

## FACTORS INFLUENCING UNIVERSITY STUDENTS' DECISION TO SELECT FRANCHISE BUSINESS AS CAREER OPTION

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### ABSTRACT

*Franchise business helps the countries to develop their economy and create job opportunities which further boost economic growth. In 21<sup>st</sup> century mostly multinationals using franchise strategy to enter in the international market due to its cost effective advantage. The countries where MNC's offer their franchise also enjoy the fruits of economic development by helping and motivating the workforce for franchise businesses. In this regards, Malaysian government have also taken initiatives to promote entrepreneurship including franchise business because they realized that entrepreneurship will boost economic development, create more job opportunities, establish a variety of business in the country. The Malaysian government promoting entrepreneurship including franchise business by offering financial support to the individuals and creating awareness among students by conducting seminars, conferences, workshops on entrepreneurship and offering courses to university students. The purpose of all these initiatives is to create more awareness and motivate students to choose entrepreneurship as a career. Hence, the purpose of this study is to investigate those factors that resist university students to choose franchise business as career. The data was collected from 40 BBA students through structured and un-structured questions following with interview. Content analysis technique was performed to analyse the qualitative data. The results of the study indicated that lack of financial availability, lack of knowledge about franchise business, buying behaviour, lack of work experience and un-availability of reputed franchise brand resist students to choose franchise business as career. Furthermore, among classroom learning, lectures play vital role for student learning. The findings of this research will be helpful for the policy makers, entrepreneurs and educational experts to develop their strategies accordingly. In addition, future research directions have been suggested.*

**Keywords:** *career choice, franchise business, entrepreneurship*

## INTRODUCTION

The issue of unemployment amongst graduates has long been a major problem for the policy-makers in Malaysia (Hock-Eam Lim, Judith Rich and Mark N. Harris, 2008; Superuser, 2012). According to the Statistics Department of Malaysia (2011), for the years between 1982 to 1997, the number of unemployed degree holders was between 2,700 to 8,200 persons. However, since 1998 the number has shown a significant increase between 12,000 to 33,800 persons. Various causes for unemployment amongst the graduates have been identified.

A search of the literature showed that there is extensive empirical research investigating the determinants of labour market outcomes of individuals who are engaged in job search. Past investigations have typically found that age, gender, marital status and schooling are significant determinants of an individual's employment outcome (Edin, 1989; Bradley and Taylor, 1991; Narendranathan and Stewart, 1993; Lazaro et al., 2000). Studies of unemployed persons have also shown that proficiency in the English language is an important determinant of labour market outcomes. In Malaysia too, it has been found that one of the key determinants of poor labour market outcomes for graduates in Malaysia is a lack of proficiency in English (*The Star* 2004a,b). Finally, the type of degree obtained is another important factor. Smith et al. (2000) divide the labor market outcomes of UK graduates into two categories: a positive outcome (entered employment or continued further studies) and a negative outcome (unemployed or economically inactive). They find that graduates with vocational degrees, such as Medicine and Law, are more likely to have better labor market outcomes than graduates with less vocational degrees, such as Humanities Studies, and that this latter group also has a higher probability of being unemployed or economically inactive. In Malaysia, a survey conducted in 2002 on unemployment among graduates by the National Higher Education Research Institute of Universiti Sains Malaysia suggested that there were significant differences in graduate labour market outcomes across degrees obtained (Kasturi, 2004). The Malaysian private sector has urged universities to understand the needs of industry when considering their courses and enrolments (Chapman and Lim, 2004; Lim, 2004). In this respect, the Malaysian government has developed various strategies to encourage students to become self-employed, i.e. to start their own business ventures and hence do not depend on others to be employed. Apart from starting afresh by venturing out on one's own business, the graduates can also become franchisees of established franchise businesses. The common cliché within the franchising fraternity is 'doing your own business but not by yourself'. In this respect, this study examines the preliminary factors affecting university students' decision to be involved in the franchise business sector.

This study explores the factors influencing university students' decision to select franchise business as a career option. The career choices in the franchise business sector are quite diverse. The university students decide to be outright franchisees, working as a paid employee, a franchise consultant, a banker serving the needs of the franchise fraternity, a civil servant working a government agency that support or governs the franchise business sector, a vendor supplying materials and inputs to the franchise business, a real estate agent scouting and sourcing suitable premises or locations to be rented to the franchise business or as a contractor doing the furnishing and fixtures of the franchise business.

### FRANCHISING IN MALAYSIA

Franchising has been described by John Naisbitt, in his best-selling book *Megatrends*, as the "single most successful marketing concept ever...the wave of the future". There is no question that franchising is an important worldwide business phenomenon and thus, franchising is growing worldwide. From North America to the rest of the world, franchising has emerged as the way to operate and expand successful businesses. Hence, franchising has been said to be the 'new frontier' of operating a business. Yet the global marketplace remains relatively untapped. In fact, the growth potential for franchising around the globe is infinite. Malaysia like many other Asian countries are just beginning to discover that franchising is an attractive way to boost their economies. Thus, franchising has been recognized as a quick way to develop local entrepreneurs. The risk in franchise business is lower compared to other forms of business because it is a tested concept that incorporates training and supervision by the franchisor under a proven system. Even during tough economic times, franchised businesses have the ability to endure, owing to the support received from its franchisors.

The franchising industry in Malaysia was estimated to make up about 18 % of total retail sales in 2004 (Euromonitor, 2004). In 2006, it was estimated to represent about 25 % of retail sales. The franchise industry is expected to contribute RM23.6 billion to the gross national product for the year 2013. There was an increase of 68 percent in new franchise system registration from 366 in 2008 to 651 in 2012 (Star, 2013). In terms of franchisee registration, there was a jump of 40 percent to 5465 since 2008. However, it is still largely untapped and therefore potentially offers much room for growth. This is because franchising in Malaysia is still in the early stages of growth and development. In realizing that Malaysia has potential for tremendous development in the franchise

sector, the Malaysia government is giving its full support to encourage the growth of franchising as one of the strategies for entrepreneurial development in the country. Under the Eight Malaysia Plan (2001-2005), the Entrepreneur Development Ministry has targeted to develop 1,000 franchisees and 50 franchisors financed under the RM100 million Franchise Development Programme. Even though franchising in Malaysia first started way back in 1948 with the introduction of the Singer Sewing machines stores and then followed by the likes of the automobile and gas station dealerships, and soft drink production by local bottlers. And although A & W was the first fast food franchise to be introduced in Malaysia in 1967, it wasn't until the 1990s that franchising really took-off in Malaysia. Recognising that franchising can be utilized as one of the fastest ways to create entrepreneurs and increase the numbers of "middle class Bumiputeras". The government began to promote franchising by offering them significant financial and training support. It is estimated that Bumiputeras now represent at less 40 percent of franchise owners. This has been quite effective as more and more Bumiputeras are keen to become franchisees.

In 1992, the Franchise Development Division was set up under the auspices of the Prime Minister's Office. This division was later transferred to the Ministry of Entrepreneur Development in 1995. In 1994, the Malaysian Franchise Association (MFA) was established by the Malaysian government to act as a self-regulating body for the franchising industry in Malaysia. It is also to assist the government in developing and promoting the franchising programme.

In 1998, the Malaysian Franchise Act was legislated to regulate the franchise industry in Malaysia. Among others, this Act serves to track the growth of franchising and regulate and protect both franchisors and franchisees. Also, in accordance with the Act, all franchisors that are operating their franchises in Malaysia are required to register with the Registrar of Franchise (ROF), which sits under the Ministry of Entrepreneur Development.

Finally, the government has recognized that the franchise sector is an important growth engine and could help provide employment opportunities to 320,000 youths that enter the labour force every year (Mustapa, 2005). Among other strategies, the government has introduced the Graduate Franchise Programme to encourage unemployed graduates to join the franchise industry. This is to reduce the unemployment rate in the country, especially among the fresh graduates.

Rapid change in global business environment, tough competition in the international market and decline in country job market force policy makers and researchers to find new avenues for economic growth and human development. At policy level, government encouraging individuals to focus on entrepreneurship, providing training, facilitating operation and incentives for those individuals who wish to start their own or franchise businesses. In addition, researchers have also played their role and found that entrepreneurship positively influence country growth in terms of job opportunities, firm survival and technological changes (Karanassios, Pazarskis et al., 2006). Researchers also argued that entrepreneurship is most effect strategic tool for any country to boost economic growth and remain competitive in the international market (Schaper and Volery, 2004). Furthermore, Hoffman and Preble (2004) argue that among other forms of business expansion franchising is expanding faster and more consistently.

Starting own or franchise business is not only help the country to boost his economic growth but also help the individuals especially fresh graduates to fulfil their life dreams which is not really possible by finding jobs. Mostly fresh graduates face problem regarding their job in many ways, for example, limited job market, lower salary structure etc. Individuals or fresh graduates starting their own or franchise business might have luxury of life which might be difficult to achieve by doing job. Therefore, running own or franchise business is beneficial for both country economic growth and individual's development. In this regard, to equip individuals with latest skills and knowledge the countries government conducting different seminars, training sessions, workshops and offering related courses at universities level. Lewis and Massey (2003) argued that the main objective of many countries to develop knowledge economy in order to response to changing labour market and global climate. They further argued that knowledge economy depends on those individuals who have the ability to take action as employee and employer by using new techniques and innovative approaches. Therefore, the educational institutions can play important role to develop knowledge economy and equip students with new ideas, skills and knowledge about franchise business.

Hoe (2006, 2003) suggested the use of franchising as a premise to introduce and expose the undergraduates, in particular those pursuing the business studies the modus operandi of a franchise business. This franchise business could be owned and operated by the university or by the university's strategic business unit (SBU) which apart from making profits could provide the opportunity for students to be involved in

the running and operating the franchise. This way the students when they graduate could be directly involved in the franchise business sector which in way make them self-employed.

## LITERATURE REVIEW

The concept of franchising originated from USA which is powerful way of facilitating the growth of services organizations (Altinay; 2007). Juan et al., (2010) define franchising as “an agreement, where a manufacturer or marketer of a product or services grants exclusive rights to local, independent entrepreneurs (franchisees) to conduct business in a prescribed manner in a certain place over a specified period of time”. Hoffman and Preble (1991) highlighted that in the international market, franchising is highly significant strategy for business growth, job creation and economic development. Therefore, due to the high importance of franchise business in economic growth the number of franchise and franchisers has doubled in a decade (1995-2005) in Europe, Asia and Australia (Worldwide franchising statistics). Altinay (2007) point out that franchising is an important strategy for organizational and economic growth but in spite of this importance the literature on franchising is still incomplete.

Similar with other developing nations, Malaysian government have also taken many initiatives to promote entrepreneurship more specifically franchise business within in the country in order to create more job opportunities especially for fresh graduates and for economic growth. In this regard, universities and other government institutions have designed and conducted different training programs, seminars and workshops to promote entrepreneurship in the country. Universities also participating in promoting entrepreneurship culture by offering different academic courses to the students in order to create awareness and improve the student’s skills, knowledge and abilities to be a successful entrepreneur. Therefore, the purpose of this study is to investigate the factors that resist student’s decision to select franchise business as career option after graduation.

Past researchers have tried to highlight the barriers that resist students to start own or franchise business after graduation. In this regards, Barclays and NCGE (2005) found that student debt work not as barrier for student to start their own or franchise business but as motivational factor which encourage them to start own or franchise business. Furthermore, FreshMinds (2005) found that ethnic minorities are more likely to be supported by their families through universities. Javed et

al., (2008) argue that the time is important factor regarding student debt and their future decision. The burden of student debt will take time to impact on future decision of students. Hannon et al., (2004) conducted research on career choice and decisions of students and graduates more specifically how education shapes these perceptions with the distinction between desirability and feasibility. Hannon et al., (2004) found that finance is one of the main barriers to feasibility and literature is generally broad, fragmented and growing with many unanswered questions. Hussain et al., (2008) argue that only few studies are focused on graduate entrepreneurship and as a result the literature is just able to provide an indicative evidence base.

Mazzarol et al., (1999) conducted research “factors influencing small business start-ups” and argue that past research has examined the importance of various demographic variables such as personality, human capital and ethnic origin, marital status, age, gender, religion and personality traits. However, the findings in past research are confusing due to different testing procedures, sampling and country specific factors. They further argue that past research focused on entrepreneurs working in new business and has ignored students or graduates who still are in the process of starting new business. Therefore, researchers should address this gap by studying both groups.

## METHODOLOGY

In order to highlight the factors that likely to influence student decision to start franchise business after graduation, qualitative study has been undertaken and data was collected from 60 students taking BBA course from University Utara Malaysia. The questionnaire was based on structured and semi-structured questions. The questionnaire was divided into four sections. Section 1 (Exposure to Franchising), Section 2 (After Attending the Franchise Class) Section 3 (Working in Franchise sector) Section 4 (Classroom Learning) Section 5 (General Issues).The data were collected from those students who have taken the Franchise Business Management Course which is a 3<sup>rd</sup> Year 4 month education in Franchise business. Firstly, the lecturer delivered lectures on Franchise business (one of the subject in graduation BBA program) and at the end of the semester, the questionnaire were distributed to the students and asked them to respond to the all sections containing structured and un-structured questionnaires. Content analysis techniques were used to analyse the data collected from interviews and unstructured questionnaires.

## ANALYSIS AND RESULTS

The findings of the analysis reported that only 10 percent of respondents have worked before in franchise business outlets, while the remaining 90 percent have never worked before in franchise. Regarding knowledge and understanding about franchise business, the respondents were asked to rate their level of knowledge and understanding about franchise business whether or not they understand the franchise business? The results shows that 95 percent respondents have a good understanding about franchise business but only 5 percent lacked and good understanding of the franchise business.

In this study, the section related to franchising exposure was divided into two parts. In the first part, student were asked to rate their level of knowledge and their decision to choose franchise as business. 70 percent of the respondents responded that they will prefer to start their own business or job rather than choosing franchising as career. In addition, 20 percent students responded that they are not sure about their decision to choose franchise as career, whereas 10 percent students selected franchise as career. In contrast, after the class room learning, 80 percent of the students responded that they prefer to choose franchise as their career.

In terms of buying behaviour, respondents were asked how frequently they buy from franchise business. The results reported that 76 percent of respondents frequently buy something and 24 percent of respondents buy occasionally buy something from franchise outlet. 90 percent of the respondents buy from fast food outlet and other 10 percent buy other types of food. 89 percent respondents reported that the one of the most attractive element in franchise business is their standardized business operation, their services and quality of product. Regarding student decision about operating or taking up franchise business, the results indicated that 65 percent of the students not sure about taking franchise but prefer to start their own business, 30 percent have decided to take up franchise business and 5 percent reported that they will work in the franchise and will decide later whether or not they will start franchise business or not.

The second part of the questionnaire was distributed to the students after completion of the course. The students were asked to report their decision after attending the franchise course whether or not the decision is same like before attending the course or change. The results indicated that after attending the course 85 percent of the students have better understanding about franchise business and taken their decision to take up franchise business. Most of the students want to take up foreign

franchise operating in Malaysia compare to local franchise. 10 percent respondents reported that they will work in the franchise in order to get experience and will take their decision later.

The results of the analysis also indicated that 65 percent of the students want to take franchise business, 25 percent want to start their own business and 10 percent want to carry own their family business if given the choice. Regarding, section 3 of the questionnaire, 74 percent of the students reported that lectures are most effective source of learning among other sources. 10 percent students reported quizzes, 9 percent reported about case studies and 7 percent reported articles are effective source of learning among other sources. Around 92 percent of the students reported that student's assignment motivated them to learn more about franchise business. Furthermore, 89 percent students reported that presentations of other groups are also effective source of learning.

The last section of the questionnaire was about general issue about franchise. 91 percent of students reported that they believe franchise business have bright future in Malaysia. In addition, 87 percent of students reported that they will highly recommend franchise business to their family, friends and relatives. The students suggested that government should provide training to the fresh graduates about handling franchise business. These kinds of training sessions will enhance the student's skills, knowledge and abilities to successfully manage their franchise business. One of the respondent reported that "Malaysian government should provide financial assistance to fresh graduates to take up franchise business as career. So that they can build better career and create more job opportunities for other workers." Another respondent suggested that "Malaysian government should support fresh graduates in terms of financial assistance, offer training courses regarding franchise management."

## **DISCUSSION AND FUTURE RESEARCH DIRECTIONS**

Entrepreneur's plays vital role in the economic development by creating job opportunities, new business ideas and variety of business. Researchers (Tim et al., 1999; Massey and Lewis 2003) have confirmed that franchise business is one of the best strategies to expand the business and cost effective during internationalization process. From franchiser point of view, franchise consider as effective strategy for business expansion but from the franchise point of view, there are many factors that resist for selection and successful operation of franchise business.

This study investigated the factors that resist fresh graduates to choose and successfully operate franchise business as career.

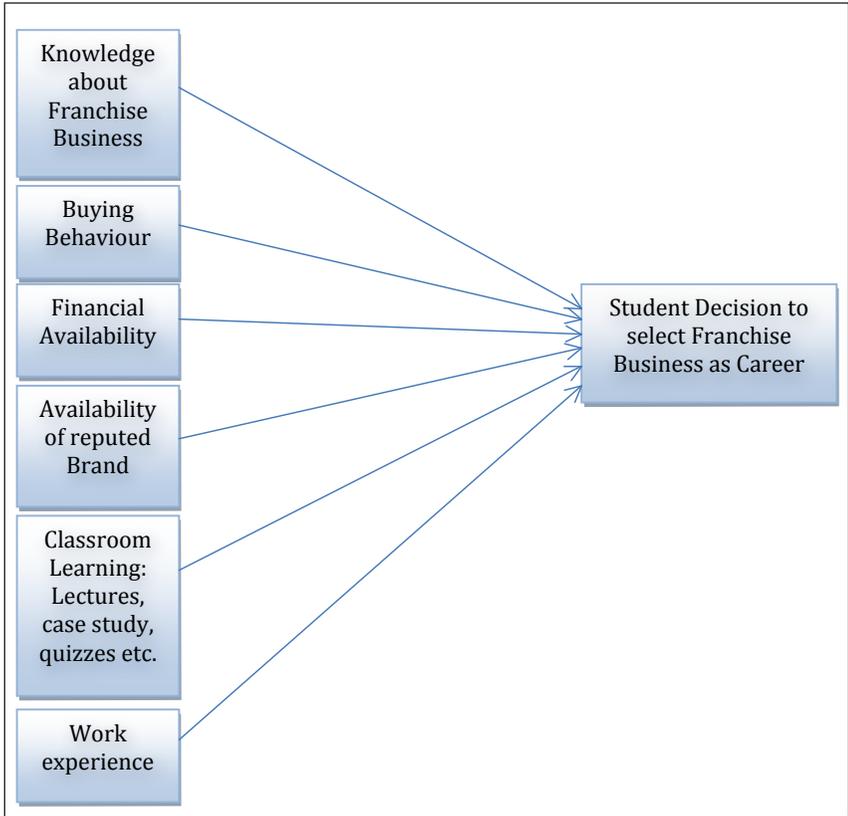
This study highlighted many factors that resist fresh graduates to choose franchise business as career. The results of the study indicated that franchising exposure, which includes working at franchise business, know-how about famous franchise operations; financial support and credibility of the franchising business motivate fresh graduates to select franchise business as career. Furthermore, class room learning more specifically lectures are play important role in order to enhance student knowledge about franchise business.

Past researchers focused on the entrepreneurship that already started their business but only few studies focused on the business start-up and student decision to start their own or franchise business. Similarly in the past studies, this study also found that financial availability is critical for fresh graduates to choose franchise as career. Mostly, fresh graduates change their decision from selecting franchise business as career to normal job due to un-availability of sufficient financial support.

Another important factor that motivates fresh graduates to choose franchise business as career is the availability of reputed franchise brand. The analysis of the results shows that mostly students decision about choosing franchise business as career is depend upon if they can get access to the reputed franchise brand like McDonald or KFC. The results of the analysis also show that buying behaviour also influence students decision to choose franchise business as career due to their familiarity of the set up. For example, mostly students have seen fast food operation and frequently buy from 7-Eleven or McDonald, KFC, Pizza hut. So their interest to open fast food or relevant franchise business is higher as compare to that franchise brand which they are not familiar.

Future researchers should further investigate the factors that resist fresh graduate to choose franchise business as career. The current study might reflect some similarities with the developing countries which might be different with developed countries. For example, the number of retails brands might be less in Malaysia as compare to USA, UK. Due to less number of retails brand the buying behaviour and work experience could be different from developed countries where people frequently buy from franchise or international retail brand. Therefore, researchers should further investigate the factors in developed countries. Furthermore, researchers should empirically examine the above proposed framework to further validate the findings of this qualitative research.

**Figure 1: Proposed Conceptual Framework**



## **IMPLICATIONS**

First and foremost the findings of this research will be helpful for policy makers in terms of providing financial support for fresh graduates. They can allocate separate fund for the franchise or business loan for fresh graduates. This policy will help the graduates to overcome their financial problems. Furthermore, they can develop policies where more support can offer to those companies who want to expand franchise business in the country. With this kind of policy, the government can boost the franchise culture in the country. Therefore, the people will be more use to and familiar with franchise business. This policy or strategy will help the economic development in two different perspectives. Firstly, the franchise culture in the country will be better and people will have

better buying behaviour from franchise which further develops their exposure towards franchise business. Secondly, this strategy will bring more variety of franchise in the country and this would be helpful for graduates to choose their favourite brand for franchise business. In addition, students can get working experience before starting or choosing their franchise business. Therefore, high number of franchise have many advantages, firstly, students can work at any franchise in order to get work experience before choosing the brand for franchise business. Secondly, it will improve the buying behaviour and awareness about the franchise business because when individuals or students will buy from the franchise more frequently, their buying behaviour will get improve. The findings of this research will be further helpful for the educationist. The education expert can bring more qualified lecturers; conduct more workshops, seminars in order to create awareness about franchise business among fresh graduates and students in the country. Finally, the findings of this research will be helpful for researchers to further test the proposed framework in order validate the current findings.

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