Journal of Economics, Finance and Management Studies
ISSN (print): 2644-0490, ISSN (online): 2644-0504
Volume 07 Issue 01 January 2024
Article DOI: 10.47191/jefms/v7-i1-47, Impact Factor: 7.144
Page No: 446-453

# The Level of Sustainability to Operate a Franchised Food Outlet in South Africa: A Fast Food Industry Case

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**ABSTRACT:** This study aimed to determine the sustainability of operate a franchise in the fast-food industry and operating an outlet of a particular brand. It will also close the literature gap by empirically investigating the influence of various factors on the growth of franchised fast-food outlets and the sustainability of the business operating model. The study used a sequential explanatory mixed method design. The main finding of the study was that level of success of SMEs in operating a franchised food outlet in South Africa is generally low and operating a franchised food outlet in South Africa is not a guarantee that the business will have a sustainable competitive advantage.

**KEYWORDS:** Fast Food, Franchising, Sustainability, Competitive advantage

## 1. INTRODUCTION

The fast-food industry's growth has been spurred on by globalisation and the general increase in the incomes of the wider global population. In the developing world, more inclusive economic growth has created a new market for the fast-food franchise industry, particularly due to the increased demand for and consumption of convenient, quick-serving and ready-made meals (Tabassum & Rahman, 2012). South Africa has seen a similar growth trend in the fast-food franchise market (Negal, 2013). According to Constantaras (2015), South Africa has over 600 franchised systems, just over 39 000 franchise outlets and 17 franchise business sectors which make a 12.5% contribution to the country's Gross Domestic Product (GDP). Some 40% of new franchises were fast-food outlets and restaurants. The statistics in South Africa are considered healthy and it is considered to have a robust franchising system. Despite this, small business franchising has attracted little research attention (Wingrove & Urban, 2017).

Murray (2017: para. 2) reports that "the fast-food industry alone is worth R300 billion every year, while Statistics South Africa recorded income from the 'takeaway and fast-food outlet' sector as R170 billion in 2015". Euromonitor International (2018) estimated that the number of consumers in this sector would increase to 42 million people in the course of 2019; while Thomas and Deshmukh (2019) predict that fast food in South Africa will witness a continuous yearly growth rate of 8% for the entire 2019-2016 period. Murray (2017: para. 3) states that, in 2014, "134 new takeaway stores were founded in the country, which figure is set to increase by 4% every year, according to Insight Survey. All of this indicates that the South African food service industry in general and the fast-food industry in particular, is in robust shape".

There has been a significant increase in global expenditure on fast-food products and this has resulted in the phenomenal growth of the fast-food industry (Van Zyl, Steyn & Marais, 2010), although in the developed countries there has been a levelling off in recent years. It is not surprising therefore, that franchisors are assessing the economic potential in other markets such as Asia. For example, with China's 1.3 billion people, 200 million of which are within the growing middle class and a GDP that is above 40%, Terry and Grünhagen (2017) describe China as fertile territory for the establishment of franchises.

According to Maumbe (2012), South Africa has one of the fastest growing fast-food industries in the world, and despite changing lifestyles and a sluggish economy, Analytix Business Intelligence (2016) asserts that South Africans are increasingly embracing the consumption of affordable, large-portioned and immediate fast food. Amongst other factors, the increase in fast-food consumption in South Africa can be attributed to an increase in household income, a growth in the black middle class segment, an increase in the participation of women in the labour force, an increase in the value of household time and more pertinently the penetration of fast-food outlets into South African townships and rural areas (Thomas & Deshmukh, 2019).

According to Fin24 (2016: para. 1), "franchising is one of the sectors that has shown resilience and continues to grow in this tough economic environment", the sector is not without risk for franchisees and franchisors. Quoting Cronje, head of franchising for First national Bank (FNB) Business:

Franchise systems are based on a proven model that can be successfully replicated; these types of businesses are often considered less risky by entrepreneurs. The reality is that no franchise is immune to tough economic conditions – levels of success vary depending on the concept, strength of the brand, management and the industry.

Taking cognisance of the various factors influencing franchise performance and noting that research emphasis needs to shift towards understanding how franchising impacts organisational performance and drives growth (Hua & Dalbor, 2013; Wingrove & Urban, 2017). The aim of the study is to evaluate the level of success of franchisee in the fast-food industry when obtaining funding and operating an outlet of a particular brand.

## 2. LITERATURE REVIEW

The franchise concept refers to a type of commercial economic activity that a successful model of any company can take and be used in multi regions in order to obtain results more or less controllable, researched and tested (Zekiri, 2016). According to the Beere (2017), franchises can be very beneficial to both the franchisee and franchisor but can also be challenging and problematic. While a franchisee has the confidence that the brand already exists, without the need to start a new business from scratch, and has a right to use the name of the successful company, he must also pay royalties and other franchise fees which, in some cases, can be very expensive (Nwogugu, 2019). The franchisee basically adopts the business model of a successful company and uses it to start their own business. Thus, the entrepreneur pays for using a trademark, a name and target market which has its own customers, which frees them from having to do the marketing.

Moreover, franchises are often formed by companies or brands that have a high level of success and which are recognised on a large scale so that the entrepreneur begins the business with certain benefits. Clear examples of successful franchises are the chains of fast-food like McDonald's and coffee shops like Starbucks, or other services, such as Blockbuster (Smith, 2016).

Buying a fast-food franchise outlet may be the perfect solution if an entrepreneur is looking for a turnkey operation as franchised fast-foods can have several benefits over independent fast-foods. Therefore, operating a franchise is a great investment if the entrepreneur or franchisees are comfortable working with a team of people and can work under a developed business system and follow the way they do business. However, they also have some drawbacks.

Building on this research direction, several key variables are operationalised for this study which have been identified in the literature as important factors in franchise growth. It is acknowledged that the actual process of franchisee sales growth is very complex and that no single factor can determine the outcome of this process (Wingrove & Urban, 2017).

The advantage of operating under a local brand is that the product has been designed from scratch with the local conditions in mind (Kunimoto, 2019). For the same reason, local franchisors are best positioned to monitor changing consumer expectations (Streed & Cliquet, 2017) on an ongoing basis and stay at the forefront of developments. It is clear that only a professionally managed operation can be relied upon to deliver on the implied promise of franchising (Kim & Lee, 2020).

In keeping with international trends, franchising has evolved from very modest beginnings to become a substantial contributor to the South Africa's economy. Table 3.2 below shows the industry breakdown and the percentage of the market share as of 2016.

Table 3.2: Franchise statistics 2016

| Sector | % |
|---|---|
| Fast-food / take-out | 24% |
| Retail incl. convenience stores | 16% |
| Building and home maintenance | 11% |
| Business to business supplies | 11% |
| Building, office and home services | 11% |
| Child education and training | 9% |
| Automotive products and services | 7% |
| Real estate agencies | 7% |
| Health and beauty services | 5% |
| Personal services | 4% |
| Leisure and entertainment | 4% |

Source: (Whichfranchise.co.za, 2017)

According to Whichfranchise.co.za (2017), the franchise industry combined sales in SA exceeded the R200 billion per annum threshold in 2016.

There are various reasons contributing to the success of operating any business. These factors are discussed below:

- Customer-focus

Successful franchisors and retailers are customer-focused and their strategic and tactical decisions revolve around their present and potential customers (Urban & Kongo, 2015). Store choice decisions in the food retailing industry have been widely discussed in the literature. A consumer's decision to shop at a store is in general based on location or convenience, assortment and quality of merchandise, service quality, price, image, ambience conditions and promotions and brand loyalty (Jaravaza & Chitando, 2013:303). It is crucial to maintain a good relationship with customers for repeat business.

- Management capacity, system controls and inventory

Small businesses managers need to have experience in the field they want to enter. The experience will provide practical understanding as well as knowledge about the nature of the business, which will determine the difference between failure and success (Scarborough & Cornwall, 2019). Effective control systems keep the business on track and alert managers of any potential danger. If any control does not signal any impending problems, then such controls are ineffective (Griffin & Ebert, 2015). Scarborough and Cornwall (2019) argued that the largest investment a small business makes is in inventory, yet inventory control is one of the most neglected managerial responsibilities. Insufficient inventory levels result in shortages and stock-outs, causing customers to become disillusioned and leave. A more common situation is that the manager has too much inventory, but also too much of the wrong type of inventory. Many small businesses that fail due to poor inventory control, have excessive amounts of cash tied up in an accumulated useless inventory.

- Site location

Various models of site selection and location exist within the fast-food and general retail environment, with the most prominent model, the location-allocation model (Church & Murray, 2018) characterising the relationship between the facilities available within the location as well as the demand density within the area (Kaul, 2018). Additionally, the Shopping Centre Attractiveness (SCATTR) scale is based on 21 attributes and has been used successfully to assess which factors influence the attractiveness of shopping centres from a customer perspective (Birkin, Clarke & Clarke, 2017). The SCATTR scale includes factors such as family shopping environment, banking facilities, retail merchandising, food court, entertainment and parking availability. Additional attributes within the South African environment have been noted such as the need for security, access to the main transport routes as well as ease of access to the retail mall itself (Wingrove & Urban, 2017).

## SKILLS REQUIREMENTS IN OPERATING A FAST-FOOD FRANCHISE

When evaluating a food franchise, a prospective franchisee needs to clearly identify which skills and experience are necessary to succeed. According to FASA 2017, many people mistakenly believe that owning a franchise can change and improve their financial position life in the short-term. However, opening and owning a fast-food outlet is a complicated process that involves considerable planning to ensure that customers are attracted to the business. For this reason, fast-food franchise ownership is not the right choice of business for everyone as it requires commitment, passion, personality, solid research, and a willingness to achieve the set vision of franchisor. However, buying a fast-food franchise remains a good alternative for entrepreneurs who are risk averse investors especially during tough economic times (Lanchimba, Windsperger & Fadairo, 2018). In most cases, a new or existing fast-food franchise has a strategy in place. In addition to training, the franchisee receives advice and guidance on all facets of the business, such as supply chain, marketing, finance, the IT system and the brand’s reputation.If franchisees have the right blend of skills and personality traits, the fast-food business can be very rewarding. It is recommended that prospective franchisees spend time working in the outlet to determine whether they have blend of attributes and qualities before investing into the franchise business.

## 3. RESEARCH METHOD

The research used case study and exploratory techniques to provide an understanding of people’s perceptions, perspectives and understanding of the franchise model in the fast-food industry. Qualitative Approach: In-depth interviews conducted with franchisees of fast food business in a particular brand. Data. from the recording device, was transcribed to Microsoft excel document and thematically analysed.Validity and reliability of data were achieved by triangulating the data using documentary analysis In this study, the researcher could not find an existing similar instrument for data collection; hence, the development of a new instrument. A panel of experts was used to evaluate the content validity of new instrument, following Polit and Beck (2012). Each item in each research instrument was analysed with assistance from the research advisers in the University of South Africa. Experts in the subject matter also assisted in examining the validity of the items included in the research instrument. Inclusion of items in the research instrument obtained from literature also ensured that the research tool had content validity.

PROPOSED CONCEPTUAL FRAMEWORK Cooksey and McDonald (2011) regarded a conceptual framework as a scoping and shaping tool that can be prospective or retrospective while Punch (2009:356) stated that a conceptual framework shows “the concepts of a piece of research and their conceptual status with respect to each other”, and Maxwell and Loomis (2003:253) 53 emphasised the role of the conceptual framework in defining the theory or theories relevant to the study. According to them, a conceptual framework is “the basis for reframing the research questions and for formulating hypotheses or making informal tentative predictions about the possible outcomes of the study”. According to Cepel, Stasiukynas, Kotaskova and Dvorsky (2018), the business environment has a significant impact on the growth of small enterprises. Prajogo (2016) defined a business environment as all those factors or variables, both inside and outside the organisation that may influence the continued and successful existence of the organisation. Porter and Kramer (2019) argued that for new SMEs to grow, it is important to strengthen not only the internal business environment but also the external environment. Changes in the business environment have either a negative or positive effect on the growth or failure of SMEs in much of Africa (Igwe, Onjewu & Nwibo, 2018). From this background emerges a conceptual framework towards interventions to support emerging SMEs in developing countries. The conceptual framework in this study focuses on the factors contributing to the failure of SME businesses in developed countries as well as in South Africa. The conceptual framework (Figure 3) consists of different categories of factors that influence the survival and growth of a franchise business. These are site location and type of outlet; the input, which include the barriers and challenges faced by franchisees in operating a successful business, and the factors of success on franchisees operating a food outlet in South Africa; and the food-franchise business process. These are discussed in detail below. 54 Figure 3: Proposed Conceptual Framework to Operate a Sustainable Franchise in the fast-Food Industry The literature points to the necessary foundations for a framework towards sustainable fast-food industry franchising by (and with) emerging entrepreneurs in developing country contexts. The framework builds from the fundamental principles of all business operations, that a balance between (i) inputs and (ii) the process, with the quality of such a balance determining the type, quality and quantity of (iii) outputs. At the conception phase, a careful identification and choice of product should be prioritised. This decision process should be fully cognisant of a fast-food product and its associated processes. Understanding the location and the potential clientele should be the pinnacle of this planning phase. Regardless of the quality of the product and service offered, limited clientele with no expansion potential would fail to increase revenue beyond a certain point – no matter the amount marketing applied, i.e., if there is no potential for the outlet to increase its clientele, sales, revenue and profits beyond a point of profitability. Obviously, funding considerations are central to this process, for without capital funding, the entrepreneur would not come even close to running any outlet. Furthermore, proximity to a suitable workforce also impacts the site choice 55 considerations. A careful consideration of the product, and the site, would ultimately inform the size of the outlet and ultimately, the type of operations to be applied. The rest, which is the growth strategy, competency and the growth potential, are guided by successful navigation through the initial fundamentals. 3.10.1 Site Location and Type of Outlet For many small businesses, choosing the suitable location for the business is often a challenge as some locations are chosen without a proper feasibility study and planning. Some new business owners choose a particular location just because they have seen a vacant place or building (Scarborough & Cornwall, 2019). Entrepreneurs need to price their products and services in a manner that will be profitable to the business. In most cases, small business owners often price their goods and services incorrectly resulting to losses that ultimately cause their failure (Ennico, 2012). Kim (2018) argues that small business owners often select a location based primarily on convenience or cost. A location may be chosen because of the availability of a vacant building, proximity to the owner’s residence or low rent. One of the reasons why small businesses fail is because they select a site for their business without first making a thorough analysis of the overall location’s potential for the business’s survival and growth. Lumbwe, Anyadiegwu and Mbohwa (2018) indicated that the importance of location is determined by the type of business and the proximity of the business to its customers (i. e. must customers travel to the business or must the business owner travel to the customers). Other factors to be considered are whether the business offers a special product or service with little direct competition and whether convenience is the key selling point in what the business offers to customers. Crocco (2019:n.p.) noted that a poor location may be indicated by the fact that directly or indirectly competing small business enterprises are too close. According to Longenecker, Moore, Palich and McKinney (2006:271), the importance of the location decision is underscored by the costs and impracticality of pulling up stakes and moving an established business if the decision on the location proves to be wrong. Based on location, if the choice of location is particularly poor, the business may never be able to get off the ground, even with adequate financing and superior managerial ability. Masama and Bruwer (2018:22) corroborated the above view by the indicating that even the best fast-food or retail store will fail if it is on a wrong site. It is 56 important to consider factors such as where there is flux of customer and convenient to the customers. • Training and education Hashim and Wok (2013) stated that likelihood of businesses that invest in training and development skills are more successful in the long run. Although this claim is widely established, evidence too shows that training and management development enhance SME performance is equivocal (Storey et al., 2016). A large body of the SME training literature has attempted to address this issue by empirically testing the relationship between training investments both in terms of resources, time and business performance through individual and organisational level data. Several recent reviews, however, have shown that the empirical evidence for training influence on company performance is generally inconsistent and inconclusive (Storey, 2004). Huang (2008) stated that firms with sophisticated training systems and strong management support for training have effective training programmes and are more successful in delivering training. In fact, organisational performance can be held back through a neglect of training activity. In their impact assessment study, Marshall and Rossman (2014:37) found that government-funded training investments in SMEs have a significant influence in setting proactive strategies to combat recession; 50% of receiving companies, as compared to 12% of the control group, increased employment opportunities, increased investments and had perceptions of resultant increased profit. Therefore, the evidence for SME training efficacy seems contradictory. Effective training is reported to have positive effects on organisations. Pretorius, Millard and Kruger (2006) emphasise the importance of ensuring that "implementation skills" receive serious attention when it comes to the preparation and improvement of entrepreneurs. Within the South African SME sector, one can expect to find a relatively low level of education, especially among the young and previously disadvantaged groups. Training here is, therefore, paramount for facilitating managerial skills. In a study conducted in Canada, it was found that SMEs operated by people with a recognised tertiary education earned double the amount than people without a recognised tertiary education (Society of Management Accountants of Canada, 2001). Training is a vital source for any employee, as it presents them with information, expertise and capabilities to execute duties to perfection within a specific job profile (Nieman, 2006). Training is also a prerequisite for employee development, 57 which, according to Nieman (2006), has an extended period of focus and prepares the individual for his/her aspirations. Ramsden (2010:24) stated that the low financial literacy rate amongst SME owners is a serious challenge for effectively managing SME finances and prevents SMEs from assessing and understanding different financing options and the completion of complicated loan application forms. Additionally, SMEs financial statements are not transparent, thus making them risky borrowers. Education and skills are needed to run micro and small enterprises. According to Meng and Liang (1996:171), after entering the entrepreneurial world, those with higher levels of education are more successful because university education provides them with knowledge and modern managerial skills that make them more conscious of the reality of the business world, and, thus, place them in a position to use their learning to manage business. Similarly, Lussier and Pfeifer (2007:77) also summarised that entrepreneurs with higher education levels and experience have greater chances of succeeding than people without education and experience. • Inability to manage unexpected growth Management of growth is required at every stage of the business. An example is that at the introduction stage a lot of research and marketing are required to grow awareness of the business. This is followed by the growth stage competitiveness which is necessary as potential entrants into the industry may flood the market to share the same profits an SMME may be garnering. Another factor that contribute to the failure of SMEs is their inability to manage the business growth. SME owners find it challenging to manage their business as they grow due the lack of financial training, entrepreneurial mindset and managerial experience or skills. According to Mienie (2009:72), growth in any business places severe pressure upon its resources and sometimes necessitates SMEs to acquire more resources, which plunge SMEs, in many instances, into severe cash flow problems that finally lead them into failure. Mienie (2009:73) argued that the latter prohibits SMEs from growing to full potential, as they are unable to acquire the necessary resources and leads to SME insolvency. Ismail and King (2007:18) also stated that a lack of focus (prioritising) by SME owners or management can result in failures. Lack of prioritising is often a real challenge for an entrepreneur in an SME, as there are constant changes in priorities, issues that need attention and other issues that require rectification. Often, opportunities present themselves and it is difficult to say "no" to a short-term opportunity that will distract 58 SMEs from their long-term goals. SMEs should be clear on their long-term objectives and the opportunities that will facilitate them achieving these objectives. SMEs should evaluate other opportunities based on the extent to which they draw resources away from their ability to achieve their long-term goals. As mentioned in Section 3.5, there are various models of site selection and location that exist within the fast-food and general retail environment; and according to Kaul (2018), the location-allocation model characterises the relationship between the facilities available within the location as well as the demand density within the area. The factors that influence the attractiveness of shopping centres and hence a particular fast-food outlet, among others, are: family shopping environment, banking facilities, entertainment, parking availability, security, etc.

## 4. DATA ANALYSIS AND DISCUSSION

The researcher studied the literature and the data, building on the data findings discussed in previous chapters as well as the literature review. During the data analysis, the study provided the descriptive analysis on demographic information of the owners of the franchisees whereas second section provides inferential analysis. Data was gathered using a survey and in-depth interviews to attain an understanding of perceptions of the owners of the franchisees and factors of performance of a franchisee and their interrelationships.

This section presents the integration of quantitative and qualitative research findings. This study used a concurrent mixed methods approach. The researcher used the qualitative research to complement the quantitative methods by adding comprehensive or detailed information to the findings of the quantitative research and trying to answer questions why and how the relationships found happened the way they did. In this section, the quantitative findings are integrated with those of qualitative research to obtain comprehensive answers to the research questions.

In general, the success factors identified in the quantitative research were similar or at least compatible with those found in the qualitative research. We now look at the research findings in general.

5.4.2 Level of success of SMEs to operate a Franchised Food Outlet in South Africa

The franchising business model has been in existence since the Middle Ages according to Shane (2005) (although as a business model it is said to have started in the mid-19th century with a German brewing company, followed by companies such as Singer, Coca-Cola, Ford and General Motors). Its phenomenal growth since those early days shows that the model is successful across the world. Franchising is a proven model to invest in and the probability of failing is slim compared to starting one’s own business.In the case of the qualitative research, more than half of the participants believed that operating a franchise was very successful across the country, especially if the site was well identified and supported by good research. Some of the reasons given for this answer were that MrM’s has been in the country for 22 years and now has more than 280 outlets countrywide, continues to grow and that it is more successful compared to many other businesses in the world, not only in SA. The success of a franchise is likely to be higher than a stand-alone entrepreneurial fast-food business. The majority of participants, however, indicated that the level of success to operate a franchised food outlet in South Africa is low. This assertion was compatible with the quantitative research finding that the majority of the respondents indicated that the leadership and the competitive advantage of the franchisees are not good for the market is highly competitive. In general, the study found that the level of success of SMEs to operate a franchised food outlet in South Africa is generally low and operating a franchised food outlet in South Africa is not a guarantee that the business will have a sustainable competitive advantage.

5.4.3 Success Factors and Challenges of a Franchisee

5.4.3.1 Success factors

The success factors of a franchisee operating a food outlet in South Africa were found to be: work experience in the industry, leadership reflecting an understanding the industry, quality in general and packaging, quality of service, location, type of outlet, market research, brand, business model, a well-established central kitchen and reliable logistics, a good relationship with head office and other stakeholders, disciplined controls (in expenditures, drawings and not over-capitalising the business from the on-set), longevity in running the franchise business, network abilities, operations management and making sure that staff is well trained, location, owner participation, business fulfilment and not seeing the business as a money-making operation, having enough cash flow, having good relationships with suppliers, good economy, equity, business management, marketing strategies, and use of skilled and trained managers and staff.

5.4.3.2 Challenges

Challenges include: competition, locking franchisees into unreasonable agreements with high rentals and royalties; high costs of running the franchise as far as the fees are concerned; high costs of rental, royalties, marketing costs, structures, limited and not negotiable use of approved suppliers and service providers; sales can be lower than what was initially planned, which makes it difficult to service bank loans and make good profit; and poor site locations. Barriers are start-up capital, not having financial management skills and stringent requirements for borrowing.

5.4.3.3 Concluding remarks

The collected data and the findings in this study revealed that MrM’s business is a sustainable and profitable business if well managed and located in good area. The franchisor provides support to the franchisee in the operation of the business in order to eliminate failure in business.In conclusion, franchising is a good business if it is well managed for one can make good profit out of it, and it can be passed on as a family business for life. However, franchisees need to understand the deal they are getting into with the franchisor in terms of fees, rentals and royalties versus profit. It is also recommended that they understand accounting or have financial skills. Getting clarity on the franchisor’s strategy or clauses in the business agreement is of utmost importance. In other words, due diligence on the part of the franchisee is essential.

This presents a vivid picture of the factors involved in the franchising business in South Africa from the perspectives of the participants. It is presented as Figure 6.1 below

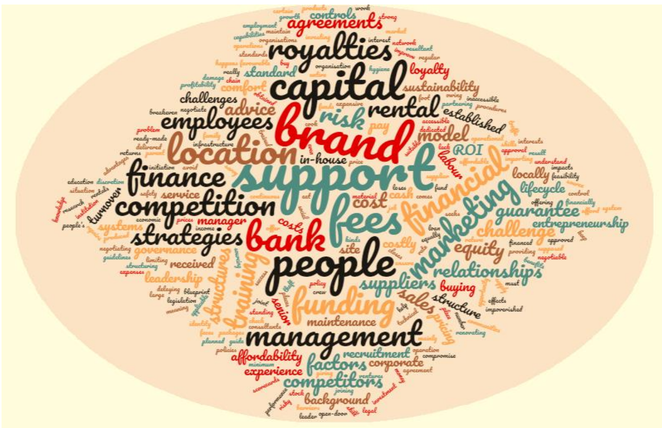


**Figure 6.1: Word cloud summary of key findings**
**Source:** Researcher's own

In general, the study found that the level of success of SMEs in operating a franchised food outlet in South Africa is generally low and operating a franchised food outlet in South Africa is not a guarantee that the business will have a sustainable competitive advantage.

## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Franchising is a business model where the business owner is referred to as a franchisee, who pay agreed fees to a franchisor company for the right to market goods or services using the franchisor's brand name and business systems. Then the franchisee uses the business model of the franchisor for an agreed period of time. Entrepreneurs pay and use the business model to start their own businesses. They use the brand, and use a name and a product which has its own customers, which frees them from having to create their own market.The level of success of SMEs to operate a franchised food outlet in South Africa is generally low and there is no guarantee that the business will have a sustainable competitive advantage. It is crucial to maintain a good relationship with customers for repeat business. The following were found to be the main success factors of a MrM's franchisee:

(1) Management capacity, system controls and inventory. Having an experienced manager to run the daily operation of the business is very critical;

(2) Location. Security and accessibility - determined by road patterns, road conditions and barriers, are very important. In addition, it is important to understand the business and the site location on the outlet for the performance of outlets in the malls rely on foot traffic; and the busier the mall the busier the outlet will be, and competition is tough;

(3) Skills requirements. A franchise owner or manager must have a particular type of personality, do solid research, and be willing to work within the confines of someone else's entrepreneurial vision for success. They also need training and marketing support. Owning a franchise takes hard work as it means that the franchisee will be spending most of his or her time at work, especially at the beginning. Full time participation of the franchisee in the business is important, and a franchisee needs to demonstrate passion in the brand as the daily operation of the franchise business can be intense.

There are both push and pull factors. Push factors are domestic saturation, increased competition and diminishing profits. Pull factors are favourable macroeconomic, demographic and political conditions abroad. External causes of business failure include access to funding and start-up capital. Socioeconomic factors including crime and corruption, appropriate technology and low production capacity, which are influenced by access to electricity, a lack of management skills and in adequate skilled labour, finance and obtaining credit, access to markets and developing relationships with customers, regulatory compliance and poor government service delivery and political uncertainty inter-relate to determine business performance. The study was limited by constraints in resources, access to information such as franchisees' business plans, sensitive information held by commercial banks, time and others. The material resources needed for a larger sample size for this study were inadequate.

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