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Instilling the Learning Experiences of Becoming Franchisors: Issues and Challenges

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Abstract

As one of the measures to amplify and strengthen the economy, the Malaysian government has introduced some intervention measures to generate jobs and business opportunities through franchising. This study attempts to describe the learning experiences of local Bumiputera entrepreneurs to become franchisors. More specifically, this study aimed to discuss the practical issues and challenges faced by entrepreneurs who participated in the PERNAS franchisor development program. Data were collected using face-to-face interviews with four local Bumiputera entrepreneurs. The research findings identified four key issues, namely, lack of government support, promotion constraints, unclear business agreement, and financial hurdles. Despite the research limitations, the research finding is believed to have significant, and merit impacts on the learning experiences of becoming successful franchisors.

Keywords: Learning experience, training, entrepreneur, franchising.

INTRODUCTION

In the face of the Covid-19 pandemic, nearly 90,000 job losses have been reported (Social Security Organization, 2020). This has led the Malaysian government to introduce a progressive strategy to create more jobs and business opportunities by promoting mass franchising and allocating RM25 million for the learning and development of micro franchising and affordable franchise programs (Mohamad, 2020). The Malaysian government has actively encouraged the growth of domestic or local franchises as one of the measures to boost and strengthen the economy.

Franchising is seen as a business development model that has lesser risks of failure. Realizing this, the government has introduced many initiatives that are designed to provide the necessary environment, resources, and incentives to bring about accelerated development of franchisor entrepreneurs. Many programs to promote franchising as a successful business model for Bumiputera entrepreneurs in

Malaysia have been implemented by the government. For example, the government has introduced special development programs such as the Franchise Development Program, Youth Franchise Scheme, Executive Franchise Scheme, Graduate Franchise Program, and Women Franchise Program. Rigorous

programs conducted by government agencies have encouraged rapid development of franchising industries in Malaysia. Perbadanan Nasional Berhad (PERNAS), a subsidiary of the Ministry of Finance plays a significant role in developing the Franchise Development Program since the 9th Malaysia Plan. PERNAS focuses on the development of domestic and international franchises by providing total franchise solutions such as franchise investment, promotional activities, financing, training, networking, franchise development, and research and development (PERNAS, 2020)

Despite huge amount of money invested by the government in developing franchise programs, the outcome is still far below expectation. For instance, of one hundred and twenty-eight (128) small and medium-sized enterprises (SMEs) bumiputera entrepreneurs who participated in PERNAS Franchisor Development Program, only 13.8 percent (13.8%) of small and medium-sized enterprises (SMEs) Bumiputera entrepreneurs from PERNAS Franchisor Development Program become successful franchisors.

The statistic shows that low number of the participation of the program and the success rate of the participants that become a franchisor also lower. So, there is an urgent need to find solutions and to uncover what are the reasons contribute to the low participation and success rate of participants in this



training program. Therefore, by identifying the learning experiences of the participants throughout the program reasons of success and failures can be explored. This area of research is important in providing empirical and theoretical evidence to provide knowledge on how the participants in the training program can develop their business into a franchise business and become a local franchisors in Malaysia. Hence, may give an input towards the government agency, financial institutions, training provider, small and medium-sized enterprises (SMEs) in Malaysia, society, and others institutions. Besides, by identifying the learning experience in developing franchisors, it can encourage the entrepreneurs to develop their business towards franchising, hence will increase the number of franchisors in Malaysia.

Problem Statement

According to previous research, the learning experience is an important determinant of a participant's success or failure in the training program (Chee Hee, 2013; el Hajjar & Alkhanaizi, 2018; Sacramento & Teixeira, 2019a; Said & Enslin, 2020; Viitaharju et al., 2021). In fact, it has been found that there is a significant positive relationship between participants learning experiences and the success of a training program (el Hajjar & Alkhanaizi, 2018). Thus, the low success rate of small and medium-sized enterprises (SMEs) bumiputera entrepreneurs becoming franchisors in the program remained largely unanswered prior to this study.

Entrepreneurial learning experiences, particularly in franchisor development, are limited to explore at the behavioral level or in the learning activities undertaken (Said & Enslin, 2020). To deepen our understanding of entrepreneurial learning experiences, it is imperative to pay more attention to the learning behaviors involved so that they can be considered as a concrete construct consisting of identifiable behaviors (Thomas & Qiu, 2012). Thus, the question of what leads entrepreneurs to start a franchise is the subject of appropriate empirical research. Unfortunately, there are few studies in this area, although research on franchising has been conducted for over thirty years (Elango, 2019). In the same vein, there are limited studies about the predictors of franchisor entrepreneur development and considering the role of the learning experience as a possible determinant in the franchisor entrepreneur development framework. Existing studies about franchisor entrepreneur development have focused on determinants of successful franchise business (Harif, Hoe, Hussin, Isa, Othman & Din, 2011; Razilan, Badaruddin & Zulkefli, 2013), success factors in a franchise business, factors in choosing franchisor, franchisee satisfaction, franchisees learning, and franchising relationship (Mohd Harif, M. A. A., Chee, H. H., & Chin, O. (2014); Mohd Huefiros, Naemah & Fahimah, 2020; Hanafiah & Makhbul, 2008). Therefore, this study will be attempting to justify the practical issues and challenges faced by local entrepreneurs to become franchisors in Malaysia.

Although various factors have been studied in the local context among entrepreneurs, there seems to be limited information in the literature on the learning experiences of

bumiputera entrepreneurs in small and medium enterprises (SMEs). This is an important limitation of this study, particularly around franchisor development in the PERNAS franchisor development program in Malaysia. Therefore, these fundamental questions need further attention to identify the learning experiences of the participants in the PERNAS franchisor development program.

Learning experience

This study follows experiential learning theory, which underlines learning as "the process whereby knowledge is created through the transformation of experience" (Kolb, 1984, p. 41). Learning is defined as the process by which knowledge is discovered through the implementation of experiences and the improvement of knowledge (Sinha, 2012). They are two types of learning, namely informal and formal learning. Formal learning is recognized in education and is generally considered as a structured investment (Roffe, 2007). Learning can take place in a formal setting such as a college or an organization's training center, but it can also be less formal (Wilson, 2001). Meanwhile, informal learning includes anything that is not formal and relates to a person's performance (Tseng, 2013). Formal and informal learning are important methods of individual development (Birdthistle, 2006; Ekanem, 2015). Entrepreneurs not only learn directly by developing their own businesses but also indirectly from other businesses (Yang & Hahn, 2015).

Learning experience refers to various forms of courses, programs, activities, or other experiences in which learning is executed, whether it occurs in traditional settings (schools, classrooms, higher institutions) or nontraditional settings (outside-of-school locations, outdoor environments), or whether it includes traditional educational (Politis, 2005; Thomas & Qiu, 2012). In the context of franchisor development, learning experiences arise from the various experiences an entrepreneur has had, such as experience in starting and running other businesses and experience in a particular industry (Politis, 2005). In addition, learning experiences also include learning through attending training/courses and observing competitors or partners (Thomas & Qiu, 2012). In this study, the learning experience is defined as the learning experiences of Bumiputera entrepreneurs of SMEs, who are participants in the PERNAS franchisor development program.

Research Design

This study used a qualitative method through semi-structured interviews. Choosing a qualitative study can help the researchers to explore the learning experiences and developmental factors that influence the participants of the Franchisor Development Programme to become franchisors. In the present study, the face-to-face interview technique was used to explore their learning experience by them. The interviews with four participants were performed. Convenience sampling was used in selecting the participants for the interview. This approach has the advantage to obtain extensive information quickly and effectively.

Each interview lasted for about one hour and was recorded by a Micro-audio recorder (MP3) with the permission of the participants themselves. Some participants simply agreed with the researcher's sample key issues and just provided a brief explanation without elaborating in detail. Therefore, the research results originated from the answers that were given by the interviewed participants.

Interview Findings and Discussion

The study explored the various challenges in developing franchise businesses that local entrepreneurs face, and entrepreneurial learning took place. The findings give an insight into learning experiences among entrepreneurs and what they do to develop their businesses. The risks and challenges might vary depending on some factors also; however, the outcomes of entrepreneurial learning are significant and essential (Afshan et. al, 2021). The results probe us to understand the entrepreneurs' perception of their business conditions (Narula, 2020).

Respondent 1: "While not yet a successful franchisor, I noticed that there is a lack of support from the government. The only support we received is training support from PERNAS, which is in the form of training and consultation. I learned how to find different sources to develop the business and look at how the other sources can be transformed as an opportunity".

In the above statement, the entrepreneur expresses grievances of lack of support; it is hard for the entrepreneurs to seek and find support. Still, against that, the entrepreneurs lack information on where and how to find suit support to keep business in balance. They realized that they can independently operate and grow the business and find different sources and opportunities in developing their franchise business. Yang & Hahn (2015) study shows that there is strong evidence that past successful founding experience and past support diversity are negatively associated with entrepreneurial success.

On the other hand, the second respondent was concerned about promotion, marketing, and business branding as it is crucial for business sustainability. The role of promotion in helping a firm's business performance has received significant attention in the franchising business. As mentioned by the second respondent,

Respondent 2: "At that time we were still new, and it was also difficult to promote a business with a franchise concept. At that time, the community still did not understand the concept of franchising, and any others matters such as business planning and costs involved. It means constraints also come from the negative perception of the community due to a lack of knowledge about the franchising business. Hence, I learned that I need to share knowledge with the customers and the community, and educate and expose them to the franchise business concepts in details. It is also one of the marketing strategies in introducing the franchise business."

The above statement shows that entrepreneurs in franchise business face more challenges than entrepreneurs with a normal business concepts as the community still has zero

knowledge of the franchise concept business. There are social and cultural factors that hinder entrepreneurs in franchise business concept from surviving and growing in the business. Lack of promotion, marketing, and, business branding regarding franchise business concepts leads to negative perception from society. Hence, it provides an understanding of entrepreneur learning experiences about the importance to promote, marketing, communicating, and coordinating with the customers and local community (Afshan et. al, 2021). Another challenge is an unclear business agreement. As pointed out by the third respondent,

Respondent 3: "The business agreement made by us has a lot of loopholes and is not too strict. The agreement was made by ourselves, so we know where the loophole is. For example, any franchisee who left the business cannot run the same business as we do. I did not put it in the agreement because I believe in each other's sustenance. There was the issue of hijacking where the franchisee builds the same business similar like us. After the situation, I produce a highly strict agreement in order to protect the franchise business and prevent it from being copied".

Entrepreneurs adopted different strategies to cope with the situation. For instance, they started learning new knowledge with regard to enforcement and law to operate their franchise business in a better way. This shows the importance of law education especially in operating and developing the franchise business. Entrepreneurship is identified with risk and opportunity (Afshan et. al, 2021). When entrepreneurs are faced with risky situations, they make strategic decisions (Liguori and Pittz, 2020).

Finally, financial constraint is also one of their main obstacles. As shared by Respondent 4,

Respondent 4: "The hardest thing for me of the journey in becoming a franchisor, was we used to have a high loan with the financial institution in Malaysia although we are not capable and we were almost bankrupt. It was due to we listen of entrepreneur friend's incitement to apply for high loan as possible in order to support the business but it was failed". I learned that if you feel that the company is unable to take the financial burden, it is better not to take the risk and be influenced by others. So, it is very important for an entrepreneur to have a strong financial knowledge in handling their business".

The statement mentioned above shows the experience and exposure of the entrepreneurs across challenging conditions. It enabled them to understand the changing conditions and develop the mindset to deal with the challenges independently. Thus, entrepreneurs seem to learn from their own failures in order to be successful (Yang & Hahn, 2015). The entrepreneurs adopted necessary and specific preventive measures than everyday life. The measures helped them to continue and service their businesses (Afshan et. al, 2021).

Conclusion

This study is the first attempt that investigated learning experiences among PERNAS franchisor development

program participants. This study used a face-to-face interview with four participants, which aims to identify issues and challenges to become franchisors and the learning experiences. The findings from interview show that four key issues and challenges such as lack of support, promotion, marketing, business branding, unclear business agreement, and financial constraints. Despite the research limitation that only rely on a face-to-face interview, the research finding is believed to have significant, and merit impacts on the learning experience of the entrepreneurs in developing the franchise business concept and becoming a franchisor.

From the practitioners' perspective, this research provides guidance to entrepreneurs, especially for those entrepreneurs in franchise business on how to design experience to promote learning that may help to ultimately lead to entrepreneurial success. Specifically, entrepreneurs should avoid overconfidence, especially when they experience early success. Rather than merely fixating themselves to existing seemingly successful strategies, they are recommended to explore new strategies that fit well with their new innovative ideas. In addition, our research offers implications to induce more successful strategies for the entrepreneurs in developing the business into franchise business concept and becoming a franchisors.

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