Cultural diversity in franchising: Recruitment of migrant franchisees

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Abstract:
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. A series of focus groups and a survey provided insights into the challenges and opportunities faced by franchisors in recruiting and managing migrant franchisees. Approximately 80 people participated in the focus groups. Participants were from a range of franchises, providing a strong cross-section of industries, locations, and experience. 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?’. Tentative findings of best practice in accommodating migrant franchisees are revealed. This research has implications for three main areas of franchise management: recruitment processes; operational issues; and management of franchisees.

Keywords: migrants, cultural diversity, franchising.

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Background
Globally, the franchising sector is emerging as a significant contributor to economic growth in a number of countries including Australia (Timms et al., 2019), which has been coined the ‘franchise capital of the world’ because of its high density of franchising. Australia recorded growth from 693 systems in 1998 to over 1,120 in 2016 (Frazer et al., 2016). In 2016, the number of business format franchised units was estimated at 70,700, with 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.

Considerable attention has been paid to customising the franchise product to meet different customer needs in different countries and regions (Bengtsson et al., 2010; Grünhagen et al., 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 from various cultures and different ethnicities (Moran, 2009). What remains under-researched 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.

Methodology
We employed a mixed methods research approach, combining quantitative and qualitative approaches sequentially into the research methodology (Cresswell, 2014). Mixed methods were used to obtain a broad understanding of the topic as an exploratory study. This is especially useful for studying franchising (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 (Carson et al., 2001).

Discussion and Implications
The themes from the focus group discussions can be broken down into three main areas of franchise management: recruitment processes, operational issues, and management of franchisees (Figure 1).

Figure 1: Three main areas of franchise management

In terms of franchisee recruitment, there appears to be a growing trend towards using migrant franchisees as a means of stimulating system growth. Consequently, franchisors utilise alternative growth strategies, such as multiple-unit franchising (Dant et al., 2013) and international expansion (Frazer et al., 2007), to grow their brands. 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. Franchisees have recognised that traditional methods of domestic recruitment, such as franchising expos, will need to be complemented, and conceivably supplanted,
with direct recruitment efforts aimed at the migrant population, such as advertising in ethnic newspapers to attract Chinese and Indian prospects (Gehrke, 2007). Procedures also need to be established to handle overseas inquiries. In addition, 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 UK to China (Sherlock, 1997). Such political, economic, or social environments create opportunities upon which franchisors may capitalise. Similarly, although entirely apolitical, Australia may have specific appeal for particular groups of immigrants, for example, business migrants from the United Kingdom are often attracted to Australia because of its climate and lifestyle (Gehrke, 2007).

Once the migrant franchisee has been recruited and selected, there are implications for franchise operations. First, 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 start-up 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. Besides, 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. Moreover, 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 of any contraventions (Liberal Party of Australia, 2016). Hence, greater scrutiny of the franchise sector is a likely outcome of the drive towards the recruitment of migrant franchisees and franchisors need to be prepared for additional layers of regulation and compliance.

Furthermore, 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 minimise the potential for conflict. Being aware of cultural dynamics extends beyond demonstrating appropriate behaviour in a given situation; in business, it will also require adherence to laws. 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 and Toft, 2015).

Conclusion
This research was an exploratory study of how franchisors need to adapt their franchise systems to accommodate cultural diversity. This is an exciting and important area of franchising research that has received little attention. Future longitudinal research and replications of this
study should be considered to capture the changing patterns of franchisees’ psychology and behaviours over time and in different contexts.

References


