Chapter 4

Understanding Cultural Diversity in Franchising: Recommendations and Implications for Recruitment of Migrant Franchisees

Robin Roberts, Lorelle Frazer, Scott Weaven and Park Thaichon

Background

Globally, the franchising sector is emerging as a significant contributor to economic growth in a number of countries including Australia (Thaichon, Weaven, Quach, Baker, & Frazer, 2019; Timms, Frazer, Weaven, & Thaichon, 2019), which has been coined the “franchise capital of the world” (Vucic, 2014) because of its high density of franchising. Australia recorded growth from 693 systems in 1998 to over 1,120 in 2016 (Frazer, Weaven, Grace, & Selvanathan, 2016). In 2016, the number of business format franchised units was estimated at 70,700, with a further 8,300 company-owned units with a sales turnover of AUD66.5 billion (Frazer et al., 2016). Growth is predicted to continue as the sector continues to mature.

Reflective of the positive impacts of the franchising sector, the study of franchising over the last three decades has generated a multidisciplinary research agenda (Weaven et al., 2019; Young, Frazer, Weaven, Roussety, & Thaichon, 2019). Most of the prevailing research themes have united on opportunity recognition, risk, stage of organizational development, and international expansion and have developed in a context shaped by factors such as legislation, governance, finance, labor, and culture and operation type (e.g. Kremez, Frazer, & Thaichon, 2019; Thaichon et al., 2018).

Considerable attention has been paid to customizing the franchise product to meet different customer needs in different countries and regions (e.g. Bengtsson, Bardhi, & Venkatraman, 2010; Choo, 2005; Frazer, 2003; Grünhagen, Witte, & Pryor, 2010). A central idea emerging from this literature is the adaptation of the franchise brand to meet specific market needs (e.g. menu and service offerings). One element that is evolving as an imperative to success is the ability of a franchise brand to adapt the business model to engage appropriately with franchisees

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from various cultures and different ethnicities (Moran, 2009). What remains underresearched and not fully understood is how franchisors adapt their systems to accommodate the cultural diversity of new franchisees in their business structures and how franchisees interpret the franchisor systems they are provided with.

It is suggested that changing demographics of incoming franchisees offer both unique challenges and opportunities for today’s franchisors when recruiting new

franchisees (Choo, Mazzarol, & Soutar, 2007; Méndez, Galindo, & Sastre, 2014). Cultural factors related to franchisee ownership take center stage in explaining business growth and performance in franchise operations. These studies notably reveal positive and negative aspects that contribute to, and impact on, the franchise brand development, including cultural diversity, migrant entrepreneurship, and migrant ownership in franchising.

Additionally, this research describes the current status of migrant franchisees in Australia and explores the main challenges and opportunities that franchisors face in adapting their systems to accommodate cultural diversity. The chapter is organized as follows. The first section examines studies and highlights different views on migrant entrepreneurs and cultural diversity in small business settings in the United Kingdom, Europe, and the Americas. Next, the methodological approach and the data collection process are outlined and the findings are presented. Finally, we discuss the managerial and theoretical implications revealed by the research.

Literature Review

Migrant Entrepreneurship

Over 30 years of academic inquiry in the area of migrant entrepreneurship has delivered a multidisciplinary research agenda (Jones, Ram, & Villares-Varela, 2017; Ram, Jones, & Villares-Varela, 2017). Existing theoretical studies that guide research have proposed that immigrants become business owners during the migration process and after settling in a country in similar circumstances (Froschauer, 2001; Kloosterman, 2018; Kloosterman & Rath, 2001; Waldinger, Aldrich, & Ward, 1990). Social researchers, including economic geographers, sociologists, and anthropologists, have largely dominated the field of migrant entrepreneurship research. We note limited but growing attention by (micro) economists, particularly in relation to the dynamic rise in small business activities, although there is a considerable reason to study them from this viewpoint.

Moreover, Rath and Kloosterman (2000) identified that in the Netherlands, a large number of migrants were engaged as small business entrepreneurs. Further, they argued that migrant entrepreneurship has many facets, not limited only to issues of ethnicity or culture, and that linking ethnocultural elements to economic factors systematically allows for a broader understanding of migrant entrepreneurship and eventually contributes meaningfully to other disciplines. Besides, Leung (2001) in a study conducted in Hamburg, Germany, contended that the vast majority of migrant entrepreneurs fall into groups that cover labor-intensive

light industries and service-sector activities managed and operated by family members or partnerships of migrants from the same communities. A growing cohort of migrant entrepreneurs are now stepping outside this convention and operating businesses in alternative sectors, such as computer hardware. Leung further highlighted the need for the development of appropriate marketing and communication strategies. In addition, the role of local ethnic networks in business development was reported as being important in the case of Taiwanese entrepreneurs in Germany.

A decade on, Tolciu (2011) continued this focus with research that challenged the ethnocentric viewpoint of migrant entrepreneurs embedded in cultural and social motivations and proposed that economic drivers related to individual business operations had been overlooked. The study advocated that migrant entrepreneurs will be best understood when the external business environment and the limitations of the

internal environment (such as communications and availability of information) are considered collectively. Furthermore, research conducted by [Sahin, Nijkamp, and Rietdijk \(2009\)](#) examined the business and personal characteristics of Turkish, Moroccan, and Surinamese migrant entrepreneurs in the Netherlands. The findings revealed a positive relationship between entrepreneurship and positive economic outcomes, including improved quality of life and increased economic sustainability. Further, the authors concluded that the activities of migrant entrepreneurs in the Netherlands contributed significantly to bolstering the local economy despite periods of economic decline.

Published studies have concurred on the positive role played by migrant entrepreneurs as significant contributors to economic growth and cultural cohesion across a number of countries; however, there is also reported to be a lack of formal support and advice mechanisms for these small businesses run by migrants ([Barrett, Jones, & McEvoy, 2010](#); [Collins, 2003](#); [Froschauer, 2001](#); [Levitt & Nyberg-Sorenson, 2004](#)). [Sepulveda, Syrett, and Lyon \(2011\)](#) argued in a UK study that no formal structures provided by government or industry groups offered relevant guidance and support on managing the small business within the local regulatory framework. Consequently, potential and existing business owners were relying on informal and ethnic/cultural community networks, which realistically provided limited or incomplete resources. Accordingly, the second part of the equation is to assess the role of cultural diversity in the migrant entrepreneur development nexus.

Cultural Diversity

Cultural diversity is identified as a symbol relating to people with different group affiliations of cultural significance ([Banks, 2015](#); [Mazur, 2010](#)). Cultural diversity can refer to a range of differences within social groups, for example, age, religion, disability, sexual orientation, and even individual characteristics such as competencies, qualifications, lifestyle, personal curiosities, and values and beliefs – all of which are linked to culture ([Kendal et al., 2015](#); [Trax, Brunow, & Suedekum, 2015](#)). Researchers argue that a range of opinions provided by diverse groups make for better-quality business decisions. Noon and Ogbonna (2001) found that

diversity could be used as an unbiased descriptor of variation in the workplace. An increase in demographic heterogeneity may enhance organizational creativity and performance, but the key to making this a reality lies with the strategy and skills of management ([Garcia & Martin, 2010](#)). [Hobman, Bordia, and Galois \(2003\)](#) advocate that diversity is a way to contribute to improved performance when members understand each other better and combine and build on each other's insights and approaches. But much depends on how this interaction occurs.

Minority views stimulate considerations of nonobvious alternatives in work settings and appear useful when making value judgments in unique situations. Several studies have provided support for the concept that cultural diversity in small- and medium-sized business operations benefits decision-making ([Barrett et al., 2010](#); [Englen, 2001](#); [Hartenian & Gudmundson, 2000](#); [Richard, 2000](#); [Sahin et al., 2009](#)). For example, [Watson, Kumar, and Michaelsen \(1993\)](#) studied the interaction and performance of culturally homogenous and culturally diverse groups. While the homogenous groups initially scored higher on process and performance effectiveness, over time, both groups improved with targeted education and training.

The increasing diversity of inner-city populations and their impact on the small business landscape is a rising feature of urban economies [Sepulveda, L., Syrett, S., & Lyon, F. \(2011\)](#). This is particularly noticeable in global cities, such as Amsterdam,

New York, and London, where large numbers of migrant entrepreneurs are emerging. Two recent studies discuss the benefits of promoting culturally diverse businesses. On top of that, [Sahin et al. \(2009\)](#) found positive impacts from cultural diversity, particularly in its contribution to social bonding. This result showed that migrant entrepreneurs had the opportunity to acquire a position in society, thereby enhancing a bond and connection with their new city and community. Further, migrant business owners acquired economic independence. In turn, these outcomes boosted the local economy and contributed to a rising quality of life. In general, these studies suggest the value achieved from cultural diversity in business development is advantageous.

In 2016, in the Australian context, migrants chiefly from Asian countries make up over one-quarter of our population. Our most multicultural city is Sydney, with over 250 languages spoken and a population of 5 million residents ([ABS, 2016](#)). The small business development in Australia will continue to be delivered by the cultural mix of residents and the entrepreneurship of the migrants who embody this diversity.

While migrant entrepreneurs play a significant role in the small business sector ([Collins, 2003](#)), government policy at macro and micro levels is largely undeveloped, particularly when it comes to the training and educational needs of migrant entrepreneurs; policies designed to encourage unemployed immigrants to become entrepreneurs; and policies related to strategies to improve communications with this cohort. Very little research about migrants in franchising has been conducted internationally, although anecdotally it is recognized that migrants are now increasingly being recruited as franchisees. For some countries, like Australia, franchising provides a means for migrants to settle in a new country ([Gehrke, 2007](#)). Several scandals in Australia involving migrant franchisees in

7-Eleven, Yogurberry, and Caltex underpaying their workers were revealed in the past couple of years ([Frazer & Roussety, 2016](#)). Hence, research about migrant franchisees is imperative. Below we describe the design of the research.

Methodology

We employed *mixed methods* in this research, combining quantitative and qualitative approaches sequentially into the research methodology ([Creswell, 2014](#)). Mixed methods were used to obtain a broad understanding of the topic as an exploratory study. This is especially useful for studying franchising (e.g. [Thaichon et al., 2019](#)). We began with surveys of franchisors to obtain descriptive data concerning migrant franchisees and followed these with a qualitative inquiry into the issues surrounding cultural diversity in franchising.

The quantitative phase was used to obtain precise information about the *scope* of the research issue ([Thomas, 2003](#)) by providing descriptive data about the phenomenon of interest. As we aimed to gain an *understanding* about the context of cultural diversity in franchising, we also conducted qualitative research ([Carlson, Gilmore, Perry, & Gronhaug, 2001](#)). The purpose of the second phase was to study the issue in context ([Maxwell, 2012](#)) while remaining conscious of the need to remain open-minded about the findings ([Neuman, 2011](#)). As the research was an exploratory (pilot) study, which will form the first stage of a larger and more comprehensive study, it enabled us to shape the research question and formulate propositions for future research ([Yin, 2014](#)). Hence, the use of a mixed methodology was appropriate for this research. It enabled us to triangulate results ([Denzin & Lincoln, 2005](#)), which provides greater credibility to our findings.

Quantitative Phase

Surveys of franchisors were undertaken in 2014 and 2016 to obtain descriptive data regarding migrant franchisees (Frazer, Weaven, & Grace, 2014; Frazer et al., 2016). A section of the biennial *Franchising Australia* surveys in each edition was dedicated to gathering data on migrant franchisee ownership. The population of franchisors in Australia was surveyed, resulting in response rates of 11.1% (123 usable responses) in 2014 and 28.7% (277 usable responses) in 2016. Two separate tests for nonresponse bias were conducted for each survey. The first test compared early and late respondents (Oppenheim, 2000). The second test compared a sample of 30 nonrespondents (2014) and 50 nonrespondents (2016) on a range of key variables such as industry, age, size, location, and franchise unit startup costs. All tests confirmed that there were no significant differences between the groups, indicating that nonresponse bias was not a problem in this research.

Qualitative Phase

In the second phase of the research, a discussion forum of franchisors and their corporate office personnel was used to gather data concerning the opportunities

and challenges of recruiting migrant franchisees. The discussion forum approach was similar to using focus groups, except that the participants formed a convenience sample rather than purposeful selection. Therefore, we adopted an “unstructured” approach to focus groups as proposed by Marvasti (2004). Participants were from a range of franchises, providing a strong cross-section of industries, locations, and experience.

Focus groups are particularly useful for conducting exploratory research (Stewart & Shamdasani, 2014) where there is limited prior knowledge about the topic of interest. The technique enables researchers to interact directly with the respondents as well as allows participants to react and build upon the discussion as it develops (Carson et al., 2001), thus producing rich and interesting insights for the research team.

Approximately 80 people participated in the focus groups, which canvassed a number of topics, including the topic of interest for this research. Participants were arranged in groups of 8 and were asked to discuss the topic for approximately 10 minutes, facilitated by one of the researchers who then rotated to the next group. Notes were taken of the key points discussed, and a summary was reported back to the full group at the conclusion of the session where a further discussion took place to refine the themes. Participants were invited to share their experiences with recruiting and inducting migrant franchisees and were prompted with questions such as “why do you recruit migrants as franchisees?”, “what are the main challenges associated with migrant franchisees?”, and “how do you embrace cultural diversity in your franchise?”.

The use of both descriptive (quantitative) data and focus group (qualitative) information is a strength of the current research. The blending of the two research methods allowed us to examine the research question from different perspectives – both macro and micro – thus providing a more holistic analysis of the problem (Patton, 2002). The resulting conceptual framework for the research was developed from this qualitative pilot study with reference to existing theories and research as well as our experiential knowledge (Miles, Huberman, & Saldana, 2013).

Analysis and Discussion

Descriptive Survey Data

Although the *Franchising Australia* surveys have been conducted biennially since 1998, no specific data were gathered about migrant franchisees until we commenced the current study. Hence, a dedicated section on “Migrant ownership in franchising” was included in the 2014 survey. Although the majority of franchisor respondents (72%) reported that they did not actively engage in franchisee recruitment strategies targeted toward migrants, a further 12% indicated that they intended to do so in future. Only one respondent indicated that they participated in a Commonwealth government scheme to attract overseas investors as franchisees, so franchisors have not yet embraced proactive strategies for recruiting migrant franchisees. Only 12% of franchisors indicated that migrants were

currently operating as franchisees in their systems. On average, migrant franchisees comprised just over one-quarter (26.5%) of total franchisees in these brands.

The main challenges nominated by franchisors in attracting and managing migrant franchisees centered on language and communication issues (43%), cultural differences (30%), leadership expectations (23%), and visa requirements (20%) as illustrated in [Table 4.1](#). In addition to these potential barriers to encouraging migrant ownership in franchise systems, respondents nominated additional areas of concern. These responses were broadly categorized into issues pertaining to the misalignment of educational standards between overseas countries and Australia, cultural differences impacting service delivery, and a lack of business networks in Australia impacting sales and profitability.

In 2016, we again included a section on “Migrant franchisees” in the survey to see whether the landscape had shifted greatly over the two-year timeframe. Differences in results could be partly attributed to the larger sample in 2016 as well as the fact that not all franchise brands completed both surveys.

Similar to the 2014 findings, in 2016 some 73% of franchisors reported that they were not actively recruiting migrant franchisees, with a further 9% indicating that they intended to do so in future ([Table 4.2](#)). The practice was similar across both retail and service sector franchises. On average, migrants comprised 37.7% of total franchisees in brands where migrant franchisees operated. This finding was higher than the 26.5% reported in 2014, indicating that there may be a positive trend toward greater migrant franchisee ownership. The recruitment of migrant franchisees was found to be negatively correlated with the size of the franchise brand ($r = -0.20$, $p = 0.025$) but was not correlated with age or startup cost. This finding suggests that smaller franchise brands are more likely to recruit migrant franchisees as a growth strategy.

Across both surveys, the most common countries of origin for migrant franchisees were India and China, with a range of other countries comprising the rest of the total mix ([Table 4.3](#)). These included English-speaking nations such as the

Table 4.1. Migrant Franchisees—Challenges Reported by Franchisors.

Challenge	Number	Percent
Language and communication issues	53	43.1

Cultural differences	37	30.1
Leadership expectations	28	22.8
Visa requirements	25	20.3
Family support	9	7.3
Other	14	11.4

Source: [Franchising Australia \(2014, p. 53\)](#), (n 5 94).

Table 4.2. Recruitment Practices.

Migrant Recruitment

2014
(n 5 123)

2016
(n 5 236)

	Number	Percent		Number Percent
Actively recruit	20	16.3		43 18.2
Do not actively recruit	88	71.5		173 73.3
Plan to actively recruit in future	15	12.2		20 8.5
Total	123	100.0		236 110.0

Source: [Franchising Australia \(2014, p. 50\)](#) and [Franchising Australia \(2016, p. 46\)](#).

Table 4.3. Country of Origin of Migrant Franchisees.

Country of Origin	Number of Franchisors	Percent
India	20	47.6
China	19	45.2
United Kingdom	9	21.4
Malaysia	8	19.0
Sri Lanka	8	19.0
New Zealand	7	16.7
South Africa	7	16.7
South Korea	7	16.7
Hong Kong	6	14.3
United States of America	6	14.3
Afghanistan	5	11.9

Iraq	5	11.9
Greece	4	9.5
Lebanon	4	9.5
Philippines	4	9.5
Vietnam	4	9.5
Indonesia	3	7.1
Ireland	2	4.8
Japan	2	4.8
The Netherlands	1	2.4
Other country	9	21.4

Source: [Franchising Australia \(2016, p. 47\)](#), (n 5 42).

United Kingdom and United States, as well as neighboring countries such as Malaysia, Hong Kong, and Vietnam. Very few migrants were from Europe. These patterns of franchisee recruitment align with Australia's formal migration program, which has focused on skilled migration over the past decade ([Australian Government, 2016](#)).

In summary, data obtained from the 2014 and 2016 surveys of Australian franchisors indicate that the practice of recruiting migrant franchisees is a key strategy adopted by some franchise brands to stimulate growth. This practice aligns with overcoming a major barrier often reported by franchisors – the recruitment of sufficient suitable franchisees to enable growth ([Aliouche, Schlenrich, & Frazer, 2012](#)) – as well as government priorities, which have switched from social and humanitarian to economic objectives ([Phillips, 2006](#)).

Focus Group Findings

The themes from the focus group discussions can be broken down into three areas: motivations for recruitment, operational benefits, and challenges with recruiting and managing migrant franchisees ([Fig. 4.1](#)). These will now be discussed in more detail.

Motivations for Recruitment of Migrant Franchisees

The main reason franchisors have begun to seek out business migrants as potential franchisees is the difficulty of attracting interest from local investors. Many brands indicated they were not getting sufficient traction from the traditional methods of *franchisee recruitment*, such as attending franchising expos and website inquiries, and that they needed to be more proactive. Migrants were seen as an attractive option for several reasons.

Focus group participants were unequivocal that migrants made good prospective franchisees because they have a huge *drive to succeed* in a foreign

Fig. 4.1. Themes from the Focus Group Discussions.

country. Particularly in Asian cultures, owning a business is regarded as being very prestigious, making this group of investors highly desirable. Similarly, it was noted that migrants possess a strong entrepreneurial spirit on which the franchisor may capitalize. This positive trait was viewed in contrast to Australians who have better

access to alternate employment opportunities. Due to the high level of wages in Australia, particularly compared with those in Asia, it was felt that there is little incentive for Australians to invest in small business and its associated risks.¹ Migrants, on the other hand, are not deterred by this risk factor. Their attitude and work ethic are strong, and they appreciate the opportunity to buy into a business, such as a franchise, which offers a supportive environment. However, participants also noted that merely because a prospective investor had the necessary capital, it did not necessarily mean that they would be a good fit for the business. Hence, robust selection procedures are necessary.

Operational Benefits Associated with Migrant Franchisees

While it seems that migrant franchisees pose several challenges, focus group participants were able to name a few key operational benefits associated with this cohort of franchisees. One of the unexpected benefits was that often the franchisee's family (spouse and children) worked jointly in the business. This cultural aspect of *family business* provided additional human capital in the form of labor and enabled the franchisee to operate the full business time but with trusted support. It also meant that when staff were absent, the family was able to step in quickly and fill the staffing gaps with minimal impact on work–life balance. Also, family interest in the business provided a generational benefit of succession planning, which is often neglected by small business owners. Conversely, some participants noted cases of migrant franchisees who expected to be investors, rather than owner-operators. In these cases, it was felt the lack of “skin-in-the-game” of the migrant franchisee was disadvantageous.

As many migrant franchisees are from non–English-speaking backgrounds, franchisors found they needed to review their written *operation manuals* and either ensure readability was appropriate or include more visual communication in their instructions and communications. This task was seen as a positive outcome by franchisors as it provided an opportunity to review and improve their induction and training systems.

Recruitment and Management Challenges

The major challenges raised in the focus groups were related to language and cultural fit. For non–English-speaking migrants, language was a severe obstacle. While it is necessary for the franchisee to be able to converse well in English, some systems were likely to be more suitable than others. For instance, simple franchise systems with repetitive operations and transactions with customers had a greater

¹For instance, the minimum wage in Australia is AUD17.70 per hour compared to AUD3.09 in India (ABC, 2016).

chance of successful integration of the franchisee. However, even in these systems, comprehensive induction and training are essential.

Interestingly, adaptation to the *business culture* was seen by many as a bigger challenge than confronting language and communication issues. Recent migrants are unlikely to understand or fully appreciate how business structures, such as employment laws, customer service expectations, and food and cleanliness standards, operate in their new country. Often touched upon only briefly in standard franchisee induction and training was education and training about Australian laws and societal expectations.

An aspect of cultural behavior is the degree to which franchisees are prepared to

follow the franchise system. *Compliance* with franchise operations and standards was often low, with migrant franchisees who may be more accustomed to a culture of operating independently. An example of this type of noncompliance was evident in the 7-Eleven wages scandal, which uncovered a widespread “cash back” scam in which vulnerable employees (often international students on student visas) were paid their wages in full but forced to return some of their wages in cash to the franchisee employers (Willacy, 2016). The majority of franchisees in the 7-Eleven networks are migrants.

Participants felt that a flow-on effect from such behavior, particularly in systems with high proportions of migrant franchisees, leaves the franchise brand at risk of being *repositioned* in the market. Adverse publicity was difficult for a franchise brand to manage and the risk of devaluing the brand from issues relating to cultural differences was high, as recent cases such as Yogurberry and Caltex in Australia have demonstrated (Frazer & Roussety, 2016).

In brief, the two phases of data collection comprising descriptive (quantitative) data and (qualitative) focus groups have revealed a number of dimensions that we will explore in future research. These include the drivers of migrant franchisee recruitment, the challenges and opportunities of cultural diversity in franchising, and the degree and type of adaptation that a franchisor needs to make to operational and managerial structures to support migrant franchisees.

Recommendations and Managerial Implications

This research has implications for three main areas of franchise management: recruitment processes, operational issues, and management of franchisees (Fig. 4.2).

In terms of *franchisee recruitment*, there appears to be a growing trend toward using migrant franchisees as a means of stimulating system growth. Because of Australia's population of only 23 million, franchisors have difficulty expanding their brands via normal organic growth. Consequently, franchisors utilize alternative growth strategies, such as multiple-unit franchising (Dant, Weaven, Baker, & Jeon, 2013) and international expansion (Frazer, Merrilees, & Bodey, 2007), to grow their brands.

Faced with a shortage of suitable franchisee applicants, franchisors have recently turned toward migrants as an emerging source of potential franchisees,

Fig. 4.2. Recommendations for Recruitment of Migrant Franchisees, Franchise Operations, and Migrant Franchisees.

despite the challenges associated with this arrangement. As they proceed down this path, franchisors are becoming aware of the need for more robust *recruitment processes* and procedures to deal with this initiative. Franchisors have recognized that traditional methods of domestic recruitment, such as franchising expos, will need to be complemented, and possibly supplanted, with direct recruitment efforts aimed at the migrant population. For instance, the 7-Eleven franchise, which has a high proportion of migrant franchisees, advertises in ethnic newspapers to attract Chinese and Indian prospects (Gehrke, 2007). Procedures also need to be established to handle overseas inquiries.

Referrals are often used by franchisors as a means of attracting franchisee applicants. Brands such as Aussie Pooch Mobile attract the majority of new

franchisees either from their customer base or from referrals from current franchisees (Frazer, 2016). This method of recruitment is highly successful because of the level of trust that the applicant has in the referring franchisee, who is usually someone from their existing social, family, or business network. Given their strong cultural and family ties, existing migrant franchisees may prove to be valuable intermediaries for franchisors.

Franchisors also need to be aware of the current political situation between Australia and target countries for prospective franchisees, as Australian *foreign policy* may impact on available opportunities. For instance, when Hong Kong was handed to China in 1997, there was an increase in business migration to Australia in the lead up to the transfer of sovereignty from the United Kingdom to China (Sherlock, 1997). Such political, economic, or social environments create opportunities upon which franchisors may capitalize. Similarly, although entirely apolitical, Australia may have specific appeal for particular groups of immigrants. For instance, business migrants from the United Kingdom are often attracted to Australia because of its climate and lifestyle (Gehrke, 2007).

As pointed out by focus group participants in this study, certain franchises are likely to be more *suitable* for migrant franchisees. Franchises that are highly structured, simple to operate, and that require a minimum of input from the franchisee are better suited for franchisees with English as a second language. Convenience stores and fast food operations involving convenience transactions are examples of franchise businesses in which language skills are less important than customized sales or services.

Once the migrant franchisee has been recruited and selected, there are implications for *franchise operations*. Firstly, the training and induction processes will need to be *adapted* for migrant franchisees. The focus groups highlighted issues relating to language and cultural differences. Franchisors may find that their current induction procedures and startup training need to be modified to cater for these differences. Adjustments may include rewriting training and operations manuals using plain English and including graphics and video content. It is often the practice that a new franchisee is given limited startup support after completing their initial training and entering the franchise. When dealing with migrant franchisees, additional field office support in the early months of the franchise may be needed. Corporate office personnel will need to be trained in appropriate ways of dealing with cultural diversity, such as to improve communication and trust, and to avoid potential conflict. Such additional support will be more costly for the franchisor to maintain and is likely to have a run-on effect involving the franchise entry cost.

It has been pointed out that highly structured franchise operations are likely to be more suitable for migrant franchisees who may simply follow the system. Franchisors may need to increase the type and quantity of ongoing support they provide franchisees in such systems. As well as a “turnkey” operation facilitating entry, franchise brands may need to provide a comprehensive suite of *ongoing support*, including functions such as payroll, bookkeeping, and local marketing initiatives. Once again, this additional layer of support will increase operating and

monitoring costs, which are likely to be passed on to the franchisees, ultimately affecting the economic value of the businesses.

Although highly structured and operationalized franchise systems are likely to be helpful for migrant franchisees to operate, franchisors in the focus groups also pointed out that in some cultures adherence to rules and systems is not considered

necessary, thus leading franchisees to become *noncompliant* with system standards. These cultural differences about “the way we do business here” are difficult to penetrate and it may be necessary for franchisors to put additional monitoring and mentoring support in place or risk greater noncompliance and possible damage to the franchise brand.

Franchise operations may also be affected by the unique *family model* of doing business in some cultures. Businesses, such as convenience stores operating 24 hours a day and seven days per week, will actually offer employment opportunities for family businesses, enabling family members to fill shifts throughout the day and night. Many franchise business models are predicated on family members (particularly a husband/wife combination) working the business, rather than paying employees. Franchisees may be able to capitalize on this cultural aspect of the family business in terms of reducing costs.

An unfortunate side effect from the franchisor perspective of neglecting to adapt the franchise system to deal with cultural diversity is the possibility of an increase in *government regulation*. Indeed, the Australian Government is currently considering amending its workplace legislation to make franchisors responsible for wage underpayments by their franchisees if they knew (or ought to have known) of any contraventions ([Liberal Party of Australia, 2016](#)). Hence, greater scrutiny of the franchise sector is a likely outcome of the drive toward the recruitment of migrant franchisees and franchisors need to be prepared for additional layers of regulation and compliance.

Finally, our research points to several implications for the *management* of migrant franchisees. In a culturally diverse franchise system, both franchisor and franchisee may need to increase their level of *cultural awareness* in order to enhance their working relationship and minimize the potential for conflict. Apart from improved communication and understanding, research has shown that cultural diversity improves competitive advantage ([Cox & Blake, 1991](#)), so there are multiple benefits in actively recruiting migrants into the franchise network.

Being aware of cultural dynamics extends beyond demonstrating appropriate behavior in a given situation; in business, it will also require adherence to laws. Franchisors have both a moral and legal responsibility to ensure their franchisees are compliant with relevant laws and they should demonstrate *leadership* in setting the organizational culture for representatives of their brand ([Frazer, 2015](#)). In a culturally diverse franchise system, some franchisees may not be familiar with specific laws, such as minimum wages and conditions for employees. The franchisor's responsibility, ahead of achieving profits, is to ensure that franchisees are well equipped to deal with these challenges.

Finally, it is incumbent on franchisors to avoid the temptation of *exploiting* migrant franchisees, both at the recruitment phase and during the life of the franchise agreement. Many commentators believe that the 7-Eleven wages

scandal in Australia was due to a flawed business model that meant franchisees could not make sufficient profits unless they illegally exploited their workers ([Ferguson & Toft, 2015](#)).

Conclusion

This research was an exploratory study of how franchisors need to adapt their franchise systems to accommodate cultural diversity. As such, it is not meant to provide definitive answers about this important question but, rather, to formulate concepts and ideas that will guide the next stage of the research. Future research will

examine several case studies of franchise brands comprising migrant franchisees. It will explore aspects of the franchisor–franchisee relationship, challenges faced by franchisees and their level of understanding of franchise agreements, labor laws, health and safety laws, and other regulations of critical importance to running a franchise system. The research will compare migrant franchisees with domestic franchisees to identify differences. Despite the current research being descriptive and exploratory in nature, it nevertheless has begun to fill a major gap in the literature about the dynamics of cultural diversity in franchising. This is an exciting area of franchising research that has received little attention to date, but given the current economic and political environment, it will become increasingly important for both practitioners and scholars of franchising to understand.

Additionally, this study has a few inherent limitations. First, the choice of destination where this study took place (i.e. Australia) might limit the generalizability of the findings due to cultural differences in other countries. Replications of this study should be considered to test the generalization in different contexts such as in China, New Zealand, and Vietnam. Second, an investigation that incorporates marketing or management theory could generate more insights. Third, a longitudinal study might be worthwhile to capture the changing patterns of franchisees' psychology and behaviors over time.

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