, 1999). It became a starting point of international companies, particularly franchise companies, flooding into the Malaysian market. There are variety of product and services that are using franchise system now. Some of them are hotel and tourism agencies, car related

sector such as car sales, bookshops, clothing, retails cosmetics and saloons, hotels and tourism agencies, jewellery, printing, photo shops, optometry, pharmacies, cleaning services and others.

In Malaysia, franchising industry contributes towards five percent of the retail market and will continue to play an important role in a country's economy (Utusan Melayu: 4/3/99). The importance of franchise business to economic growth has been proven and because of this the Malaysian Government under the Ministry of Entrepreneur Development formed the Franchise Development Programme (FDP) in 1992.

The FDP has many objectives, which includes among others, to increase the number of master franchisees, successful local franchisees and franchisors, as well as to encourage involvement of Bumiputeras in commerce, industry and services sectors (Malaysian Franchise Association, 1998).

There are 202 franchised products/brands in Malaysia including 105 developed by local companies and individuals. The Ministry of Entrepreneur Development expects the number of franchisors to increase from 470 to 1,200 by the year 2000. This will enhance the role of the franchise industry in the national economy. Malaysia is ranked as the second largest franchise business in Asia and it is working towards being the centre for Asian Franchise business.

Franchising is the fastest growing form of business in the global economy (Justis and Judd, 1986). This type of business has a big potential to explore and to grow in Malaysia because of their relatively young history. In an industry-by-industry analysis, Michael (1996) showed that franchised chains capture between one third and two third of sales in many retail trade and services industries, including restaurants, hotels, copy shops, auto repair, and speciality retailing. Franchising industries are taken up by broad industrial sectors, including fast food, transportation, services, hotel and other services that require brand awareness to convey quality and reliability.

## **2.6 Entrepreneurship Development Through Franchise**

In view of the importance of franchise business to the development and economic growth, the government of Malaysia had used Franchise Development Approach to increase the number of entrepreneurs. In 1995 Franchise and Vendor Unit has been established under The Ministry of Entrepreneur Development. The purposes of this unit are to stimulate business franchise growth as well as to increase the number of local franchisors, franchisees, Master franchisees and franchisors that can be imported into Malaysia.

## **2.7 Women in franchising**

Women play an important role towards economic development and the growth of women-owned businesses is increasing everywhere in the world. In USA, according to statistics from the National Foundation for Women Business Owners (NFWBO) there are 9.1 million women-owned firms, representing 38 per cent of all businesses, employing more than 27.5 million people and generating more than USD3.6 trillion in sales.

One of the more popular means of establishing businesses among women entrepreneur in USA is through franchising. Franchise business in USA is not only based on food and lodging anymore, but the sector nowadays is so broad that it spans to 75 industries and spreads to more than 100 countries. According to the Chairman of the International Franchise Association (IFA), the main reason that the number of industries in different sectors is increasing is because of the increase in the number of women becoming entrepreneurs.

Women can have great ideas for new types of businesses and are able to create the concepts and build them into established brand names. They are doing a lot more franchising because they are looking for distribution channels to grow their concepts. The number of women involved in franchise business in USA is increasing everyday

(International Franchise association –IFA). There is increasing evidence that women are becoming more active in franchising. Many studies have been written on women entrepreneurs but relevant statistics on women in franchise business in Malaysia is still scarce. The difficulty in obtaining accurate figures representing females in the top positions in companies is because of the way relevant information is being documented. Usually a husband's name will appear on any documentation even though he may or may not be involved in the business.

## **2.8 What Motivate Women Into Franchising Business**

Women's motivation to own business has always been the research topic of entrepreneurial studies by many researchers of industrialized nations (Dinis and Helms 2000 ; Hurley 1999; Orhan and Scott 2001). Although it may seem logical to think that “a business is always a business” and should not be appreciated from a gender based perspective, women are different from men and they socialized in different ways to men. Consequently it is difficult to ignore the differences in their motivations (Orhan and Scott, 2001).

In most studies on women's motivation, the explanations are usually done in term of “push” and “pull” factors. Push factors include elements of unemployment, underemployment, job dissatisfaction, blocked opportunities and a need for a flexible work schedule because of family responsibilities which often seen for women without opportunities at all (Dhaliwal 2000; Orhan and Scott 2001). The Pull factors relate to dream-fulfilment, self-independence, social respect, drive and desire for future wealth, and belief in own ability (Duchéneaut in Orhan and Scott 2001; Maysami and Gobi 1992)

In our society, we may be familiar with the term "glass ceiling" which describes a push element for women to leave larger businesses and to start their own company because of the failure of their employers in recognizing and rewarding the women's contribution. We are also familiar with the pull situations that describe by Still and Timms (2000) in which women also start their own businesses, with the objective of

"making a difference", which means being "more client-focused than men, ethical in operations and making a social contribution in addition to pursuing economic motives".

Enterprise creation can be considered to be driven by two opposite factors of choice and necessity according to the relative importance of the "push" and "pull" factors. However the situation is rarely a clear cut selection of pull or push factors and the factors are often combined (Brush, 1990).

## **2.9 Problems in the Franchise Business**

According to Sherman (2003) there exist a number of problems in the franchise business. Some of the main problems are the difficulty in getting a franchisor with a good leadership qualities, difficulty in getting a good management team, failure on the part of the franchisor in giving continuous assistance and support, a poor communication system between the franchisor and the franchisee, a non effective finance management system and a poor public relation strategy.

Hunt (1977) has listed the following to state some of the problems faced by the franchisors and franchisees. They were; the franchisees are not getting the benefit promised to them upon entering the franchise business, the brand name is not widely known in the market, there are not enough continuous support and assistance given by the franchisor, the profit is not as big as being promised by the franchisor before entering the franchise business and the price of items purchased from the franchisor is much higher compared to the current market price.

Richardson et al. (1994) stated these four problems that had caused failure to the franchise business. Firstly, the management which has only one person who is responsible to make very important decisions for the whole franchise business. Secondly, there is no involvement of other shareholders in making important decisions for the

franchise business. Thirdly, the management team which is incompetent and finally the poor management of the financial aspect of the company.

A franchisee will normally face the following problems:

**(a) Limited Control in Managing the Franchise Business**

Hoy and Stanworth (2004) wrote that apart from receiving a trademark/trade name which is widely known to the consumers from the franchisor, franchisee has limited say in seeing to the management of the franchise business. Franchisee is only responsible for the marketing and selling of the product. According to IFA, a franchisee does not have complete freedom in managing his/her franchise business. The licensor of a trademark (franchisor) has an obligation under federal trademark laws to control the quality of the products and services offered in connection with the trademark which is part of the franchise agreement. These limitations and the rules and regulations are typically found in the operations manual.

**(b) Vagueness in the Operations Manual**

According to Sherman (1993) the operations manual prepared by the franchisor described the whole picture on how the franchise business is to be operated. The content of the operations manual must be clear, consistent and using uniform standards for all the franchisees. It is essential that system standards be communicated to franchisees in well-organised and understandable formats. At times franchisor fails to achieve this. As a result franchisees find the operations manual consist of standards that are unattainable, vaguely communicated rules and regulations and enforcement of these rules are arbitrarily or too rigidly enforced.



**(c) Incompetence Management of Accounts and Finance**

Franchisees are expected to submit records of the franchise operations, reports of the accounts and other documents of the franchise business to the franchisor at a specific time as stipulated in the agreement. The purpose of auditing is to examine the profit gained by the franchisee and thus the amount of royalty can be determined. Failure to comply with the above rules, as stated in the agreement pertaining to the submitting of the account report and other reports may result in termination of the agreement of the franchise business (Sherman, 2003). According to Lasher and Hausman (1994), making the reports, preparing the accounts and auditing are time consuming and costly. Sometimes the franchisors' intention is not sincere and they make the franchisee bear the high cost by engaging the service of outside accounting firms.

**(d) The Power to Terminate the Agreement by the Franchisor**

The franchisee runs the risk of termination of his contract or non-renewal of the contract by the franchisor. Possible reasons for the termination of the contract are expiration of the initial agreed upon term, franchisee goes bankrupt, failure of franchisee to comply with the quality control standards required as stated in the operations manual or franchisee fail to perform in his franchise business. Previous literature has come up with the statistic that 77 per cent of franchisees in the restaurant business think that there must be a specific law to protect them from arbitrary termination of the contract agreement by the franchisor (Hoy and Stanworth, 2003). The franchise agreement has a limited term and the franchisee is powerless with regard to the termination of the contract.

**(e) Profit Not Guaranteed**

Franchisee finds the franchise business not profitable. Thus the franchisee is not able to generate profit as was promised by the franchisor to the franchisee before starting

the business even though the franchisee's team works 60 hours a week. A study was done on 282 franchisees doing restaurant business and 92 per cent of them obtained a profit that is less than the amount promised to them by the franchisor during the promotional campaign exercise (Hoy and Stanworth, 2003).

There is a tug-of-war between the franchisor and franchisee with regard to the price of the product. Price (1997) commented that franchisee depends on the profit made by the business but the franchisor is motivated by the royalty that is set upon sales made. With that interest in mind, franchisor will draw up a policy that can increase the sales volume by giving discount thus reducing the price of the product but this action will reduce the franchisee's profit.

**(f) Difficulty in estimating expenditure**

According to Foster (1988), possible future expenses incurred in the franchise business are wages and salaries, payroll taxes and employee benefits, commercial space, communications such as telephone bills and cost of postage, advertising and promotion, travel expenses, vehicle expenses, legal and accounting services, sales commissions, insurance, equipment and tools, office supplies, cost of sales, maintenance supplies, licences and taxes, dues and subscriptions, bank charges, freight and miscellaneous expenses and others.

**(g) Royalty payment which is burdensome**

The dictionary defines royalty as the sum paid to the owner of a copyright or patent. Franchise royalties can be viewed in the same manner. The weekly or monthly royalty fees franchisees pay are compensation for sales made from the franchise invention, which is the trademark and business program the franchisor has developed.

Study done by Barrow and Golzen (1996) states that the percent of royalty paid to the franchisor is in the range of 3 per cent and 5 per cent from the total sales.

The franchisee would often feel that the amount of royalty paid is much higher than the assistance and support given by the franchisor. The franchise agreement would normally give the franchisor the right to increase the royalty payment. This scenario will give rise to feelings of dissatisfaction among the franchisees and will serve as a platform of future disagreement between franchisor and franchisees. The disagreement if allowed to grow will one day cripple the franchise business (Lasher and Hausman, 1994).

**(h) Unfair treatment of the franchisor towards franchisee**

Some franchisors did not treat their franchisees fairly and discriminate against them. The franchisors choose and select a certain franchisee to give a certain privilege but deprive other franchisees from these privileges. An example of this is a franchisor may give more time for a certain franchisee that is facing a financial problem to pay the franchise royalty but not to other franchisees (Sherman, 2003).

**(i) Lack of assistance and support from the franchisor**

Almost all franchisors offer assistance and support in advising franchisee on marketing and advertising. Some of the franchisors do the advising in an excellent manner but others carried it out rather poorly. On one end of the spectrum, well known and big franchisors manage almost all of the marketing and advertising themselves but on the end of the spectrum there are franchisors who left their franchisees to fend for themselves and do the marketing and advertising entirely on their own. The franchisors are not consistent in giving out advice on how to manage important administrative functions so that the franchise business will be successful. These administrative

functions include sales, marketing, finance, personnel and inventory control (Lasher and Hausman, 1994).

**(j) Lack of training**

Franchisees usually hope for a complete and comprehensive training regime given by the franchisor that will equipped them to manage the franchise business successfully. Franchisor must be patient in doing the training because, In truth, franchisees cannot learn everything overnight. The skill of managing is complicated but the time to train is limited (Shivell and Banning, 1993).

**(k) Ineffective communication**

Sherman (2003) stated that ineffective communication system will result in a franchise business to fail. An open communication system should be practiced between the franchisor and the franchisee so that any problems that crop up can be solved amicably between them. According to Levitt (2000) poor and ineffective communication will prevent the franchisee to take his idea and suggestion over to the franchisor and in addition to that the franchisor could not get the latest and important information over to the franchisee.

**(l) Problem with the product brand name**

In a franchise business, the franchisee has to use the brand name as stated in the agreement. The brand name is an important aspect in marketing and it must be easily remembered by the consumers (Lasher and Hausman, 1994). Problem will arise if the product brand name is not widely known to the consumers. A brand name product that is

not popular will cause the sales to drop and this will affect the success of the franchise business (Sherman, 2003).

**(m) Price of the product sold by the franchisor is more expensive**

In the franchise business, usually the franchisee is able to buy the product at a lower price because the nature of the business allows the franchisee to make its purchase in bulk from the supplier (Noraini Ibrahim, 2002). The lower cost will allow the franchisee to sell their product at a lower price compared to the going market price. Thus, this will have a positive impact on their franchise business (Preble and Hoffman, 1998).

The franchise agreement dictates that the franchisee must buy the product from its franchisor. Some irresponsible franchisors take advantage of this situation to sell the product to the franchisee at a higher price than the going market price. The franchisee bound by the agreement has to buy the product from its franchisor despite the higher price. This unhealthy situation will create friction between the franchisee and the franchisor and may in a long run be the contributing factor towards the downfall of the franchisee.

In the UK, there was a restaurant franchisor who bought the maraschino cherries at UK\$1.50 per gallon but sell them to the franchisee at UK\$4.50 per gallon. Another example is in a pizza franchise business, where the franchisor who bought a pizza at UK\$3.50 a piece but sell it to his franchisee at \$21.50 a piece (Hunt, 1977)

**(n) Problem in determining the location**

The success of a franchise business also depends on the strategic location of the premise. An ideal place would be where consumers can easily park their cars and an area with less congested traffic (Sherman, 2003). According to Stern and Abelson (1991), the distance between the franchisees will have an influence on the franchisee's profit.

**(o) Problem in marketing and advertising activities**

Marketing and advertising are very important to any business. In a franchise business, usually marketing and advertising as well as promotion is being done by the franchisor. Even though that is the common practice there are instances where the franchisees themselves have to do the marketing and advertising on their own.

A prolong and continuous lack of promotional activities will lessen a franchisee's chance to compete with their competitors. According to English (1996), one of the reasons of restaurant business failure in the US is the small budget allocated for promotional purposes.

**(p) Changes in the environment**

According to Thorne (2000), firms must be able to adapt themselves to their environment which is always changing. Most of the firms that had failed were caused by the inability of the firms to mould themselves to the changing environment around them. These changes could be in the form of economical, political or technological to name a few.

**(q) Tough competition ahead**

According to Price (1997), competition between firms in the franchise business is increasing. The competition takes on many facets such as the price, quality, product life span, design and product difference.

In a study done by Much (1993), Procter & Gamble faced a stiff competition from Unilever in the US after the latter bought a branded product Faberge and Elizabeth Arden. After the purchased of these two brand name products Unilever climbed to the third place in the cosmetic industry in the US, that is, after Estee Lauder and L'Oreal in the year 1989. This scenario caused Procter & Gamble market shares to slip slightly to 34% in the year 1991 from 34.4% in the year 1990.

**2.10 The Role of Government to Encourage Franchising Industry in Malaysia**

Malaysia ranked second in Asia and ranked at 21<sup>st</sup> place in the world as far as franchise growth is concerned. There are about 6,500 franchise development in Malaysia and only a small number register with the Ministry of Entrepreneur Development and Malaysian Franchise Association (Mohd. Hizam Hanafiah and Zafir Khan 2001).

The Ministry of Entrepreneur Development is planning to have a robust franchising industry growth in rural areas in efforts to create balanced development with the urban zones (Utusan Malaysia, 2003). The ministry planned through the franchising industry, basic infrastructure and needs on par with that in urban areas would become available in the rural areas. The Ministry of Entrepreneur Development was collaborating with the other ministries to promote franchising industry among the rural population, especially the settlers in the various land schemes.

The Ministry of Entrepreneur Development believe that local products have tremendous potential to be franchised abroad. Among the products which had penetrated

the international market was Chicken King, which had been franchised in Bangladesh, Kyros Kebab in the USA, Mary Brown in China and Nelson's steamed sweet corn in West Asia.

The Ministry of Entrepreneur Development aimed to set up 1,000 franchise business under the Eighth Malaysia Plan. The agencies within the ministry would conduct more seminars exhibitions at both national and international level to boost participation in the franchising industry.

The Ministry of Entrepreneur Development encouraged franchise business in Malaysia to take part in international seminars and exhibition on franchising. This is one of the ways to introduce Malaysian franchise products to the world. In September 2003, the Malaysian External Trade Development Corporation (Matrade) took part in the Global Franchising & Licensing 2003 (GFL 2003) exhibition in Singapore. According to Malaysia's Trade Commissioner to Singapore, "as the companies expand worldwide, they will bring with them the unique culture service excellence from Malaysia to the world at large, and in the process, enhance the international profile of Malaysian businesses" (Utusan Malaysia, 2003). Another exhibition that has Malaysian franchise business participating was franchise industry exhibition in Dubai in February 2004. In this exhibition Malaysian franchise business were able to make known their products to the West Asian franchise market including the Gulf countries.

The Malaysian government is committed in helping entrepreneurs in setting up their franchise business by giving out loans to them based on their cash flow rather than just collateral. To encourage the financial institution to do so the government was quick to take the first move itself by giving out loans to prospective entrepreneurs based on their business plans and cash flow projections to start their business ventures if they did not have any collateral. The Prime Minister of Malaysia, Datuk Seri Abdullah Ahmad Badawi, said that the government is committed to developing the local brand products in the international market.



## 2.11 Previous Literature

According to Dant and Brush (1996) the large differentials in the overall participation rates of women as franchisors when compared to their male counterparts or women in small business in general, show that the franchising route to business expansion is not adequately exploited by women. Research on business networks has found that the composition of women's networks often differs from those of men in that women often seek out other women for assistance when possible and consequently tend to have smaller networks. These smaller networks may limit women's access to certain resources (Aldrich, 1989). In their research, Dant and Brush (1996) showed that women franchisors participate in all franchising sectors; hence female role models should be available to prospective women franchisors in non-traditional sectors as well. Dant and Brush (1996) also found that women presidents head relatively smaller franchises but women executives operate in much larger systems. Therefore, the implication is that women franchisees' access is assured in both smaller as well as larger franchise systems.

According to Moddelmog (1999), in 1997 the Bureau of Labour Statistics showed that the rate of female starting up a business is twice as much as male. Female owned 80 per cent of the new businesses and control 40 per cent to 50 per cent of all the businesses in the U.S. (Women's Consumer Network) in the year 2000. Even though there is an increment in the number of female entrepreneurs, but they only owned 10 per cent of the new franchise business.

According to Sherman (2004), there are many problems faced by franchisors and franchisees in the franchise business. Some of the main problems are the problem of managing the financial aspects of the business, not enough assistance and support given, not enough understanding on the matters of franchising, insufficient capital, problem in choosing the right location, limited control over important business decisions and inactive marketing, promotion and advertising activities. To be successful and stay abreast of one's competitors in the franchise business one has to be systematic in controlling the quality of the franchise system, use wisely the supports and assistance given and must

stay innovative and creative in designing the marketing and promotional as well as the advertising activities. Franchisees have to stay ahead of their business and must adjust their businesses accordingly to the constantly changing environment.

According to Hunt (2003), franchisees are not getting the benefit that the franchisors promised them after getting into the franchise business, the product trademark is not extensively known to the consumers as they have been led to believe, there is no continuing support and assistance from the franchisors and franchisees' responsibility to buy the products from the franchisors but at the same time they are charged with an exorbitant price from the franchisors.

According to Richardson et al. (1994), failure in the business is because of the incompetence management of franchise activities and finance and account aspects of the business. Raab and Matusky (1987) wrote that one the problems faced by franchisees is that they do not have the right concept of the franchise business. Some of them thought that they do not have to work hard since they have the franchisors helping them in terms of support and assistance of carrying out the franchise business.

According to the study done by Glatz and Chan (1999) on the status of franchise business in Austria, the findings showed that franchisees in Austria were facing the problems of insufficient knowledge of the franchise business and not enough support and assistance from the franchisors. Franchisors must assist their franchisees in the initial stage of the franchise business and continue to give support through out even after the initial period to make sure that the franchise business thrive and succeed well.

## **2.12 Conclusion**

Even though franchise business is still relatively new to the Malaysian economy, the number of women getting involved in the franchise business is rapidly increasing. Overseas, the proportion of franchised units owned by women has grown 68 per cent,

from 11 per cent of all units in 1986 to 18.5 per cent in 1992. The creation of the new Women's Franchise Committee of the International Franchise Association (Barnes-Bryant, 1994) and the fact that McDonald's counts more than 25 per cent of its franchisees as women and minorities are examples of their increasing presence. As was seen earlier, there were many studies that have been done on women entrepreneurs abroad but on the local stage, there is still very little done in this area. Nevertheless, the studies done overseas will be used to guide this study to gauge women's participation in franchise business as well as problems faced by them.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Methodology is an important part of a study that explains all aspects about how the study will be conducted, beginning from the data collecting process to the analysis and interpretation of data. It is also a systematic and complete process to ensure that adequate data is collected for achieving the objectives of the study. An effective analysis results in a proper use of methodology that contributes to obtaining accurate study outcome. In this chapter methods of data collection and data analysis utilized in the study will be outlined in details.

#### **3.2 Sampling Procedure**

Primary data is the raw data collected directly from the respondents. Primary data can be collected through several ways such as a face to face interview, direct observations, telephone surveys and questionnaires. In this study, mailed questionnaires have been selected as the main method in obtaining the primary data. This method has been chosen because it is relatively inexpensive, easy to administer and the identity of the respondents will remain anonymous.

The first set of questionnaire was mailed to 160 franchisors. It was mailed in August 2002. The franchisors and their addresses were acquired from the Malaysian Franchise Association (MFA). A visit was made to the MFA headquarters in Shah Alam. The researchers had the pleasure of meeting the secretary general of the MFA, Encik Awalan Abdul Aziz and a discussion ensued. Encik Awalan filled us in on the Malaysian franchise business and we gained much insight from reading his book, Franchising in Malaysia.

In many cases, after the questionnaires were mailed to the franchisors, follow-up phone calls were made to encourage them to answer and return the completed questionnaires. Out of 160 questionnaires mailed, only 24 respondents replied. This is a 15 per cent response rate. The questions assessed such area as: demographic and business information; government role; general business characteristics and business experience.

The gender variable was operationalised in terms of (1) the gender of owner/founder, Managing Director, Chairman, General Manager and top position for the following positions; Marketing and Financial/Accounting,

The second set of questionnaire was mailed in 2004. The questions were of different set and it focused on problems faced by franchisees. There were 146 questionnaires mailed to franchisees all over Malaysia. These franchisees were from the Avon Cosmetics (M) Sdn. Bhd. Of these, only 31 respondents returned the completed questionnaires which accounted for 21 per cent response rate.

The questionnaire consisted of three sections; A, B and C. Section A asked about the general back ground of the business. Section B asked about the respondent's background and section C asked about the problems faced by franchisees. There were 40 items in section C. The question was asked and the response was in a form of a five-point Likert scale. The second part of section C was in the form of open ended questions. Respondents were encouraged to give ideas and suggestions in this part.

### 3.3 Method of Data analysis

The result was analysed using frequencies and percentages. The various different problem faced by the franchisees were ranked to determine which problem takes top position. Finally the opinions and suggestions given by the franchisees were analysed qualitatively.

The five-point Likert scale is used in part C of the second set questionnaire. The scale of 5 indicates the degree of respondent in agreement with the given statement is extremely positive which is “strongly agree”. On the opposite end is the scale of 1 which indicates the respondent is not in agreement with the given statement which is reflected in the phrase “strongly disagree”. For purposes of analysing and to simplify the interpretation the scale is redefine into three intervals as follows:

**Table 3.1: Mean interval used in analysis**

Mean interval	Respondent's level (degree) of agreement
1.00 – 2.32	Low level
2.33 – 3.65	Medium level
3.66 – 5.00	High level

The response rate is rather low in this study. For the first set of questionnaire, the effective response rate is 15 per cent and for the second set of questionnaire, it was 16 per cent. These low response rates limited the conclusion of the study.

### 3.4 Conclusion

The data analysis being carried out in this study focussed on descriptive statistics. The data collection and data analysis has been described in this chapter. The following chapter will discuss further the results of the data analysis.

## **CHAPTER 4**

### **DATA ANALYSIS**

#### **4.1 Introduction**

This chapter discusses the analysis and the results which were obtained from the questionnaire that has been distributed. The data collected was analysed in tandem with the objectives of the study. Data analysis was carried out according to the method described in the previous chapter.

#### **4.2 Analysis on the First Set of Questionnaire**

The first part of the analysis is on the first set of questionnaire. The data was analysed using frequencies and percentages. As can be seen shortly, there were missing values in some of the analysis. This shows that there were questions that have been left unanswered by the respondents.

##### **4.2.1 Demographic Characteristics of the Respondents**

From Table 4.1, it can be concluded that 17 of the respondents have been in the franchise business for more than five years while 6 of the respondents have participated in the business for three to five years. Only one respondent was quite new in the business with only one to three years of experience.

**Table 4.1: Percentage of respondents' duration in the business**

Duration	Frequency
1 – 3 years	1
3 – 5 years	6
More than 5 years	17
Total	24

Looking at table 4.2, it is observed that majority of the company owners are within the age of 31 – 40 years and 41 – 50 years. Eleven owners were within the age of

**Table 4.2: Age of the owner of the company**

Age	Frequency
30 years or less than 30 years	3
31– 40 years	11
41 – 50 years	9
Did not answer	1
Total	24

31 – 40 years and 9 owners were within the age of 41 – 50 years. Only three owners were either 30 years or less than 30 years of age. It is observed here, given their background, that the majority of the women owners were mature and have quite an experience in handling franchise business.



#### 4.2.2 Respondents Entering the Business With Previous Experience

Table 4.3 indicates the number of respondents who have had business experience before starting franchise business. Out of 24 respondents 16 said that they possessed the experience while the other eight respondents said that they did not have any experience in doing business.

**Table 4.3: Number of respondents entering the business with experience**

Experience	Frequency
Yes	16
No	8
Total	24

#### 4.2.3 Top Position Held According To Gender

Table 4.4 represents persons in the administrative positions. Of the 24 respondents there were a few who did not answer this question. This is reflected in the table where it can be seen that the total percentage is not 100 per cent. For the post of Managing Director, it can be seen that there were 16 male and 5 female Managing Directors. There were 14 male Chairmen and 2 female Chairmen in the companies. For the post of General Manager, there were 13 male and only 2 female General Managers.

The numbers of female executives for the following positions were a little different from the earlier results. For the post of Marketing and Finance executives the number of females and males holding the posts were a bit more balance. The number of females in the positions of Marketing Executive and Finance executive were higher and thus the distribution of males and females in that position were more balanced as compared to the posts of Managing Director, Chairman and General Manager. For the

position of top executive in Marketing there were 8 males and 12 females holding the post and for the position of top executive in Finance there are 10 males and 10 females holding the post.

**Table 4.4: Number of male and female executives according to the position held in the company**

Designation	Male	Female	Total
Managing Director	16	5	87.5%(21)
Chairman	14	2	66.7%(16)
General Manager	13	2	62.5%(15)
Marketing (top position)	8	12	83.3%(20)
Finance (top position)	10	10	83.3(20)

In this study the franchise business is divided into six different industries. The industries are; food, health & beauty services, clothing & apparel, cleaning services & launderette, education & computer and other services. Table 4.5 represents the breakdown by industries for the post of Managing Director according to their gender. The four industries which were dominated by males for the position of Managing Director were food, clothing & apparel, cleaning services & laundrette and education & computer. The frequencies were as follows: Food: 7 male Managing Directors, Clothing and Apparel: 2 males, Cleaning Services & Laundrette: 2 males, and Education and Computer: 1 male. There was only one industry, which was Health and Beauty Services, having two females as the Managing Director. In the category of other services there were three males and three females Managing Directors.

**Table 4.5: Industrial category according to gender for the post of Managing Director**

Industrial Category	Male	Female	Total
Food	7	0	7
Health & beauty services	1	2	3
Clothing & apparel	2	0	2
Cleaning services & Launderette	2	0	2
Education & computer	1	0	1
Other services	3	3	6
Total	16	5	21

Table 4.6 represents the breakdown by industries for the post of Chairman with regard to the gender. Three industries which were dominated by males were food, education & computer and cleaning service & launderette. The breakdowns were as follows: food; 5 males, education & computer; 1 male, and cleaning services & launderette; 1 male. There were two industries, Health and beauty services (1) and clothing and apparel (1), where the post of Managing Directors were held by females.

**Table 4.6: Industrial category according to gender for the post of Chairman**

Industrial Category	Male	Female	Total
Food	5	0	5
Health & beauty services	1	1	2
Clothing & apparel	1	1	2
Cleaning services & Launderette	1	0	1
Education & computer	1	0	1
Other services	5	0	5
Total	14	2	16

Table 4.7 shows the breakdown by industries for the post of General Manager to their gender. Four industries were dominated by males. They were food, clothing & apparel, cleaning services & launderette and education & computer. The breakdowns were as follows: food; 4 males, health & beauty and clothing & apparel; both having 2 males, cleaning services & launderette and education & computer were both having one male. There was only one female General Manager in the health & beauty industry.

**Table 4.7: Industrial category according to gender for the post of General Manager**

Industrial Category	Male	Female	Total
Food	4	0	4
Health & beauty services	2	1	3
Clothing & apparel	2	0	2
Cleaning services & Launderette	1	0	1
Education & computer	1	0	1
Other services	3	1	4
Total	13	2	15

Table 4.8 represents the breakdown by industries for the post of Marketing Executive according to their gender. Sixty percent of the marketing executives for the whole industries were held by female. food and health & beauty services were both having 4 female Marketing Executives, clothing & apparel and cleaning services & launderette were both having 1 female Marketing Executive.

**Table 4.8: Industrial category according to gender for the post of Marketing top position**

Industrial Category	Male	Female	Total
Food	2	4	6
Health & beauty services	0	4	4
Clothing & apparel	1	1	2
Cleaning services & Launderette	2	1	3
Education & computer	0	0	0
Other services	3	2	5
Total	8	12	20

Table 4.9 represents the breakdown by industries for the post of Finance Executive according to their gender. Two industries were dominated by males; food and clothing & apparel. For food, there were 4 male Finance Executives but only 3 female executives. For clothing & apparel, there were two male Finance Executives.

**Table 4.9: Industrial category according to gender for the post of finance top position**

Industrial Category	Male	Female	Total
Food	4	3	7
Health & beauty services	2	2	4
Clothing & apparel	2	0	2
Cleaning services & Launderette	1	1	2
Education & computer	0	0	0
Other services	1	4	5
Total	10	10	20

#### 4.2.4 Respondents Who Received Formal Training

In the questionnaire respondents were asked whether they have had formal training before starting the franchise business. In response to that 10 respondents said, “yes” they have had formal training and the other 14 respondents said they have never had formal training. This is depicted in Table 4.10 below.

**Table 4.10: Percentage of respondents with formal training**

Formal Training	Frequency
Yes	10
No	14
Total	24

The 10 companies which had gone through formal training before going into franchise business had these sources as their trainer. They were: principal (franchisor), company, franchisor in USA, Malaysian Franchise Association (MFA), the Ministry of Entrepreneur Development and consultant. The breakdown is as depicted in Table 4.11.

**Table 4.11: Trainer or source of training for the respondents**

Source	Frequency
Principal (Franchisor)	4
Franchisor in USA	3
MFA	1
Ministry of Entrepreneur Development	1
Private Consultant	1
No Trainer	14
Total	24

#### **4.2.5 Government Aids And Assistance**

There were two companies that had received assistance from the government or government agencies. The assistance received was in the form of financial assistance, advices and training from the government or government agencies. The two government or government agencies were the Ministry of Entrepreneur Development and MFA.

#### **4.3 Analysis On The Second Set Of Questionnaire**

The second set of questionnaire was mailed to 146 Avon franchisees all over West Malaysia. Only 31 franchisees returned a completed questionnaire which amount to 21 per cent. The data analysis was done in the following manner: Analysis of the respondents demography, analysis on the background of the respondent's company and analysis on the problems faced by franchisees.

### 4.3.1 Demographic Characteristics of the Respondent

There were four items on the background information of the respondents; gender, ethnic background, age and level of education.

**Table 4.12: Demographic characteristics of respondents**

Variables	Frequency
Gender:	
Male	8
Female	23
Ethnic:	
Malay	22
Chinese	8
Others	1
Age:	
26 – 35 years	5
36 – 45 years	16
46 – 55 years	9
56 years and above	1
Level of Education:	
Up until standard six	1
SRP/PMR	1
SPM/SPMV/MCE	15
STP/STPM	5
DIPLOMA/DEGREE	9



From Table 4.12 it can be seen that there were 8 male franchisees and 23 females franchisees. Of these, there were 22 malays, 8 chinese and one was categorized as other races. The majority of the respondents were within the age group of 36 to 55 years that is 16 of the respondents. Five respondents were in the range of 26 to 35 years of age and nine respondents were in the range of 46 to 55 of age. Also, the majority of the group received education higher than SPM level where nine of them have had tertiary education.

#### 4.3.2 Analysis On The Company Background Of The Respondent

The respondents were asked questions on the background of their companies. Some of the questions asked in this section were the location of the company, the number of years the company has been in operation, the number of workers currently employed, the value of company's asset and the average per cent increase in yearly sales. The results are presented below in Table 4.13.

**Table 4.13: Company background of the respondents**

Variables	Frequency
Company location:	
Town area	22
Rural area	4
Suburban area	5
Number of years operates:	
5 years or less	6
6 – 10 years	20
11 – 15 years	5
Number of workers:	
30 or less than 30	31

Variables	Frequency
Company's assets year 2003 (RM):	
RM50,000 and less	6
RM50,001 – RM100,000	16
RM100,001 – RM150,000	4
RM150,001 – RM200,000	4
More than RM200,000	1
Percent increase yearly sales (average):	3
Less than 5 %	5
5.1 % - 10 %	15
10.1 % - 15 %	6
15.1 % - 20 %	2
More than 20 %	

Regarding the location of the company; 22 of them were located in the town area, four companies were in the rural area and 5 were located in the suburban area. On the number of years that the company has operates; 6 companies have been in business for less than five years, 20 companies have been in business between 6 to 10 years and 5 companies have been in business between 11 to 15 years.

With regard to the number of workers employed by the company, all 31 companies had less than 30 workers within their employment. From the table it is observed that the breakdowns of the company's assets were quite diverse. The majority of the companies have their assets in the range RM50,001 to RM100,000. There were 16 companies in this range. Six companies have assets less than RM50,000. Four companies have assets both in the range of RM100,001 to RM150,000 and RM150,001 to RM200,000. Only one company has assets more than RM200,000.

From the table it is also observed that the per cent increase in average yearly sales was as follows: three companies had average yearly increase in sales less than 5 per cent, five companies between 5.1 – 10 per cent, 15 companies between 10.1 – 15 per cent, six companies between 15.1 – 20 per cent and two companies had more than 20 per cent. Therefore the majority of the companies had an increment within the range of 10.1 – 15 per cent in their average yearly sales.

### **4.3.3 Analysis On The Degree Of Agreement Of Respondents Towards Problems Faced In The Franchising Business**

Items in Section C in the questionnaire are measured using the five-point Likert scale. According to the Likert scale in this questionnaire, a scale of 5 means strongly agrees and on the other extreme a scale of 1 means strongly disagrees. A mean score for each problem faced has been calculated and is documented in Table 4.14 below.

**Table 4.14: Types of problems faced by franchisees**

Types of problems	Mean score
(a) Limited Control in Managing the Franchise Business	4.16
(b) Vagueness in the Operations Manual	2.58
(c) Incompetence Management of Accounts and Financial Documents	2.57
(d) The Power to Terminate the Agreement by the Franchisor	4.00
(e) Profit Not Guaranteed	3.42
(f) Difficulty in estimating expenditure	3.03
(g) Royalty payment which is burdensome	2.57
(h) Unfair treatment of the franchisor towards franchisee	2.97
(i) Lack of assistance and support from the franchisor	3.00
(j) Lack of training	2.95
(k) Ineffective communication	2.82

Types of problems	Mean score
(l) Problem with the product brand name	2.35
(m) Price of the product sold by the franchisor is more expensive	3.21
(n) Problem in determining the location	3.36
(o) Problem in marketing and advertising activities	2.78
(p) Changes in the environment	2.90
(q) Tough competition ahead	3.92

There were 17 problems described in this section. In Table 4.14 above, the problems were presented according to the questions asked to the respondents as they appeared in the questionnaires. The problems were later ranked according to their mean scores to gauge the top five problems and the bottom five problem that were common to all the respondents.

**Table 4.15: Types of problems faced by franchisees ranked according to mean score**

Types of problems	Mean score	Ranking
Limited Control in Managing the Franchise Business	4.16	1
The Power to Terminate the Agreement by the Franchisor	4.00	2
Tough competition ahead	3.92	3
Profit Not Guaranteed	3.42	4
Problem in determining the location	3.36	5
Price of the product sold by the franchisor is more expensive	3.21	6
Difficulty in estimating expenditure	3.03	7
Lack of assistance and support from the franchisor	3.00	8
Unfair treatment of the franchisor towards franchisee	2.97	9
Lack of training	2.95	10

Types of problems	Mean score	Ranking
Constant changes in the environment	2.90	11
Ineffective communication	2.82	12
Problem in marketing and advertising activities	2.78	13
Vagueness in the Operations Manual	2.58	14
Incompetent Management of Accounts and Financial Documents	2.57	15
Royalty payment which is burdensome	2.57	16
Problem with the product brand name	2.35	17

From Table 4.15, it is observed that the top five problems were; Limited control in managing the franchise business, the power to terminate the agreement by the franchisor, tough competition ahead, profit not guaranteed and problem in determining the location. On the other hand problems that ranked in the bottom five were; problem with the product brand name, royalty payment which is burdensome, incompetent management of accounts and financial documents, vagueness in the operations manual, problem in marketing and advertising activities.

The mean interval used in the analysis has been established in chapter 3. From Table 4.15 it was observed that the mean scores for all the problems were above 2.33. Thus, it can be said that the problems faced by the franchisees were viewed by them as being at the medium level to the high level. This means that the agreement level is quite significant especially for the problems that ranked the first three.

#### **4.4 Conclusion**

The three problems that were at the top with mean scores more than 3.66 fell in the high agreement level. In these problems the respondents agreed that the fact that they have limited control over their franchise businesses, that the power to terminate the agreement which is the franchisor's sole rights and tough competition ahead were on top of their list. These problems will be discussed more the chapter five.

## **CHAPTER 5**

### **CONCLUSION AND SUGGESTIONS**

#### **5.1 Introduction**

This chapter summarises the findings presented in chapter 4. It will state implications that can be drawn from the analysis and make suggestions. Suggestions were also made for the franchisors and franchisees to foster a better relationship between them.

#### **5.2 Interpretation of the results**

The interpretations of the results were done with caution. This is so because the number of respondents was too small. The results cannot be generalized to the bigger population of franchisors. The respondents from the first set of questionnaire were largely in the age group of 30 to 50 years. This study was consistent with a study done by Lee-Gosselin and Grise (1990) where by more than half of the respondents were between the age of 31 and 45 years. It is also similar to a study done by Zapalska (1997) in which the age of the women entrepreneurs in her study ranged between 35 to 50 years. Judging by the age of the women in this study it is reasonable to imply that they were a group of matured women who were interested in doing franchise business.

More than two third of the respondents' companies have been in operation for more than five years. Almost 70 per cent of the women already have experience in doing business before joining the franchise business. Their having this experience may be the reason for 60 per cent of these women did not require any formal training before start-up.

Nevertheless, about 40 per cent of them indicated that they had formal training prior to the start up of their business. This finding is not consistent with the findings of Watkins and Watkins (1984). In their study Watkins and Watkins found that 50 per cent of women business owners had no prior or direct experience relating to their business. The difference in these findings may be due to the number of respondents which was very small such that it is not representative of the big majority of the group.

In this study the five top positions in a company were being looked into. These top five positions were identified as the Managing Director, the Chairman, the General Manager and two other top executive positions which were in the department of marketing and finance. The study indicated that these positions were dominantly filled by males except for marketing executives and finance executives which portrayed a balance number of females and males holding the positions. Even though the result of this study could not be generalized to a wider group of women entrepreneurs in franchising but the results compared well with the results obtained in a study done by Dant and Brush (1996). In their study the findings showed that overall proportion of women presidents to be fairly low as compared to men.

As was mentioned earlier, the industries in this study were divided into six different ones. These industries were food, health & beauty services, clothing & apparel, cleaning services & launderette, education & computer and other services. The result almost repeats itself in as far as the top most positions were concerned. Again the male executives were more common in these top positions in most of the industries except for the Health & Beauty industry. The Health & Beauty industry may be viewed a female type industry. Perhaps female franchisors can identified more with the female type industry and thus were trusted to hold more important post in this type industry.

The researchers were successful in identifying problems faced by the franchisees using the second set of questionnaire. Based on the data collected, it was found that there were three dominant problems that had received high mean scores and two problems that received a medium scores which were quite high.



The main problem according to these respondents was the problem of having only limited control over managing and operating the franchise business. These franchisees agreed that they have less freedom in conducting their businesses since they are legally bound by the agreement that has been signed which required them to follow closely the rules and regulations laid out in the operation manuals. This finding is in agreement with Sherman (2003) where he mentioned that one of the problems faced by franchisees was that they have limited control over their businesses.

The second problem was the power to terminate the agreement is in the hands of the franchisor. It is in the law of franchising that the franchisor has the right to terminate the contract if the franchisee failed to fulfil the requirements of the contract. Franchisor also has the right not to renew the agreement when the stipulated time expired. In this regard the franchisee is rendered powerless over the extension of the contract agreement if the franchisor so choose to terminate the contract (Sherman, 2003).

Another problem that the franchisees deemed serious is the stiff competition faced by them from other franchisees and businesses. This result supports a study by Much (1993). In this study, Procter & Gamble faced a stiff competition from Unilever in the US after the latter bought a branded product Faberge and Elizabeth Arden. After the purchased of these two brand name products Unilever climbed to the third place in the cosmetic industry in the US, that is, after Estee Lauder and L'Oreal in the year 1989. This scenario caused Procter & Gamble market shares to slip slightly to 34% in the year 1991 from 34.4% in the year 1990. The competition usually comes from "players" selling similar products within the same industry.

Another problem that is important to the franchisees is the fact that the profit from the business is not entirely guaranteed. Franchisees, sometimes, find it difficult to generate the kind of profit that has been preached by the franchisor before going into the business. This finding supports the study done by Hunt (2003), which highlighted that franchisees were deprived of benefits promised to them after joining the franchise business. As an example, the profit is not as good a picture as was painted by the

franchisor before getting into the business. Also, the price of products sold to them from the franchisor is much too high as compared to the going market price.

The fifth problem that the franchisees faced was that the problem in determining the location for the franchise business. This finding is in agreement with the findings of Raab and Matusky (1987). In their study it was found that one of the problems that the franchisees had was that they failed to choose the right location for their business. The problem of location may have a great impact on their businesses and may eventually cause their business to fail.

The five problems that ranked last were problems with the product brand name, royalty payment which is burdensome, incompetent management of accounts and financial documents, vagueness in the operations manual, problem in marketing and advertising activities. Some of these findings are inconsistent with the findings of Richardson et al. (1994). In their study it was found that the failure of a business was caused by the incompetent management of accounts and financial documents. Again, this may be the case because of the number of respondents that is quite small.

The government has its role cut out quite clearly and its agencies are committed to help boost the franchise business in Malaysia. During the Eighth Malaysia Plan period, the development of the BCIC will focus on creating more sustainable, self-reliant and world-class Bumiputera entrepreneurs (Eighth Malaysia Plan, 2001 - 2005). Direct government support and intervention will continue to be necessary on a selective basis. The implementing agencies, however, will establish an exit policy that will determine the time frame for the participants to graduate from the programmes, thus allowing other Bumiputera entrepreneurs to also benefit from such programmes. These training programmes were in line with the government objective of achieving 1000 new franchisees under the Eighth Malaysia Plan (Miranda, 2002). These agencies are in close ties or directly under the Ministry of Entrepreneur Development. To increase the efficiency and effectiveness of training programmes, MARA also collaborated with the private sector to conduct practical training in supermarkets and hypermarkets. In

addition, apprenticeship training was provided to 3,557 participants under the Entrepreneur Training Programme to increase their level of competence with the emphasis on practical training. Other responsible sources that handled training are the parent company or the franchisors themselves (local and abroad) and the private consultants (Eighth Malaysia Plan, 2001 - 2005).

The government also provided various financial assistance to Bumiputera entrepreneurs. In this regard MARA provided loans amounting to RM241.1 million that benefited 7,734 Bumiputera entrepreneurs. Other sources of funding included the Small Entrepreneur Financing Fund (SEFF), the Small Entrepreneur Fund (SEF) and the *Tabung Ekonomi Kumpulan Usaha Niaga* (TEKUN). A total of RM39.8 million, RM383.8 million and RM60.2 million were disbursed under the SEFF, SEF and TEKUN funds and loans respectively (Eighth Malaysia Plan, 2001 - 2005).

The government agencies involved has also implemented the programme to provide Bumiputera entrepreneurs with strategic business premises. Towards this end, 271 business premises with 4,236 lots located in shopping complexes and arcades, shop houses, markets, stalls and bazaars were provided by MARA for rental. The completion of 11 shopping complexes covering about 241,500 square metres with 1,138 lots by UDA Holdings Berhad also assisted Bumiputera entrepreneurs in securing business premises (Eighth Malaysia Plan, 2001 - 2005).

### **5.3 Suggestions to the franchisors**

It would help to lessen the misunderstanding between the franchisors and franchisees if the details of the operation manual are clear and complete. Thus, franchisors must make an effort to compile a complete and clear set of operation manual.

It is in the best interest of both franchisors and franchisees if the agreement is brief and clear in its statements. The agreement must not favour only one party but it must be fair

to both parties. It is also suggested that if the franchisees breach the contract, the franchisor do not immediately end the contract but carry out an investigation and possibly issue a warning letter. If the franchisees still persisted and did not correct their actions after the issuance of the warning letter, than franchisor has no other choice and it is justified for them to end the contract.

Franchisors must make sure that the franchisees have enough training to carry out the franchise business. They must be willing to assist the franchisees in the initial stage so that the franchisees can make it on their own.

#### **5.4 Suggestions to the franchisees**

Potential franchisees must first carry out a market survey on the product and the premise that they have identified. This is to avoid operating a business in an area that has already too many similar products sold.

Most franchisees faced the problem of making profit in their franchise business. Franchisees must make sure that their marketing and advertising strategies work to ensure them that profit is made at the end of the day.

Both franchisees and franchisors must open the channel of communication so that any ideas or disagreement can be dealt with accordingly and professionally.

#### **5.5 Recommendations for future researchers**

Based on the findings of this research, the following are suggestions for the future researchers.

- i. Increase the number of respondents. This can be done by distributing more

- questionnaires to the potential respondents.
- ii. The aspects of study should be broaden to include many other variables such as the size of the company.
  - iii. Cover a wider sectors and industries in the franchise business.

## **5.6 Conclusion**

On the whole this topic has discussed aspects such as the problems faced by the franchisees, the role of government and suggestions for future researchers. It is hoped that this study has helped the franchisors and franchisees to gain some knowledge and the findings can be used to guide them in running their franchise businesses.

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