

Franchising and Performance of Service Business Ventures in Kabale Municipality

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Abstract: *The study was conducted on franchising and service business ventures in Kabale Municipality. It aimed to examine the relationship between franchising and performance of service business ventures in Kabale Municipality. The study used a descriptive research design and a sample of 24 respondents selected using simple random sampling technique. Data collection was done using questionnaires and data analysis was done using descriptive statistics such as mean and standard deviation and inferential statistics such as Pearson rank correlation with the help of SPSS version 22. The research comes to the conclusion that some organizations in the nation use franchising. The state of franchising is modest, indicating that franchise difficulties are prevalent but that there is probably little knowledge and few organizations that can adopt it. The study's findings indicate that service company initiatives in Kabale Municipality perform poorly, although franchising still has an impact on that performance. The study suggests that, although only a few organizations are aware of it, franchising does exist in Kabale Municipality. However, there is a need to improve the state of franchising by hiring or collaborating with businesses, particularly those from other countries, in order to facilitate business connections through franchising and performance of service business ventures in Kabale Municipality.*

Keywords: Franchising, Performance, Service Business Ventures

INTRODUCTION

In the recent years, franchising has emerged as one of the most widely used ways to participate in a variety of businesses (Ramrez-Hurtado et al., 2011). Additionally, it has been seen as a crucial tactic for businesses looking to grow (Rajagopal, 2007). Numerous industries (Felcio et al., 2014) use franchising as an organizational structure, particularly retail and service chains (Gillis et al., 2014; Gorovaia and Windsperger, 2013), where it can be challenging to distinguish between the production and consumption of a good or service.

In the business world of today, no one company owns all of the assets and skills required to compete successfully. It appears that when business groups work together, their strategic goals can be achieved more cheaply overall. Entrepreneurial partnerships come in a variety of shapes and sizes. These include contracting, franchising, licensing, and joint ventures (Todeva & Knoke, 2005). Of all these partnership models, franchising has recently experienced a greater level of global popularity across a variety of industries and business sizes (Dant, Grunhagen, & Windsperger, 2011; Kosova & Lafontaine, 2010; Larty, 2010).

Franchising is a crucial organizational structure and a less hazardous method of achieving quick business growth (Altinay, Brookes, Yeung, & Aktas, 2014; Shane, 2005). Franchising has emerged as a potent form of alliance and a crucial strategic path for internationalization, notwithstanding the general upswing in various forms of inter-firm alliances (European Franchise Federation, 2017). By utilizing outside resources, franchising enables businesses with established brand names to expand their operations and get better results (International Franchise Association, 2016). Additionally, the business model gives other groups of companies (franchisees) the chance to run a stand-alone operation under a well-known brand, lowering their

risks associated with being start-ups (Vaishnav & Altinay, 2009).

Local business owners, brands, employees, and the community come together through the business model to create value, distribute wealth, and increase economic output (European Franchise Federation, 2017). It gives people the chance to join a tried-and-true business model and acquire wealth-producing assets, generating employment chances for a large number of people and functioning as the largest economic source of vocational training (International Franchise Association, 2016). Due to its numerous benefits, franchising has emerged as a powerful instrument for business development and increasing the productivity of Small and Medium Sized Enterprises (SMEs) in many nations throughout the world (Alharbi, 2014; Bevis, 2015). Franchising accounts for more over 10% of the GDP in some nations, including Australia, Brazil, and South Korea (Export.gov, 2016).

Around the year 2010, when CocaCola Kwanza started issuing franchise licenses to interested entrepreneurs, the first groups of business style franchise shops began to sprout all over Tanzania (Nelson, Ishikawa, & Geaneotes, 2013). Franchise businesses are currently a part of the landscape of the nation, especially in the beverage industries. They generate employment and help to strengthen the economy of the country. The market size is estimated to be around US\$70 million due to the industry's quick growth. In Dar es Salaam, Mbeya, and Zanzibar, Coca-Cola Kwanza runs cutting-edge manufacturing facilities (Sutton & Olomi, 2012).

Over the previous four years, the economy of Uganda has grown at a moderate growth rate of between 5 and 8%. The country still faces economic challenges that have prevented it from developing and reaching its potential for business growth. These challenges include structural bottlenecks like inflation,

unemployment, interest rate variations, foreign exchange fluctuations, and low but constrained private sector investment growth (World Bank, 2014). The nation has taken on a number of initiatives in an effort to boost and strengthen business growth. Franchise-related business elements have not received much attention. The success of both sides depends on the connection that is based on mutual trust, consideration and cooperation in franchising (Romaniello, 2015). Contracts defining franchisee obligations are frequently highly specific in their terms, but they may simply give a rough sketch of the franchisor's obligations because the franchisor is putting its brand at risk. In addition to claims of franchisor misbehavior or a failure to act in good faith, concerns have arisen as a result of the significant popularity of franchising as a means of corporate expansion. A relationship where both parties are contractually obligated to work together and rely on each other's ideas is ripe for conflict, and many franchisees have negative things to say about franchisors (Bennett, Blom, Howells & Kenn) (2012).

Airtel Uganda, a telecom company, has started the second phase of its Franchise Partner Development Program with the goal of giving its franchise owners basic business skills so they can perform better and deliver services with greater efficiency (<https://nilepost.co.ug/2021/10/19/airtel-extends-its-program-to-train-franchise-owners-in-basic-business-skills/>). Airtel Uganda Phase Two of the Airtel Franchise Partner Development Program, which aims to provide participants with realistic business models that will enable them to operate more effectively and improve their business performance, was launched by the smartphone network with the most extensive 4G internet coverage in Uganda. The Airtel Franchise Partner Development Program aims to equip Franchise Partners in the Airtel Uganda value chain with the business know-how they need to run their businesses profitably and provide the best possible customer care to our cherished Airtel customers all around the nation. (<https://www.busiweek.com/airtel-uganda-scales-up-the-nation-wide-franchise/>). Despite this effort, the company still faces a challenge of limited number of clients and network in most parts of Uganda. Based on this background, this study was conducted to examine the relationship between franchising and performance of service business ventures in Kabale Municipality.

Objective

To examine the relationship between franchising and performance of service business ventures in Kabale Municipality.

LITERATURE

Meaning of Franchising

Entrepreneurs must have an effective model for both business expansion and the distribution of goods and/or services in order to succeed in today's fiercely competitive and quick-paced business environment. Franchising has demonstrated to be this kind of a business (Selden, Gipson and Parker, 2008). It is a

method of providing goods and services globally that is quickly developing. In its most basic form, franchising is a commercial arrangement whereby one party (the franchisor) allows the other (the franchisee) to operate a clone of a business system that has been shown to have some level of success (Duckett, 2008). Franchisees are typically expected to pay certain costs, such as the initial franchise or license fee and ongoing royalties, which are typically an agreed-upon percentage of sales, as a price for the chance to profit from a tried-and-true business system (International Franchise Association, 2016). Legally speaking, franchising is defined as a contract between a franchisor and a franchisee that allows them to use the franchisor's whole business model and brand name to sell or distribute a good or service (Chiou & Droge, 2015).

Combining the legal and business aspects of the model mentioned in the two definitions above, franchising can be understood as an agreement between two legally recognized parties whereby a company or group of companies franchisees are granted the right to produce and market a specific good or service using the trade names, trademarks, and/or entire business system of another company franchisor (IFA, 2015). In this arrangement, the franchisee is required to pay some fees (initial license fees and ongoing royalties) to the franchisor, who is then expected to provide the franchisee with all essential business supports, including a trade name, trademark, intellectual property rights, procedural system, commercial and technical assistance, and so on (European Franchise Federation, 2017).

In light of these various definitions, this study defines franchising as a business model where one party, the franchisor, permits the other, the franchisee, who has been found to have the drive, discipline, pertinent experience, and resources, to conduct an independent business using the former's goodwill, trade name, product or services, and business system. It is a business plan with a number of components and tenets that provide a reassuring level of assurance for the long-term viability of both the franchisor's and franchisee's operations.

Benefits of Franchising

In addition to the franchisors and franchisees, the larger economy gains from franchising in a number of ways as well. For franchisors, it provides an affordable option to access new markets and acquire a major competitive advantage, making it an excellent corporate growth and development strategy (Rahatullah & Raeside, 2009). The likelihood of rapid growth with little upfront commitment benefits the franchisor (Altinay & Brookes, 2012; Altinay et al., 2014b; Lim & Frazer, 2004).

Franchisors can maximize brand awareness while lowering business risks by franchising (Lim&Frazer,2004). These are accomplished by having access to low-cost resources like finance and franchisees' managerial skills (Altinay et al., 2014; Dant, Weaven, & Baker, 2013). Additionally, the initial franchise fees and ongoing royalties support the franchisor's revenue base (Frazer, Merrilees, & Wright, 2007). This is why

it is frequently suggested that franchising is a more effective means of expansion than opening a company-owned location because the incentive structure in the business model is more aligned (Michael & Combs, 2008).

Conversely, franchisees gain from obtaining the opportunity to run a stand-out and tried-and-true business model as their own independent enterprise (Altinay et al., 2014b). Franchisees would profit by having more relative peace of mind knowing that their money is going into a less risky business venture because it is assumed that the majority of top franchised businesses had a track record of success and profitable operations for several years prior to franchising (Frazer, Marrillees & Wright, 2007). Additionally, franchisees always find the training and other resources provided by franchisors to be invaluable and can substantially aid in positioning their businesses for success (Binh & Terry, 2013).

Regarding its advantages for the overall economy, franchising has been referred to as an engine of economic expansion (IHS Markit Economics, 2017). Beyond being a widely adopted, successful, and expanding business model (Dant, 2008a; Kosova & Lafontaine, 2010), franchising is a real tool for promoting entrepreneurship (Bevis, 2015) and a useful instrument for improving the overall performance of an economy (Binh & Terry, 2013; European Franchise Federation, 2017; IFA, 2015; IHS Markit Economics, 2017). The European Franchise Federation (EFF) asserts that franchising has a variety of positive economic effects on both national and international economies. This includes fostering the development of businesses and small business owners; facilitating a dynamic and effective system of enterprise growth; increasing the viability and growth of startups; serving as a natural conduit for international trade and the production of foreign exchange; facilitating the transformation, modernization, and professionalization of traditional occupations; and encouraging the acquisition of entrepreneurial skills and healthy competition among businesses (European Franchise Federation, 2017).

Particularly, it has been discovered that franchising is a tried-and-true answer to the many problems SMEs face when developing (Frazer, Weaven & Grace, 2014; Nasri, 2014; Hao & Yu, 2013; Binh, & Terry, 2013; Alharbi, 2013; Chanut, Gharbi & Fernandez, 2013). Franchise business models are particularly essential for developing nations since they help to build the SME sector by providing tested systems, training, and ongoing support from franchisors (Binh & Terry, 2013). Some franchisors offer their franchisees additional support in the form of financing, advertising, marketing, and brand management in addition to training and general hands-on technical and managerial supervision (Shane, Shankar, & Aravindakshan, 2006)

Additionally, given that the selection process for franchisees is presumably fairly rigorous (Doherty, 2009; Rahatullah & Raeside, 2009; Vaishnav & Altinay, 2009), and that franchisors

typically invest a significant amount of time and money to find and select franchisees whose experience, style, philosophy, and values match those of the franchisors (Gillis, 2007), it follows that the business format franchise model aids in matching potential entrepreneurs-franchi. As a result, franchisees will be better aligned and more devoted because they will be engaged in work that they are passionate about. With this, it is not surprisingly that franchised business outlets have much higher success rate than their independent-owned counterparts (Alharbi, 2014; Binh & Terry, 2013; Frazer, Weaven, & Grace, 2014b; Hua, Xiao, & Yost, 2013; Lafontaine & Zapletal, 2014).

Thus, the franchise business model is very advantageous to a nation's economy as well as to the two individuals directly involved. The industry's contribution to job creation, increased national productivity, and wealth generation can be used to gauge its total influence. The franchise sector is a significant contributor to some countries' GDP (franchising in some selected countries), and it has been observed that the sector creates jobs more quickly than most other industrial sectors in many advanced and emerging economies (IFA, 2015).

Performance Outcomes for Service Business Ventures Due to Franchising

The majority of franchise performance studies typically evaluate organizational outcomes using metrics like sales, profit, and outlet expansion (Nijmeijer et al., 2014). This is due to the fact that many franchisors are publicly traded businesses and that their data is available to the general public. Franchisees, who are typically privately held business ventures are an exception to this rule and do not release their financial information (Shane, 2005). As a result, the majority of franchisee studies concentrate on gaining a subjective evaluation of their financial performance. It is determined that respondents' subjective evaluations of financial success are equally trustworthy and valuable for research purposes (Gorovaia & Windsperger, 2013). In order to gauge the profitability or success of franchisees' businesses, this study examined franchisees' subjective assessments of their financials.

Non-financial factors of performance include outlet survival, management effectiveness (Nijmeijer et al., 2014), overall satisfaction (Altinay, Brookes, Madanoglu, & Aktas, 2014), and intention to stay are other metrics that are frequently used to assess franchisees' performance. Of all of these, it has been found that overall contentment and intent to stay are the best predictors of franchisees' business performance and commitment (Lucia-Palacio et al., 2014). The two parts that follow go into greater detail about general satisfaction and intent to stay. Up until now, the proof of performance based on procedural and structural problems has been limited, disjointed, and occasionally unclear (Nijmeijer et al, 2014). The model was adopted for a third reason: to serve as a foundation for a scholarly response to the call for additional research in other situations to confirm the relative importance of the many components indicated in the model. It will be possible to "determine whether it is truly problematic that the current

empirical studies mostly focus on the US and the restaurant/food sector or whether the results of such studies can be generalized to other countries and industries," according to Nijmeijer et al. (2014), who noted the importance of such a study.

METHODOLOGY

This study employed a descriptive survey methodology because it allowed the researcher to gather comprehensive data. The population of 30 people of Kabale Municipality involved in Airtel service provision made up the target population for this study. This group of individuals was thought to be able to respond to inquiries and possess subject-matter expertise. A total sample size of 24 Airtel Company service providers was used. The researcher used a simple random sample of 24 independently selected from the municipality. Data was gathered using questionnaires, which were composed of a number of questions printed or typed in a specific order on a form or set of forms. In this approach, respondents receive questionnaires and are asked to reply. Respondents in this instance were given a self-administered, closed-ended questionnaire. The use of questionnaires was made possible by

its simplicity, lack of researcher bias, and ability to safeguard respondents' privacy. All types of respondents in the study received the questionnaire. The respondent had to choose from one of five options on questionnaires, including the following:

- 1=Strongly Disagree
- 2=Disagree
- 3= Not Sure
- 4=Agree
- 5=Strongly Agree

The data was entered into a statistical program for social scientists, where all errors were corrected and the results on the respondents' demographic characteristics were evaluated using frequency and percentages, while the effectiveness of objectives one and two was evaluated using mean and standard deviations. The mean data was converted into a numerical scale based on the likert scale's maximum value minus lowest value and highest value divided by highest value. The following mean ranges were used to interpret the data for both the independent and dependent variables:

Table 4.1: Description of Franchising in Service Business Ventures

	Mean	Std. Deviation	Interpretation
I feel very great loyalty to my franchisor.	2.7917	1.41357	Moderately high
I would comply with almost any type of request from my franchisor in order to keep my contract.	3.3750	1.31256	Moderately high
I am proud to tell others that I am part of this franchise system.	2.2917	1.16018	Low
There is much to be gained by sticking with my franchisor indefinitely	3.4583	2.30272	High
Often, I find it difficult to agree with my franchisor's polices on important matters relating to its franchisees	3.2500	1.67462	Moderately high
I really care about the fate of my franchisor.	3.2917	1.68056	Moderately high
Am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful	4.2500	.94409	Very high
The franchised brand name and products are adequately taken in the organization	2.9167	1.50121	Moderately high

Source: Primary Data, 2022

The results in the table shows that that I feel very great loyalty to my franchisor had a mean of 2.792, SD=1.413 interpreted as moderately high. It was also established that I would comply with almost any type of request from my franchisor in order to keep my contract with mean of 3.375, SD=1.312 interpreted as moderately high while I am proud to tell others that I am part of this franchise system with mean of 2.291, SD=1.160 interpreted as Low. There is much to be gained by sticking with my franchisor indefinitely with the mean of 3.458, SD=2.302 interpreted as high while often, I find it difficult to agree with my franchisor's polices on important matters relating to its

franchisees mean was 3.250, SD=1.674 interpreted as moderately high while I really care about the fate of my franchisor had the mean of 3.291, SD=1.680 interpreted as moderately high. It was also established that "Am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful" had the mean of 4.250, SD=.944 interpreted as very high while the franchised brand name and products are adequately taken in the organization had the mean of 2.916, SD=1.501 moderately high.

Table 4.2: Performance of Service Business Venture

	Mean	Std. Deviation	Interpretation
More market has been created	3.500	1.351	High
There has been increase in sales	3.458	1.284	High
There has been increase in revenue	3.375	1.209	Moderately high
More people are willing to use the service sector products	3.041	1.041	Moderately high

Source: Primary Data, 2022

The results on the level of performance of service business venture through franchising. The study results reveal 3.400, SD=1.131 interpreted as moderately high. The results reveal that more market has been created the mean was 3.500, SD=1.351 interpreted as high. There has been increase in sales had the mean of 3.458, SD=1.284 interpreted as high. There is there has been increase in revenue had the mean of 3.375, SD=1.209, moderately high while the more people were willing

to use the service sector products the mean 3.042 interpreted as moderately high.

Relationship between franchising and performance of service business ventures

The results of the study established a link between franchising and service business venture performance. The researcher used Pearson's correlation to compare the means of the two variables, and the results were as follows:

Table 4.3: Relationship between franchising and performance of service business venture

		Franchising	Performance of business ventures
Franchising	Pearson Correlation	1	.386**
	Sig. (2-tailed)		.000
	N	24	24
Performance of business venture	Pearson Correlation	.386**	1
	Sig. (2-tailed)	.000	
	N	24	24

*. Correlation is significant at the 0.05 level (1-tailed).

Source: Field Data, 2022

Given that the sig. value (0.031) was significantly lower than 0.05 and the r-value was higher than 1, the Pearson's linear correlation coefficient (PLCC) results in Table 4 showed that there is a significant relationship between franchising and the performance of service business ventures in Kabale Municipality. The r-value, which are .386 and have a small significant value of 0.031, demonstrate this conclusion. According to the research's conclusion, any variation in franchising will result in a 0.386 variation in the performance of a service business venture..

CONCLUSION

The research comes to the conclusion that some organizations in the nation use franchising. The state of franchising is modest, indicating that franchise difficulties are prevalent but that there is probably little knowledge and few organizations that can adopt it. The study's findings indicate that service company initiatives in Kabale Municipality perform poorly, although franchising still has an impact on that performance. It suggests that implementing franchising will improve the performance of service company ventures.

RECOMMENDATIONS

The study suggests that, although only a few organizations are aware of it, franchising does exist in Kabale Municipality. However, there is a need to improve the state of franchising by hiring or collaborating with businesses, particularly those from other countries, in order to facilitate business connections through franchising and enhance business performance. The paper goes on to say that the government should assist enterprises in obtaining the franchise ties they need to improve national business success. Franchise can therefore revolutionize the process of business formation for more revenue-generating firms across the nation.

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