FRANCHISING IN THE BANKING ENVIRONMENT

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SUMMARY

Franchising as a growth tool is becoming a very appealing business model which has highly successful examples in almost every business sector in the world. However in the banking environment, First National Bank has been the first bank to take the lead in South Africa by introducing the franchise concept to create value for its customers.

Not all businesses are suitable to become franchises therefore the aim of this research was to establish what critical success factors can be considered as essential when a bank decides to implement the franchise concept. Banks need to decide if franchising is the best option. Passing the test of franchise-ability does not necessarily mean that is the optimum route to follow. It is essential that a prospective bank considers the criteria for successful franchising before embarking on a franchise operation. FNB complied with most of the criteria identified.

Part of the goal of this research was to establish what the benefits and challenges or disadvantages will be for a bank that is considering implementing the franchise concept. Franchising offers very impressive benefits to banks such as to create value for their customers and to streamline their operations. However banks need to realise that implementing the franchise concept to their organisation is a very demanding and difficult task. To change the traditional bank business concept to the franchise concept could be very challenging.

The information was compiled by way of a literature study and empirical study. In the empirical study the information was obtained through a questionnaire delivered by hand and collected within 48 hours. A total of 20 respondents returned the questionnaires. The data was processed and conclusions and recommendations made.

The study demonstrated the most important critical success factors to be considered when implementing the franchise concept to the banking environment. The ten most important requirements identified in the literature study have been confirmed by the FNB management in the Sedibeng area, who were the respondents of the empirical study. Part of the critical success factors also included the requirements needed to be a successful franchisor or franchisee. Through the study the most important benefits and

challenges or disadvantages associated with the franchise concept in the banking environment have also been identified.

It is essential that banks realise the impact that the implementation of the franchise concept will have on their organisation. They need to be willing and ready to take the challenge. Ultimately it will be worthwhile for banks to consider this unique approach to business.

OPSOMMING

Die konsessiestelsel (franchisebedryf) het 'n gewilde besigheidsmodel geword wat as 'n indrukwekkende groeimeganisme gebruik kan word in omtrent alle besigheidsektore wêreldwyd. Die banksektor in Suid-Afrika het egter eers onlangs konsessionering op die proef begin stel. Eerste Nasionale Bank het die voortou geneem met die implementering van die konsessiestelsel in Suid Afrika met die doel om waardeskepping vir hul kliënte te verhoog.

Konsessionering is beslis nie geskik vir alle soorte ondernemings nie. Dit is dus baie belangrik dat banke navorsing doen om die kritiese suksesfaktore van geskikte konsessiemodelle te bepaal. Die doel van hierdie studie is daarop gemik om vir banke in die algemeen riglyne te gee oor die kritiese suksesfaktore wat suksesvolle implementering van konsessionering sal verseker, maar ook in die besonder vir Eerste Nasionale Bank vir die voortgesette implementering van hul konsessiemodel landwyd.

Eerste Nasionale Bank (hierna ENB genoem) het met die loodsing van hul konsessiemodel bepaalde kriteria daargestel wat konsessionalisering as sulks moet laat slaag, juis omdat daar nie vanselfsprekende sukses voortspruit uit hierdie besigheidsmodel nie. ENB is van mening dat hulle aan die meeste kriteria voldoen het.

Die verdere doel van hierdie studie was om die voordele, maar ook die uitdagings en nadele te bepaal wat sukses kan bevorder of belemmer. Daar is bevind dat konsessionering indrukwekkende voordele vir banke inhou, veral ten opsigte van waardeskepping vir almal en om die operasionele strukture te vereenvoudig. Dog, banke moet daarvan bewus wees dat hierdie proses moeisaam en ingewikkeld is en dat die beslis nie onderskat moet word nie.

Die skripsie bestaan uit 'n literatuur- en empiriese studie. Data is ingesamel deur middel van 'n gestruktureerde vraelys. 'n Totaal van 20 respondente – bestuurslui van FNB in die Sedibeng area - het die vraelyste voltooi. Uit die dataverwerking het gevolgtrekkings en aanbevelings voortgespruit, waarvan die tien belangrikste vereistes deur bogenoemde ENB-bestuur bevestig is. Die studie het dus vereistes en kritiese

suksesfaktore uitgelig wat tot voordeel van ander banke en ondernemings sal wees indien hulle hierdie roete sou kies.

Die simbiotiese verhouding tussen konsessiehouer en konsessieverskaffer is ook onder die soeklig geplaas om die vereistes vir 'n wen-wen verhouding tussen die onderlinge partye te bepaal. Die studie het voorts die belangrikste voordele en nadele ten opsigte van die bankwese uitgelig.

Hierdie studie stel dit duidelik dat die implementering van 'n konsessiemodel vir banke besondere uitdagings sal stel. Daarom moet alle rolspelers paraat wees vir verandering en oor die kundigheid beskik om hierdie uitdaging die hoof te bied. Uiteindelik blyk dit dat dit beslis die moeite werd is om konsessionering te oorweeg as 'n alternatiewe besigheidsbenadering vir banke oor die algemeen.

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FNB	First National Bank
ENB	Eerste Nasionale Bank
CEO	Chief executive officer
FMI	Franchise model implementation project

CHAPTER ONE

FRANCHISE CONCEPT

1.1 Introduction

Franchising as a growth tool is becoming a very appealing business model that has highly successful examples in almost every business sector in the world. In the banking industry, however, franchising has only recently started to gain momentum. In this regard, First National Bank (FNB) has taken the lead in South Africa to introduce the franchise concept as an empowering instrument to create value for its customers by reshaping the organisation to fit current needs.

The franchisor/franchisee alliance is pivotal in the success of such a partnership. Very aptly, eminent entrepreneur Jim Hindman, in Timmons and Spinelli (2003:221) speaks pure wisdom when he said:

> "...Franchising is sharing an entrepreneurial vision and working together to make it a reality. Franchisees and the franchisor must believe in their business, but more importantly, they must believe in each other. The power of focused and dedicated partners creates a momentum of personal, business and financial growth that is limitless. It's also a lot of fun".

In view of the above, FNB is in a process of researching all aspects of franchising in the banking industry with the aim to search for excellence in their implementation of the franchise concept in all their branches in South Africa. The ultimate goal of this research project is to gather sound information, assemble guidelines and acumen that can assist the banking industry in general, and FNB in particular, to go about the process smartly and with due diligence.

1.2 Background

FNB top management decided to steer the bank towards introducing the franchise concept to the organisation during 2004. In a recent interview with franchise consultant for FNB, Ms M Nair, she indicated that the need for reshaping and streamlining the bank's business processes, together with the goal to create a very specific environment where the FNB brand experience would be equal at all branches, was at the heart of the change initiative.

The lack of standardising consistent customer service at all branches by 2003 paved the way for the bank to seek global benchmarking initiatives for growth of the FNB brand. The quintessential McDonald's and Wimpy franchises where the same environment, business processes, customer service and products etc ensured that customers knew what they could expect, were franchises whose characteristics were what FNB was seeking to implement at their respective branches.

At the beginning of the millennium FNB embarked on a restructuring exercise to establish a flatter organisational structure. The bank decentralised its senior and middle management decision-making to the level of its branch and area managers. It resulted in Head Office being much leaner, with each provincial office having its own CEO with area managers reporting to them respectively. Branch managers now had to report to their respective area managers.

In tandem with the above restructuring process, the bank was changing its culture to an intrapreneurial spirit within the organisation, gaining momentum as the franchise concept was introduced in 2004. As described by Ms S.J. H. van der Walt, branch manager in the Sebideng area, "Branch managers were now responsible for their branches' performance and its future existence. They were now managing each branch as if it were their own business. There are now specific targets in place and a Balance Score Card with key performance indicators to measure the branches' performance". She continued to explain that branch managers were also responsible for compiling their own sales and business plans for their branches, that they had to have in-depth knowledge and understanding of local market potential and customer needs – all responsibilities that were those of "Head Office" previously.

The FNB franchise concept is unique, compared to other franchises, because the different branches still fall under the umbrella of the larger commercial bank. Top management – Branch Banking Executive Officers - as the franchisor, provides all buildings, capital, training, work processes, equipment and marketing to the area, and branch managers (the franchisees) that will enable them to deliver the expected service to market.

It is undeniably clear that both parties have a symbiotic partnership that will enable FNB to implement the franchise model successfully throughout the country.

1.3 Problem statement

FNB started to implement the franchise concept during 2004 by piloting the franchise concept in different areas in Gauteng. With the franchise concept still new in the banking environment, and having no real benchmark, FNB faced challenges and experienced problem areas as will be discussed below. The bank had to change from the traditional commercial banking business model to the franchise business model. FNB is still in the process of changing the culture, the structure, and infrastructure of the bank to accommodate the franchise concept. It is a difficult and time-consuming process, because the bank has not been a franchise from its inception.

There are certain critical success factors that a bank needs to consider before implementing the franchise concept to their business, which may help to handle the challenges more effectively when implementing the franchise concept. FNB identified a number of critical success factors, benefits, and challenges with the implementation of the franchise concept to their business, which might be used as guideline or benchmark for future implementation.

FNB experienced the following challenges:

- As part of the implementation of the franchise concept, the franchise-staffing model has been developed. The franchise-staffing model applied to calculate the most effective use of resources, on the frontline, based on financial and non-financial transactions (FNB, 2005:3). As described by Ms. M. Nair, to determine what capacity of staff members per franchise outlet needed to service the customer base effectively had been very difficult in the beginning phase of the implementation of the franchise concept during 2004. FNB had no benchmarks, so they had to develop a new formula to determine the staff capacity needed at the different outlets. With the first pilot done during 2004, capacity problems have been experienced, because the formula was still in the experimentation phase. FNB had to develop a formula in view of the different branches that service different market segments. Some branches will be dealing with more service transactions and some will be dealing with more sales transactions. Every branch in the country required evaluation according to their specific circumstances. Improvements are made continually, aiming for a zero defect approach.

- The bank is in the process of changing the culture of the business to a more intrapreneurial culture. Branch managers and area managers are the franchisees and responsible for the different branches' performance and continued existence as an owner-manager culture needs to be created (FNB, 2005:1). With the implementation of the franchise concept during 2004, FNB top management focused specifically on encouraging the franchisees (branch managers) to take ownership of their branches. Before the implementation of the franchise concept and specifically before the restructuring process during 2000, the branch managers had to refer senior and middle management decisions in the branches to the head offices for approval. Senior and middle management decision-making levels have since 2000, been decentralised to the area and branch managers. As a result, the bank has to change the structure of FNB to make it possible to implement the franchise concept successfully.

- FNB has not been a franchise from their inception, so it is a very expensive exercise to revamp all the branches countrywide to change to a franchise look and feel. It is and will be a time-consuming process and infrastructure problems are and will be experienced as far as the implementation process proceeds.

FNB has been experimenting with a total new concept within the current bank environment and for FNB it has been a learning experience of developing and testing the franchise model to improve the model, work-in-progress, as it were. In view of the challenges experienced with the implementation of the franchise model in FNB so far, an opportunity for research on the franchise concept and especially in the banking environment emerged.

1.4 Goals of study

The aim of this research has been:

- To research the franchise concept in general and specifically the franchise concept in the banking environment to determine what requirements and critical success factors are needed to implement the franchise concept successfully.

- The franchise model implemented at FNB, specifically in the Sedibeng area, is researched, to determine benefits / advantages and challenges / disadvantages that can be associated with the implementation of the franchise concept in the banking environment.

Considering that the implementation of the franchise concept to the banking environment is and will be a difficult process, this information will provide valuable guidelines and insight for the future implementation of the franchise concept in the banking environment. FNB had no benchmark when they started to implement the franchise concept, but with their experience gained so far, the research is making it possible to provide valuable information as a guideline or benchmark in future projects.

1.5 Method of study

1.5.1 Literature study

A literature study was done to collect information from reliable resources on what are considered critical success factors when implementing the franchise concept and also the benefits and challenges associated with the franchise concept.

1.5.2 Empirical study

FNB, specifically in the Sedibeng area, agreed to an empirical study about the newly implemented franchise concept. A questionnaire was developed and distributed to the managers / franchisees to gather information about what they consider as critical success factors when implementing the franchise concept to the banking environment, and what they consider as the most important benefits and challenges a bank can expect when implementing the franchise concept to their business.

1.6 Progress of study

In chapter 2, the goal of the literature study is to investigate the franchise concept in general as well as the franchise concept in the banking environment. A discussion follows about general literature found on franchising, and compared to FNB-specific literature on the franchising concept. The literature review includes background on the franchise concept in general as well as the banking environment, a formal definition, requirements, and critical success factors needed when implementing the franchise concept. A discussion about benefits / advantages and challenges / disadvantages expected when implementing the franchise concept follows.

In chapter 3, an empirical study is done about the requirements, critical success factors, challenges, benefits as well as disadvantages associated with the franchise concept and FNB's franchise model. The field study was a questionnaire disseminated to managers / franchisees to collect data about what they consider as critical success factors when implementing the franchise concept to the banking environment and what they are considering as the most important benefits and challenges a bank can expect when implementing the franchise concept to their business. An evaluation of the results and feedback received concludes the empirical study.

In chapter 4, a conclusion, and recommendations elaborate about the requirements and critical success factors determined to implement the franchise concept successfully, as well as benefits / challenges associated with the franchise concept implementation.

1.7 Summary

This chapter serves as an introduction of the study. It emphasised the need for a guideline or benchmark when implementing the franchise concept in the banking environment to make it easier in future. The objective of the study and the research methodology were explained in this chapter. The next chapter provides a theoretical perspective of the critical success factors, the benefits, and challenges associated with the franchise concept in general and in the banking environment.

CHAPTER TWO

LITERATURE OVERVIEW OF FRANCHISE INDUSTRY

2.1 Introduction

Franchising is a very popular business concept and this unique approach to business has spread throughout the world. The success stories of franchising are very impressive. Franchising offers numerous benefits and that is why businesses choose to employ this effective and alluring business concept.

Chapter 2 is a literature study undertaken. The following aspects are under review:

- background of franchising in general;
- background of franchising in the banking industry;
- franchising defined;
- the requirements and critical success factors to be considered in order to implement the franchise concept successfully;
- benefits or advantages that can be expected when implementing the franchise concept; and
- challenges and disadvantages that can be expected when implementing the franchise concept.

2.2 Background in general

Franchising is not a modern concept, as one would easily believe it to be. It originated many years ago, as far back as the 1800s. The franchise concept was known as product franchising in the past, and has changed over the years to what we know today as business format franchising.

Lambing and Kuehl (2003:137) argue that the growth in franchising as a way to do business has been one of the more remarkable economic developments in the twentieth century. Under the first type of franchising, namely product franchising, dealers were given the right to distribute goods for a manufacturer, and in exchange for this right, the dealer (the franchisee) paid a fee for the right to sell the trademarked goods of the producer (the franchisor). As far as franchising can be traced back, the first successful use of product franchising was by the Singer Corporation during the 1800s to distribute its sewing machines. Although this distribution system of Singer machines was changed a decade or so later, it is still considered to be the pioneer of franchising as we know it today. Franchising became public in the petroleum- and automobile industries in the early-twentieth century. Van Aardt *et al.* (2000:69) reiterate the origin of franchising in the 19^{th} century and that the franchise concept is still new in the South African environment.

Almost all South Africans would recognise franchise brands such as McDonalds or Steers. McDonalds are often associated with the origin of franchising, but although they might have perfected the concept, it did not originate with them. Kroon (2000:241) mentions that the greatest growth in franchising has been since the 1960's when businesses such as McDonalds focused on the franchise concept as a growth strategy.

Furthermore, Lambing and Kuehl (2003:137) are also of the opinion that the second type of franchising, namely manufacturing franchising is more popular in the soft-drink industry. By employing this kind of franchising, the franchisor gives the dealer (bottler) the exclusive rights to produce and distribute the product in a particular area.

The last type of franchising, namely business-format franchising, is what most people today mean when they use the term franchising. Kroon (2000:241) is of the opinion that in business-format franchising the franchisee acquires the right to use the franchisor's business practice, branding, advertising, strategic planning, training, standards, logo's, décor, uniforms, stationary, operating manuals and promotion materials.

Currently, franchising is becoming more popular worldwide and also in South Africa, because of the fact that it is a global business model, adaptable to most locations and it is an effective distribution method.

Timmons and Spinelli (2003:222) conclude by stating the following:

> *"The heart of franchising is entrepreneurship, the pursuit of intent to gain wealth by exploiting the given opportunity. The unique aspect of franchising is that it brings together two parties that both have individual intentions of*

wealth creation through opportunity exploitation, but who choose to achieve their goals by working together."

2.3 Background of franchising in the banking industry

Franchising is a relatively new concept in the banking environment. In South Africa, First National Bank has taken the lead to introduce the franchise concept to the industry early during 2004. In a recent interview with FNB-branch manager, Sue van der Walt, she indicated that FNB had researched the franchise concept overseas at the beginning of the millennium by analysing how successful franchisees there apply best practises and how to avoid the pitfalls of franchising.

FNB approached a franchise expert for advice before implementing the franchise concept to the bank. Greg Nathan, managing director of the Franchise Relationships Institute and author of *Profitable Partnerships* and *The Franchise E-Factor* facilitated an FNB franchise workshop during October 2003 where he introduced FNB to the workings of the franchise concept.

According to FNB (2005:3), the franchise model implementation project (FMI) has been introduced as a pilot project in certain branches in Gauteng during early 2004. This has been the first phase of the franchise model implementation. The implementation of the second phase of the project started in September 2004 in the Sedibeng area. The roll-out of the third phase started during January 2005 in the northern region of Gauteng. During June 2005, with the pilot project completed within the seven catchment areas in Gauteng, the next phase of the FMI project has been launched. The approach followed, was to implement the model by systematically targeting branches in the Greater Metropolitan catchment areas across the country, within a specific period, using a project approach. The catchments that form part of the country (mainly ex-rural) areas are currently in the process of implementing the franchise concept.

The franchise-staffing model has been developed as part of the implementation of the franchise model project (FMI), and is applied to calculate the most effective use of resources on the frontline, based on financial and non-financial transactions. The model is used as a benchmark for capacity management within branches (FNB, 2005:3).

FNB (2005:4) explains the vision of the franchise model implementation project (FMI) as an exercise to create and maintain a business model that ensures a consistent customer experience countrywide, to contribute to sustainable profit growth and improved operational efficiency in FNB Branch Banking.

FNB (2005:6) concludes, following a balanced score card approach that the main drivers for the project are as follows:

- **Financial** – Aimed at being profitable, optimising revenue and using resources cost-effectively.
- **Processes** – Process reviews will focus on ensuring greater operational efficiency and effectiveness.
- **People** – Staffing model as part of the franchise model provides a model to manage capacity for both permanent and casual staff and ensuring greater role clarity and role alignment.
- **Customers** – Management of the visitors' book, complaints process and the effective use of the customer care consultant to ensure efficient customer service.

With the franchise concept still new in the banking environment, and having no real guidelines or benchmark, for FNB it has been a learning experience of developing and testing the franchise model to continuously improve the model.

2.4 Franchising defined

Nieman (1998:4) is of the opinion that franchising is a franchisor granting a franchisee the right to use a proven business package, which enables the franchisee to operate a business successfully without any prior knowledge of the specific industry. Nieman, in his *The Franchise Option* (1998:4), defines franchising as follows:

> *"Simply put, franchising is the granting of certain rights by one party, the franchisor, to another, the franchisee in return for a sum of money. The franchisee then exercises those rights under the guidance of the franchisor. From this it is clear that the franchisor grants the franchisee the right to sell the firm's products or services according to the guidelines set down by the franchisor. A proven franchise package enables the franchisee to operate a business successfully, usually without any prior knowledge of the specific industry."*

Similarly, Maziero (2000:31), who researched the concept of franchising in commercial banking, defined franchising in the banking environment as follows:

> *" On this system, the franchisee would be granted the right to explore commercially (and fully manage) a site, using the bank's brand name (flag) and use the bank's business format (products, services, systems and procedures). In exchange for this right, the franchisee will pay an initial fee, which may vary according to the strength of the brand name, and the kind of initial support given to the franchisee during the setup period."*

Nathan described the franchising concept during 2003 at the FNB franchise workshop as a method of marketing goods and services, which knows almost no boundaries in terms of business categories.

In summary, First National Bank (2005:1) defined franchising as follows:

- A business strategy for getting and keeping customers;
- A method of distributing products and services that satisfies the customers needs; and
- A methodology of developing the owner-manager culture.

2.5 Requirements and critical success factors to be considered in order to implement the franchise concept successfully

There are certain requirements and critical success factors that a business or bank, for that matter, need to consider before implementing the franchise concept to their organisation. Not all businesses are suitable to become franchises, therefore the aim of this research is to establish what critical success factors can be considered as essential when a bank decides to implement the franchise concept.

The management staff of a business should firstly determine if it is viable for their business to adopt the franchise concept. They need to decide if franchising is the best option. Passing the test of franchise-ability does not necessarily mean that it is the optimum route to follow. The setting up of a franchise is an expensive and time-consuming exercise and could be far too expensive if the type of business does not lend itself to the creation of a large franchise network. Franchising can be an expensive exercise if a business needs to revamp all its outlets, therefore it is important that the business should make sure that it avails itself of enough capital to develop and implement the franchise program (Van Aardt *et al.*, 2000:95).

In general terms, most businesses can adopt a franchising business format, but, historically, retail firms have a wider appeal than others. Businesses that have a broad product and service appeal and consumer acceptance are more viable to the implementation of the franchise concept, but the market trends should also support long-term viability and growth. Normally, this will include businesses that are in a stable or growing industry with internal systems that are simple to execute (Justis & Judd, 2002:16).

FNB also had to study the most successful franchises and the franchise industry, before implementation, to determine if it would be viable for them to implement the franchise concept to their business environment. They had to establish whether they met the criteria to become a franchise network.

2.5.1 Criteria for identifying a business suitable for franchising

There are certain criteria that ought to be considered before embarking on a franchise operation. The most important criteria are discussed below.

Management's main objective would usually be to ensure that their customers experience the same environment, business processes, service, as well as products, irrespective of which outlet the customer visits in the country or even in other parts of the world. In view of that, it is important that, when the management of a business wishes to implement the franchise concept in their business, the business retains a degree of standardisation of products or services and that the image and appearance of all outlets in the franchise group are the same.

Nieman (1998:18-19) summarises the criteria that requires consideration before embarking on a franchise operation as follows:

- **Standardisation of products / services** – The products and/or services must be standardised, as well as the way those products and services are sold. It is also critical that the overall image and appearance of the franchised outlets should be standardised. For example, the products and the image and appearance of all outlets in the Kentucky Fried Chicken franchise group are the same.

- **Reproducibility** - The business concept should be developed so that it can be easily reproduced in any location. Once again, Kentucky Fried Chicken is a prime example of such a successful franchise chain where the same business concept has been reproduced at hundreds of locations globally.
- **Distinctive and noticeable business** – The business must be distinctive and noticeable in order to distinguish it from its competitors. It should have some form of uniqueness, not easily able to be copied by competitors.
- **Straightforward operating methods** – The operating methods of the business must be reasonably straightforward for easy reproduction.
- **Profitability** – The business must have a history of profitability.
- **Regular supplies** – There should be sufficient suppliers available of a specific product if the business depends on the supply of that product.
- **Legal constraints** – Businesses need to determine what legal constraints there are (if any) in respect of the type of business. It is also important to study the requirements of the Business Practices Committee and the Competition Board.

On much the same note, Kroon (2000:252) explains that the success of a franchise network depends, largely, on the ability of all the franchisees to offer a standardised, uniform product or service. Ensuring that standards are maintained, franchisors require that franchisees prepare a service or product in accordance with very detailed prescriptions that leave no room for deviations.

For FNB (2005:1) the most important motivation for implementing the franchise concept has been to standardise business processes, products, customer service and the overall image and appearance of the franchised outlets. The well-known and established financial institution that FNB is known for, has a countrywide network of branches and is striving towards consistency in the delivery of service and customer experience everywhere. The franchisor should make sure that all necessary resources are in place, before implementing the franchise concept to the business and that all procedures and policies are also in place in order to support the franchisee.

In the same manner, Van Aardt *et al.* (2000:95) explains that for a franchise chain to be ultimately viable, it should have the inherent potential to set up a minimum of 15 outlets. There should be a large enough demand for their products or services, meaning a large enough market to support a franchise network in different parts of the country. The products or services should also meet the wants, needs, and expectation of the customers. There should be some uniqueness to differentiate the business from competitors. The management of a business that consider implementing the franchise concept to their business should be in the position to make a large investment in order to support system development and infrastructure to provide initial and ongoing support for a network of franchises.

Nathan (2003b:18) continues by explaining that the market must be substantial enough to enable a number of outlets to be opened so that one achieves critical mass, economies of scale, and maximum geographic penetration and that there should be a clear target market with brand positioning.

The franchise model must show that a franchisee can draw a decent salary out of the business, which is commensurate with the effort and skill he puts into the business. The franchisee must be able to earn a decent return on the money he invests in the business (Nathan, 2003b:19).

In summary, to implement the franchise concept successfully, it should meet the abovementioned criteria. As indicated in the general franchise literature, the aforementioned factors are critical, and recognised as very important criteria in the banking environment when implementing the franchise concept. FNB complied with most of the abovementioned criteria, e.g. FNB is in a stable and growing retail industry, there is standardisation of products and services, their products can be reproduced at a number of locations, it is a distinctive and noticeable business, there is a large enough market for their products, it is a profitable business, with regular supplies. FNB found itself in a position to make use of business format franchising and they were able to standardise their business processes. FNB is also in the position to make a large investment to support system development and infrastructure to provide initial and ongoing support for a network of franchises. In view of the above, it seemed viable to implement the franchise concept within FNB, because FNB complied with most of the criteria that a business should comply with to be suitable for franchising.

2.5.2 Requirements needed to implement the franchise concept successfully

According to Nathan (2003b:19), one of the most important critical success factors to be considered when implementing the franchise concept to a bank, involves that the franchise concept is introduced to the banking environment by a pilot approach. The following are important aspects that should be addressed with the piloting of the concept:

- The design and layout of every outlet should be standardised and there should be an ideal staffing structure in place. The product range and services should be standardised, as well as the systems and operations.
- The franchised business format should also be standardised in order to make it possible to be transferable to other franchisees. The country development plan for franchising should be in place, and it should be established whether there is an opportunity for growth throughout the country.

Similarly, First National Bank (2005:3) is of the opinion that the franchise concept needs to be introduced to the banking environment by using a pilot approach, which has been applied since February 2004.

Maziero (2000:81) also claims that the best way to introduce the franchise concept to commercial banks is by piloting it first. In this way, the collection of challenges that face them - and consequently the test of the new system - will be much more comprehensive and realistic.

The literature thus clearly identifies piloting of the franchise concept as a very essential critical success factor when implementing the franchise concept.

Maziero (2000:79-80) summarises the most critical success factors that need to be considered when implementing the franchise concept to the banking environment:

- It should be a **top management decision** to adopt franchising at the bank. The success of the franchise model will depend highly on the preparation of the bank's structure and culture for the new franchise system. This process of preparation may cause radical changes on the paradigms for the whole structure, and so, the resistance to the changes might be very intense. Without the support from top management, the whole project may become unfeasible, or even a failure.

- **Learn with the successful and unsuccessful cases** of franchising. The franchise support team responsible for the franchising project must have studied carefully the most important cases of success and failure in the franchising industry before starting the franchise implementation project for the bank. The challenges faced on the implementation of the franchise concept in any industry are just about universal and therefore, it is sensible to enjoy others' experience to leverage the project's probability of success, making the necessary adaptations to the bank's business model.

- **Establish exactly what will be franchised** in the banking environment. Banks will usually make use of business format franchising which involves the style in which the franchisee is managing the store. It is usually also associated with uniformity and consistency of the business concept used.

- **Create an independent structure** to manage the franchise system at the bank. It is important that the department or team be independent from the existent structure because of the different nature of this business e.g. it involves different players, different styles of relationships, etc.

In the same manner First National Bank (2005:1), agrees that the buy-in of the area managers is imperative. They must act as the driving force for change. In order to manage resistance to change effectively, change management workshops are critical. The purpose of it is to explain to the people involved, why it is necessary to change the current model to the franchise model. Top management needs to explain to the involved people what benefits there will be for them as well as the organisation. Everyone should be involved in the change process and need to participate with the implementation of the concept in order to implement it successfully.

The bank needs to establish beforehand the critical functions of all relevant parties, e.g. the franchisor, the franchisee, and field consultants.

FNB emphasised the importance of the franchise team (as an independent structure) to manage the franchise implementation project for the Bank. Their sole responsibility is to manage the piloting of the franchise concept until succesful implementation of the concept is achieved. Critical responsibilities of the franchise field managers or consultants at FNB include:

- acting as an intermediary between the franchisee and the franchisor;
- have operational skills in order to advise and assist the franchisee;
- provide and ensure compliance to the franchise model;
- maintenance of branch standards;
- advice on configuration and the staffing model;
- advice on branch security;
- brand custodian;
- ensure public and employee safety;
- ensure legal compliance;
- co-ordinate all supporting activities and initiatives; and
- strategic and general management (FNB, 2005:2).

FNB (2005:5) states that the following areas need attention during a franchise implementation process:

- assessment of the existing staffing elements of the branch (organisational structure;
- required skill set;
- role clarity;
- job titles;
- issuing of staff assessments and use of flexi / casual staff;
- assessment of service elements, e.g. the complaints system, visitors book; and
- assessment of processes in terms of process validations performed.

FNB started the franchise concept by standardising their business processes and implemented a staffing model. The branches of FNB are in the process of revamping to standardise the franchise image and appearance countrywide.

Further requirements identified by Nathan (2003b:20) involve the following:

- **Create a franchise infrastructure** - The typical infrastructure should include skills in the supply of product, operational expertise, network development, financial management, information technology, training, market analysis and marketing strategy and plans, recruitment and selection of franchisees, and managing the franchisor / franchisee relationship. Two of the above functions deserve elaboration:

- **Training:** Initial and ongoing training to be provided in both operation and business management skills.

- **Recruitment and selection:** Management should make sure there is a market for the franchise taking into consideration the type of potential franchisee. Make sure they will have the extent of capital available to fund the franchise and raise the necessary finance.

In accord with the above FNB (2005:8), agrees that training is an important aspect because all the staff, and especially their frontline staff, must know and understand the existing processes, to avoid duplication of effort and the customer care consultant for managing of queues. Training is required for products, services and business processes, to ensure that branches have skilled staff. To up-skill staff, training budgets should be utilized fully. Employees need to follow laid down processes and procedures of the new franchise concept.

Through training, the future is touched. Within the franchise structure of today, the effort to achieve goals are achieved in employee training and retraining, resulting in improved employee productivity. The best market tool for a business is thus well-trained staff (Wilkerson, 2000:37).

Finally, Nathan (2003b:21) emphasizes the importance of the culture of the franchisor. The culture of the franchisor should be one that can manage the sensitive franchisee and franchisor relationship.

In the banking arena, it is important that all of the abovementioned is taken into consideration when introducing the franchise concept to the banking environment.

It becomes clear that there is a fair amount of agreement in view of the most important critical success factors or requirements needed when implementing the franchise concept to the banking environment.

2.5.3 Imperative requirements to be a successful franchisor or franchisee

There are certain requirements needed in order to be a successful franchisor and franchisee. The franchisor and franchisee should avail themselves of certain characteristics in order be successful, and the franchisor and franchisee both need a suitable business environment in order to implement the franchise concept successfully. Another very important requirement is that the relationship between the franchisor and franchisee should be healthy and supportive.

It is critical that franchisors and their franchisees must be friendly, flexible, focused and fast in the mercurial marketplace to flourish. Profits usually disappear when the consumer fails to receive value (Wilkerson, 2000:36).

Justis and Judd (2002:3) believe that typical suitable characteristics of the franchisor include the following:

- The first requirements of the franchise entrepreneur are a high degree of managerial ability and entrepreneurial skills, e.g. the ability to conceptualise, organise and manage a business.

- The entrepreneur must have a viable business opportunity that requires people (potential customers) that express economic or market need for the proposed product or service.

Other characteristics of a successful franchisor will also include extensive knowledge of competition and market conditions, keen sensitivity to operating costs, quality and risk control, and an ability to motivate people (Justis & Judd, 2002:5).

Similarly, First National Bank (2005:1) identified the following requirements specifically important to them:

- **Franchise core components:** As in most other businesses, the quality of the people of that particular franchise determines the success of franchising. The three core components in franchising are the franchisor (branch banking executives), franchisees (area and branch managers) and field consultants / managers. The relationship and communication between these different people / components largely influence the long-term success of the franchise.

- **Critical responsibilities of the franchisee** (area or branch managers) include the following:

In order for the branch manager to be successful, he / she will be required to have extensive knowledge and an understanding of:

  - local market potential;
  - customer segments;
  - client profiles;
  - client needs;
  - local economic trends;
  - the ability to convert his / her knowledge of the market into a sales / business plan; and
  - the overall profitability of the branch.

- **Critical responsibilities of the franchisor** (branch banking executives) include the following:

  - responsible for the strategic direction of the business,
  - setting of standards for the bank (franchise model),
  - marketing (product, price, place and communication), and
  - to act as business mentor in terms of a blueprint of business processes.

Moreover, they need to address all areas of expertise, e.g. financial management, human relations management, risk management, process management, and sales and service management.

Nathan (2003b:5) is of the opinion that the critical functions of a franchisor should include the following - Build a profitable model, strategic planning, new product development, set standards in an operations manual, training, systems and controls, marketing, purchasing, price strategy and definition of areas.

Nathan (2003b:5) also states the critical functions of a franchisee:

- Support of the franchisor's systems and brand values;
- conforming to standards;
- being a team player;
- co-operation;
- acknowledging good work;
- upward communication;
- a positive attitude and hard work;
- loyalty and being proud of the brand;
- support in bad times;
- be an owner-operator;
- practice local marketing;
- grow a base of happy customers
- run a profitable business; and
- to pay all fees.

It is critical that franchisors pay close attention to the type of people they select as franchisees, because it is the people in the system and not the system itself that really define how successful a franchise will be. The most critical part of running a franchise is not its location but rather its people. A franchisee should conform to seven core values:

- the attitude towards employee involvement;
- a positive attitude for success;
- independence;
- sales orientation;
- responsiveness to customers;
- social orientation; and
- drive (Berni, 2002:15-16).

It cannot be emphasised enough how important the relationship between the franchisor and franchisee is. The franchise expert, Greg Nathan, in an article in the *Franchise World* (2003a:23-24), says:

> *"The real power of franchising lies in the effective sharing of knowledge and resources, not only between the franchisor and franchisee, but also the sharing that goes on between franchisees. It is through experiences from promotional programs, new product ideas, operational improvements and marketing intelligence that franchise systems gain and maintain their competitive edge. Sharing also builds enthusiasm, loyalty and commitment to the brand. If relationships become stained communication also closes down. People simple stop sharing."*

Schultz (1999:42) believes that franchise relationships are based on trust, mutual respect and a desire to promote the common good. The reality of franchising is a dynamic relationship in which the success of each party, in a large part, is determined by the success of the other.

Similarly, Justis and Judd (2002:6) emphasised that the most important ingredient for the success of a franchise system is the interdependence between the franchisor and the franchisee. Each provides for the other. The franchisor, as an innovator, is seeking to find newer or better ways to meet customers' possessive plural needs. The ultimate test is the satisfaction of the customers. When customers are not satisfied, the business will ultimately fail. The success of the franchise system, large or small, is relying heavily on the capabilities and ingenuity of the system's management of the franchisor and franchisees.

In the same manner, FNB (2005:1) acknowledges that the relationship and communication between the two parties largely influences the long-term success of the franchise.

Franchising is all about a business strategy for winning a disproportionate market share by getting and keeping customers through brand loyalty. By increasing the number of points of distribution, the company is increasing customer awareness and brand loyalty, thus increasing sales for all outlets in the area that are the bottom line for both franchisor and franchisee. Thus, understanding the franchise relationship is the key to success (Shepherd, 1999:33).

Throughout the literature study thus far, the importance of the franchisee / franchisor relationship stands out as pivotal to success, as well as the characteristics they should have to handle their responsibilities effectively. It is clear that anyone considering and exploring entrepreneurial opportunities should seriously consider the franchising option. As franchisor or franchisee, the franchise option can be a viable way to share risk and reward, create and grow an opportunity, and raise human and financial capital (Timmons & Spinelli, 2003:223).

Tulleken (2005:19) concludes that franchising is fast emerging as the business system of our modern world. The common perception of franchising is that of an entrepreneur who has an innovative idea or concept and through taking the franchising option, is able to duplicate his concept, and grow it at a fast rate. Franchising is conducive to almost all business sectors. Franchising is the way to go for main companies striving to increase efficiencies and profits.

2.6 Benefits or advantages that can be expected when implementing the franchise concept

The franchise concept offers certain benefits or advantages to businesses or banks that wish to implement the concept to their business. Part of the goal of this research is to establish what the benefits or advantages will be for a bank that is considering implementing the franchise concept.

There are many success stories in franchising such as McDonalds, Singer Sewing Machines, General Motors, Coca-Cola and Kentucky Fried Chicken. Today, other types of businesses are also seeking growth through franchising. FNB took the lead in the banking industry in South Africa to implement the franchise concept. Their main objective has been to strive towards consistency in their service.

The franchising concept offers many benefits or advantages. As mentioned earlier, franchising represents an opportunity for an entrepreneur to expand the business. It can be a process of wealth creation and used as a global business model, because it is adaptable to most locations. Nieman (1998:2) states that the franchisor has also developed or acquired a distinctive business, which operates in accordance with proven methods and procedures and has a distinctive trade name and logo that are very beneficial. Franchising creates the same image and appearance at all outlets countrywide or even worldwide, which enables customers to experience the same atmosphere and environment in every outlet of the franchise (FNB, 2005:1).

2.6.1 Advantages for the franchisor

Justis and Judd (2002:7) believe that for a franchisor, franchising allows the business to expand with limited capital, risk, and equity investment. Most businesses grow through expansion of their distribution systems.

Nieman (1998:8-9) summarises and expands the list with the following:

- The distribution network can expand without having to borrow funds or raise additional equity finance. There will be capital needed to prepare for franchising but in general the franchisees will supply the capital, as they will fund their own outlets.
- Franchisors can spread the unavoidable risk that arises in any major expansion programme, because some of the risk shifts to the franchisees.
- Franchisees are much more motivated than hired managers are, because they own their outlets and are at risk.

- A major advantage to the franchisor is that the network can expand rapidly and thereby shuts out possible competitors. In this way, the franchisor can compete with larger rival firms as franchising allows wider geographical coverage and exposure of the product and service.

- The franchisor will also be able to benefit by gaining greater negotiating strength because of bulk buying on behalf of many franchisees.

- Through cooperative advertising the franchisor and franchisee can share the costs of advertising.

In agreement with the above, Hisrich and Peters (2002:545) describe the most important advantages for the franchisor as expansion risk advantages, capital requirement advantages, as well as cost advantages. Franchising allows the venture to expand quickly, using little capital and saving on advertising cost and achieving economies of scale, because of bulk buying power.

Many of the general benefits or advantages of franchising for the franchisor are also applicable to banks. The bank (franchisor) has also developed a distinctive business, which operates in accordance with proven methods and procedures and has a distinctive trade name and logo. Banks can use franchising as an expansion method to broaden the distribution channel of their products and services. In this way, they can compete more effectively with other financial institutions. They also have the benefit of greater negotiating strength, because of bulk buying power.

2.6.2 Advantages for the franchisee

Nieman (1998:9) lists the most important advantages for a franchisee as the following:

- The franchisee can start a business with the use of a comprehensive business package consisting of an established trade name and corporate image, a proven product or service and the benefit of the goodwill built up by the franchisor.

- The franchisor provides initial training, and supplements it with subsequent training and guidance.

Justis and Judd (2002:3) are of similar opinion and summarise the most important advantages for the franchisee as follows:

- Often consumers are already aware of the names and reputation of products or services the franchise system offers. This is a significant advantage for the prospective franchisee.
- The franchisee benefits from both regional and national advertising. The pooling of funds by all franchisees and the franchisor results in definite effective advertising.
- The franchisee has the advantage of technical and managerial assistance provided by the franchisor.

Hisrich and Peters (2002:542) are also of the opinion that the franchisee usually enters into a business that has an accepted name, product, or service. Credibility already exists based on the years the franchise has existed. This helps to facilitate franchise sales. The franchisor provides standardised employee uniforms, quality training for franchisees, standardised operating procedures, and management expertise. The franchisee does not have to incur all the risks on its own, because of the franchising relationship with the franchisor.

Corresponding with the above, Kroon (2000:244-245) summarises and expands the list as follows:

- Franchisees would normally reach profitability earlier, compared to individually owned retail outlets.
- Franchisees also benefit from referrals passed to them by other franchisees, for example, estate agents that operate countrywide.
- Although the franchisee receives support from the franchisor, the franchisee remains an independent person. The attractiveness of owning a business, within the framework of the franchise agreement, makes franchising an attractive investment.
- Franchisees have direct access to specialised and skilled knowledge and experience of the head office staff and infrastructure of the franchisor. The knowledge and experience available at head office usually cover all facets of business.

- The franchisor continually strives to improve the business with ongoing research and development programmes. Franchisees benefit by applying improved procedures, recipes or techniques to their businesses.

- The head office of the franchise accumulates market information and the experiences of all franchisees. This is very useful information, which would otherwise only be available for a large amount of money.

- A certain geographical area is reserved for the franchisee. The franchisor guarantees that no other franchisee of the same franchisor will compete within that geographical area.

Lambing and Kuehl (2003:138) conclude by agreeing that franchisees gain advantages because they make use of start-up assistance, having the benefit of judging the prospects of success, gaining immediate recognition, and bulk purchasing power.

From either of these two perspectives, franchising can be very appealing. The franchising method helps the franchisor and franchisee by providing agreement that allows both to bring their particular strengths to the business arrangement. Both franchisor and franchisee can benefit from using the franchise concept, but both should also be contributing (Lambing & Kuehl, 2003:138).

From a bank's point of view, many of the general benefits or advantages of franchising for the franchisee are also applicable to banks, e.g. the franchisee (area and branch managers) has the opportunity to utilize proven methods of operation, large-scale, high-impact advertising, training, bulk purchasing and recognised brands, or trademarks. The franchisee has direct access to the specialised and skilled knowledge and experience of the head office staff and infrastructure of the franchisor. The knowledge and experience available at head office usually cover all facets of business. The franchisor (bank top executives) continually strives to improve the business with ongoing research and development programmes. The franchisee benefits by applying improved procedures, recipes, or techniques to his business (branch).

2.6.3 Advantages or benefits expected in the banking environment

Franchising offers numerous benefits to banks. Some of the general benefits, which are also applicable to banks, as well as benefits specifically from a bank's point of view, are listed below:

Nathan (2003b:2) believes that franchising is beneficial because it acts as an expansion tool and thus promotes:

- Increased market penetration;
- Saturation and proliferation;
- Maximize distribution of products;
- Restructures existing distribution channels; and
- Owner involvement and dedication.

According to Nathan (2003b:17), business format franchising provides the framework to facilitate uniformity and consistency throughout the franchised network, by the franchisor requiring the franchisees to adhere to a comprehensive business format.

Likewise, Maziero (2000:61-62) believes that franchising provides an improvement of the distribution channel in view of better feedback and better quality of sales. A franchised branch is essentially a firm buying products and services from the bank in order to resell them to the final consumer. The bank can also focus more effectively on the banking core business (money management, financial services, credit management, quality and risk management, marketing management and information technology).

In the same manner, First National Bank (2005:1) is of the opinion that the franchise concept can be applied to better meet customer needs, to minimise customer confusion and irritation by ensuring a consistent customer experience and achieving consistency in the delivery of superior customer experience countrywide. Franchising will also emphasise operational and process efficiency.

If the relationship between the franchisor and the franchisee is healthy and supportive, it can be decidedly beneficial to the franchise.

Nathan (2003b:25) believes a happy franchisor and franchisees will be responsible for happy, satisfied customers, meaning more profit for both the franchisor and the franchisees.

On the same note, FNB (2005:1) is of the opinion that the relationship between the franchisor and franchisee, striving towards a win-win partnership, is of the utmost importance, because it is essential for the success of the franchise. If the franchise is successful, they will be able to deliver superior customer service and compete effectively with other financial institutions.

Focus areas that are of importance to FNB are addressed with the implementation of the franchise concept and can benefit the bank. Further benefits identified by FNB (2005:7) addressed with the implementation of the franchise concept follow below:

- more efficient focus on capacity management and reduced cost;
- Identifying and highlighting the skills gap;
- initiating a training program and creating capacity for training to happen. Training in products and business processes will ensure that work is done more effectively and efficiently. If employees are properly trained, it will also ensure better customer service and more satisfied customers;
- to provide staff with an opportunity to multi-skill themselves, ensuring greater job satisfaction, and being more productive;
- to provide greater role clarity and role alignment;
- to allow for the better management of flexi/ casual staff; and
- to improve the productivity and profitability of the branch in the long term.

Maziero (2000:63) continues that franchising nurtures an entrepreneurial culture, because of highly demanding franchisees that will force the bank to respond more actively and so becoming more competitive.

Through the general and bank-specific literature studied so far, the researcher indicated that franchising really offers many benefits and opportunities for a bank that is considering implementing the franchise concept as discussed above.

2.7 Challenges and disadvantages expected when implementing the franchise concept

Franchising is by no means a miracle cure or problem-free solution to a distribution problem. Because of that, franchising is not always the best option. Anyone investing in a franchise should investigate the opportunity thoroughly. Problems between the franchisor and the franchisee are common, because of relationships that become strained. The fact that not all businesses are viable to be franchised should be considered before implementing the franchise concept. Other challenges include the expenses and infrastructure problems a large organisation can experience when implementing the franchise concept to their business. According to Dreyer (2000:1), franchising is an alternative option to gain financial independence, success as well as a cure for unemployment. Yet, not every business concept is suited to franchising. Therefore, franchisees that are also investors run the risk of having to carry and market an idea or business concept that is not viable or suitable to franchising.

Even if the business or bank passes the test, it might not be the optimum route to follow. The setting-up of a franchise system is expensive and time-consuming especially if the type of business does not lend itself to the creation of such a large franchise network (Van Aardt *et al.*, 2000:95). It is thus very important that a bank should consider all possible challenges and disadvantages to establish if it will be worthwhile embarking on such a huge exercise.

The following summary concludes the most important disadvantages for both franchisor and franchisee:

2.7.1 Disadvantages for the franchisor

Nieman (1998:10) expresses the undermentioned drawbacks:

- Making sure that all the franchisees adhere to standard operating methods to achieve uniformity in all outlets might be difficult. Franchisees are also not employees and cannot simply be ordered to follow instructions. Franchisees own their businesses and thus have the final say as long as they comply with the franchise agreement and the operations manual.

- The view and objective of the franchisor and franchisee may differ in respect of aspects such as profit, turnover, corporate image, etc., which could lead to disputes and a lack of cooperation between the two parties.
- In view of the franchise agreement the franchisor will only be able to terminate the agreement under certain circumstances which might make it difficult to dispose of an unsuitable franchisee.

Coinciding with the above, Hisrich and Peters (2002:546) indicate that the franchisor might incur certain risks and disadvantages in choosing the franchise expansion alternative. Sometimes the franchisor might find it difficult to find quality franchisees, or franchises might be managed poorly despite training and controls in place. As the number of franchisees increases, it might also become difficult to maintain tight control.

2.7.2 Disadvantages for the franchisee

Kroon (2000:245-246) summarises the most important disadvantages for the franchisee as the following:

- The franchisor may make wrong decisions that might be disadvantageous to the franchisee, e.g. the wrong interpretation of market tastes.
- Any bad publicity surrounding the franchisor or other franchisees might have a damaging effect on the franchisee's business.
- The retail marketplace is very competitive and franchisees must adhere to certain recipes, procedures and other prescribed aspects, meaning they cannot react immediately or in the most effective way to threats from competitors.
- Most franchises only offer a limited number of products or services to customers. This narrow specialisation can be a disadvantage to a franchisee when technological developments, economic conditions or changes in consumer tastes make a product obsolete or decrease the demand for the product drastically.

Maziero (2000:72) adds that actions taken by franchisees might affect the bank's brand name and image negatively. This is the main challenge in franchising the branches of firms like banks, in which image and reliability are crucial elements of the competitiveness of the firm. With the criticality of the issue, boundaries for the franchisees should be defined with precision in the contract. Franchisees are responsible for the bank's image and everything they do will be associated with the bank.

Nieman (1998:10) agrees and expounds the list with the following:

- Although franchisees are legally independent, the franchisor will still exert a high degree of control over the franchisees and the franchise operations in terms of the franchise agreement and operations manual.
- The franchisee may wish to be innovative and introduce changes to the franchise, but may not be allowed to do so in terms of the franchise agreement.

Maziero (2000:51) outlines the boundaries for the franchisee as follows:

- Franchisees cannot distribute printed material without approval from the bank's marketing division.
- Franchisees cannot sell products not supplied by the bank, without approval from the franchisor.
- Franchisees cannot issue credit without formal approval through the credit system of the bank.
- Franchisees cannot change the layout of the branch without permission from the marketing division.

In the same manner, Lambing and Kuehl (2003:139) are of the opinion that franchising promotes efficiency and uniformity of operation. The latter means that the franchisee faces numerous restrictions on how to manage the business. Restrictions are found on the franchisees' decision regarding the product line.

Maziero (2000:67) is also of the opinion that it might be hard to motivate highly entrepreneurial persons as the franchisees, given the necessary restrictive rules limiting their entrepreneurial actions. This challenge faces all franchised banks, as well as any franchised retail firm.

The restrictions in franchising might limit the franchisee to introduce innovative ideas and differentiate themselves from competitors. There might also be resistance from the franchisees' side if they do not agree with a new product's success when launched.

Hisrich and Peters (2002:545) mention that the support promised by the franchisor may not be forthcoming, which might cause disadvantages for the franchisee. Problems between the franchisor and franchisee are common, influencing the success of the franchise. They need to work closely together but if they are unable to do so because of problems experienced between them, it can be very disadvantageous to the franchise.

Nathan (2003b:25) also believes that when serious problems arise in a franchise chain, they can be traced back to one of two things:

- The breakdown in communications between the franchisor and franchisees, and/ or
- The franchisee is not suitable to the franchise.

Justis and Judd (2002:6) conclude that it can happen that franchisees become too dependent on advice of the franchisor to address operations, crises, changing market conditions, pricing strategy, or promotions that they might fail to apply common sense and knowledge of local customers and market conditions. It is also felt that there are many restrictions of freedom limiting the franchisee.

As discussed above it is clear that there are some disadvantages for both the franchisor and franchisee in the franchise system. If the management of a bank considers implementing the franchise concept to their business, they should consider the disadvantages associated with franchising as well, because many of the disadvantages in general are also applicable to banks. For example, in the banking environment the objective of the franchisor and franchisee may also differ in respect of e.g. profit, turnover, pricing, corporate image, etc., which could lead to disputes and a lack of cooperation between the two parties. The franchisor may make wrong decisions that are detrimental to the franchisee, e.g. the wrong interpretation of market tastes, economic business cycles, etc. Any bad publicity surrounding the franchisor or other franchisees is likely to have a damaging effect on the franchisee's business (branch) as well. Other disadvantages such as restrictions on what products to sell, pricing, uniformity and standardisation of business processes, might cause a lack of competitiveness. If the franchisor does not react to external changes in time, such as technology changes or product development it might be a disadvantage to the bank and franchisee.

2.7.3 Challenges or disadvantages that a bank can expect when implementing the franchise concept

It is important to acknowledge that the franchise concept also involves challenges or disadvantages. Nathan (2003b:18) emphasises that franchising does not imply guaranteed success or everything on a platter. Part of the goal of this research involves the establishment of the challenges or disadvantages a bank can expect when implementing the franchise concept to their business.

According to Nathan (2003b:22), franchising should be avoided when the culture is not open and learning-orientated.

In the same manner, FNB (2005:1) believes that an owner-manager culture is conducive for the franchise model to flourish. As discussed in chapter one, FNB already introduced an intrapreneurial culture to their business with their restructuring exercise during 2000.

Maziero (2000:63) emphasises that the corporate culture of the bank should change to an entrepreneurial culture in order to accommodate the franchise concept. An entrepreneurial culture needs nurturing, because highly demanding franchisees will force the bank to respond more actively, and so, becoming more competitive.

Culture is a very important aspect of franchising, because entrepreneurs are very much a part of franchising. An entrepreneurial culture should thus be encouraged. Throughout the research so far, culture has been pointed out as important for the franchise concept to succeed. If the culture does not fit the franchise concept, it should be avoided.

According to Nathan (2003b:21), franchises might fail because of the following:

- A poor business concept;
- Poor location;
- Weak management;
- Incompatible franchisee skills;

- Poor profit potential;
- Too much competition;
- Territories which are too small;
- Poor franchisor support; and
- Lack of working capital;

With the implementation of the franchise concept to FNB during 2004, FNB faced challenges and experienced problem areas as will be discussed below.

As discussed in chapter one, the bank had to change from the traditional commercial banking business model to the franchise business model. It involved major changes to the structure, culture, and infrastructure of the bank, which caused resistance to change and needs careful managing.

As recently indicated by FNB's franchise consultant, Maggie Nair, the preparation of the bank to implement the franchise concept is a problematic experience.

- FNB is still in the process of changing the culture, structure, and infrastructure of the bank to accommodate the franchise concept. It is a difficult and time-consuming process, because the bank has not been a franchise from its inception.

- It is a continuous change process that needs to be managed and all employees have to be trained, and adjust to changes made, as well as to understand the new business processes.

- It is a very expensive exercise to revamp all the branches countrywide to change according to the franchise image and appearance.

- Determining what capacity of staff members per franchise outlet is deemed sufficient to service the customer base effectively, had been very difficult in the beginning phase of the implementation of the franchise concept during 2004. FNB had to develop a new formula and with the first pilot done during 2004, capacity problems have been experienced, because the formula was still in the experimentation phase. Some improvements have since been made.

Maziero (2000:74) concludes that legal issues should be considered, because commercial banking is traditionally a highly regulated market all around the world. The strictness of the regulations varies from country to country, but in general, the rules for banks are stricter than for the other segments of the market.

The following challenges or disadvantages identified by Maziero (2000:68) are not so agreeable. Maziero believes that the franchisees might place constant pressure on the bank for better prices, rates, and service, which poses a challenge. However, this might be a good result of franchising, as it will ensure better service to the customers and more agile competitiveness in the banking environment.

Maziero (2000:66) also felt that competition between the different franchisees might become destructive, but positive competition between the franchisees might encourage them to become more successful which in turn might be advantageous to the bank. It might be a good benchmark for them to compare themselves against each other on the different key performance indicators on their performance-balanced scorecard. Recently a FNB branch manager, Sue van der Walt, indicated that it is advantageous for the bank if the branches benchmark against each other. In this way, they strive towards excellence.

Finally, the last challenge or disadvantage that Maziero (2000:64) poses, is that it will be hard to ensure consistency of customer experience with the franchise concept implemented to the banking environment. Franchising is for that very same reason popular for enabling the consistency in customer service globally. All business processes are standardised, as well as the layout of the branches. The main purpose of franchising is precisely to standardise everything to ensure consistency.

2.8 Summary

Franchising is a very popular concept world-wide as proven by the fact that so many businesses are making use of the franchise concept globally. More impressive is the many success stories in franchising, for instance. McDonalds, Coca-Cola, and Kentucky Fried Chicken as already mentioned before.

This chapter reviewed essential critical success factors that a bank should consider before implementing the franchise concept. The benefits and challenges associated with the franchise concept in general have been identified, as well as from First National Bank's point of view.

It is important that banks investigate all aspects of the franchise concept thoroughly before implementation. Not all businesses are suitable to franchising.

CHAPTER THREE

EMPIRICAL STUDY AND RESULTS

3.1 Introduction

The aim of this dissertation as mentioned is firstly to determine what the requirements and critical success factors are in order to implement the franchise concept successfully in the banking environment. Secondly, to determine what the benefits and challenges or disadvantages are that a bank can expect when implementing the franchise concept to their business environment.

Chapter 3 will set out the empirical research of the study. Aspects covered include:

- Method of research;
- the purpose of the questionnaire;
- the compilation and structure of the questionnaire;
- types of questions used;
- respondents;
- target group; and
- results.

3.2 Method of research

The data was gathered through the compilation and distribution of questionnaires. The questionnaire was compiled based on the literature study in Chapter 2. The questionnaires were delivered to FNB management staff at the franchisee branches and collected by hand within forty-eight hours. According to De Vos *et al.* (2002:174), this method saves time and ensures a better response rate.

The purpose, constructing and structuring of the questionnaire can be summarised as follows:

3.2.1 The purpose of the questionnaire

The purpose of the questionnaire is firstly, to determine what FNB considers as requirements or critical success factors for franchisees or management when implementing the franchise concept to the banking environment and secondly, the benefits and challenges or disadvantages expected when implementing the franchise concept.

3.2.2 Compilation and structure of questionnaire

The questionnaire used for this research is presented in Appendix A. The questionnaire is divided into two sections with thirty-four statements. All the questions are close-ended questions.

The sections are:

- Section A: Critical success factors considered when implementing the franchise concept to a bank. Section A has been divided into three sub sections which include the following:
  - A 1: Requirements needed to implement the franchise concept successfully to the banking environment;
  - A 2: Requirements to be a successful franchisor in the banking environment; and
  - A 3: Requirements to be a successful franchisee in the banking environment.
- Section B: Benefits and challenges / disadvantages a bank can expect when implementing the franchise concept. Section B has been divided into two sub sections which include the following:
  - B 1: Benefits; and
  - B 2: Challenges / disadvantages.

3.2.3 Respondents of research

Twenty questionnaires were handed out to FNB franchisees or management staff in the Sedibeng area. They represent FNB at the ten branches in the Sedibeng area. Each branch there has one branch manager as well as an administration manager that are responsible for the day-to-day operations and managing of the branches. The Sedibeng area was selected for the purpose of this research, because the franchise concept has already been implemented in this area and the franchisees are already familiar with the franchise concept in the banking environment and experienced some of the benefits, as well as the challenges and disadvantages of the franchise concept. They are also aware of what might be critical success factors when implementing the franchise concept, because they have first-hand experience of it. Twenty persons responded and all questionnaires were used which resulted in a response rate of 100%.

3.2.4 Target group

The identified target group to take part in the empirical research were the twenty managers of FNB at the ten branches in the Sedibeng area.

3.3 Results and analysis of empirical research

The results are divided into the abovementioned two sections in 3.2.2. Questions will be discussed based on its purpose and results.

3.3.1 Discussion of questionnaire - Section A

Section A: Critical success factors considered when implementing the franchise concept to a bank

- Section A has been divided into three sub-sections which include the following:
  - A 1: Requirements needed to implement the franchise concept successfully to the banking environment;
  - A 2: Requirements to be a successful franchisor in the banking environment;
  - A 3: Requirements to be a successful franchisee in the banking environment.

3.3.1.1 Sub section A1: Requirements needed to implement the franchise concept successfully to the banking environment

- **Purpose**

The purpose of this question is to establish to what extent the management of FNB agree or disagree with the requirements needed to implement the franchise concept successfully in the banking environment, as identified in the literature study.

- **Results**

Section A1 consists of ten requirements (statements). The twenty participants had the **choice** of **four options** at **each** of the ten statements in the following order:

1. Strongly agree, **2.** Agree, **3.** Disagree and **4.** Strongly disagree.

A 1.1: The bank needs to establish beforehand the critical functions of all the relevant parties e.g. the franchisor, franchisee and field consultants.

1. Strongly agree – 65%

2. Agree – 35%

A 1.2: Banks need to establish beforehand exactly what will be franchised in their business environment, e.g. business format, products and services.

1. Strongly agree – 75%

2. Agree – 25%

A 1.3: Banks need to start the implementation of the franchise concept with a pilot approach. In this way, adjustments can be made as far as they proceed.

1. Strongly agree – 75%

2. Agree – 25%

A 1.4: The project team responsible for the implementation of the franchise concept should have studied most important cases of success and the franchising industry, before starting the specific project for the bank.

1. Strongly agree – 65%

2. Agree – 30%

3. Disagree – 5%

A 1.5: Top management support is essential in the sense that they need to act as driving force for change and manage resistance to change effectively.

1. Strongly agree – 75%

2. Agree – 25%

A 1.6: The preparation of the bank's structure and culture to make the implementation of the franchise model viable, is essential.

1. Strongly agree – 75%

2. Agree – 25%

A 1.7: Employees need to be trained in new business processes, products, and services of the new franchise concept.

1. Strongly agree – 85%

2. Agree – 15%

A 1.8: Employees need to follow laid down processes and procedures of the new franchise concept.

1. Strongly agree – 75%

2. Agree – 25%

A 1.9: Selecting the right person for the right job role is important.

1. Strongly agree – 85%

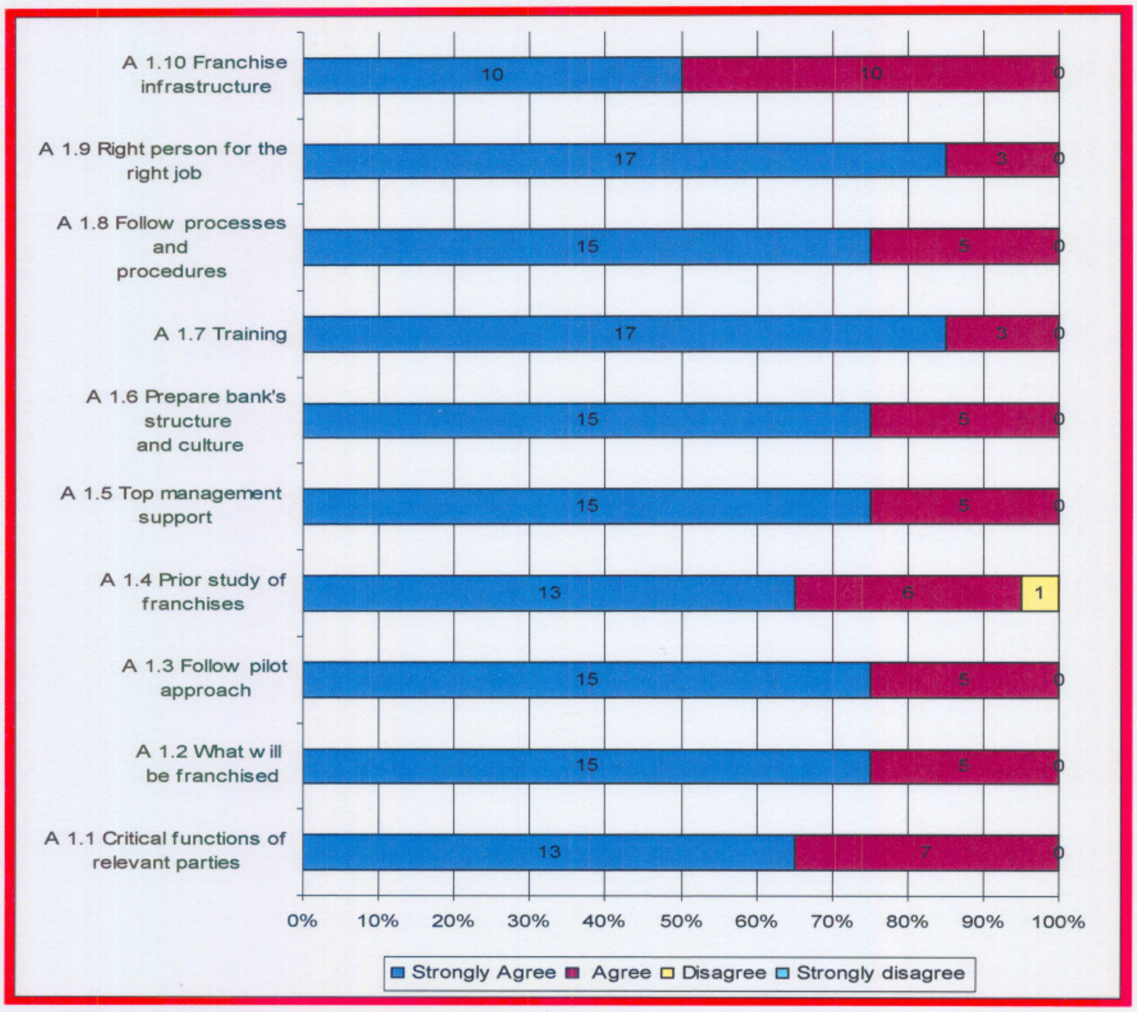
2. Agree – 15%

A 1.10: The creation of a franchise infrastructure is needed, which include skills in e.g. supply of product, operational expertise, network development, financial management, and training, market analysis, marketing strategy and managing of franchisor / franchisee relationship.

1. Strongly agree – 50%

2. Agree – 50%

Figure 3.1 Requirements needed to implement the franchise concept successfully to the banking environment



3.3.1.2 Sub section A 2: Requirements to be a successful franchisor in the banking environment

- **Purpose**

The purpose of this question is to establish which of the requirements to be a successful franchisor in the banking environment as identified in the literature study, are considered most important to least important by the management of FNB.

- **Results**
- **Sub section A 2 has been divided into two sub sections:**

1. A 2.1: Characteristics of a successful franchisor – 5 characteristics of the franchisor listed;

2. A 2.2: Responsibilities of a franchisor - 3 responsibilities of the franchisor listed.

The twenty participants ranked the five characteristics of a successful franchisor in sub-section A 2.1 from most important to least important as well as the three responsibilities of a successful franchisor in sub section A 2.2. (Calculations have been performed by using weights. Weights have been assigned as follows: A 2.1 most important ranking 1 = 10, 2 = 6, 3 = 4, 4 = 2 and least important ranking 5 = 1; A 2.2 most important ranking 1 = 10, 2 = 6 and least important ranking 3 = 4.)

a) Sub-section A 2.1

The management of FNB indicated their choice ranked in the following order of importance:

1. A high degree of managerial ability are seen as the most important characteristic of a franchisor (weighted total of 123), followed by

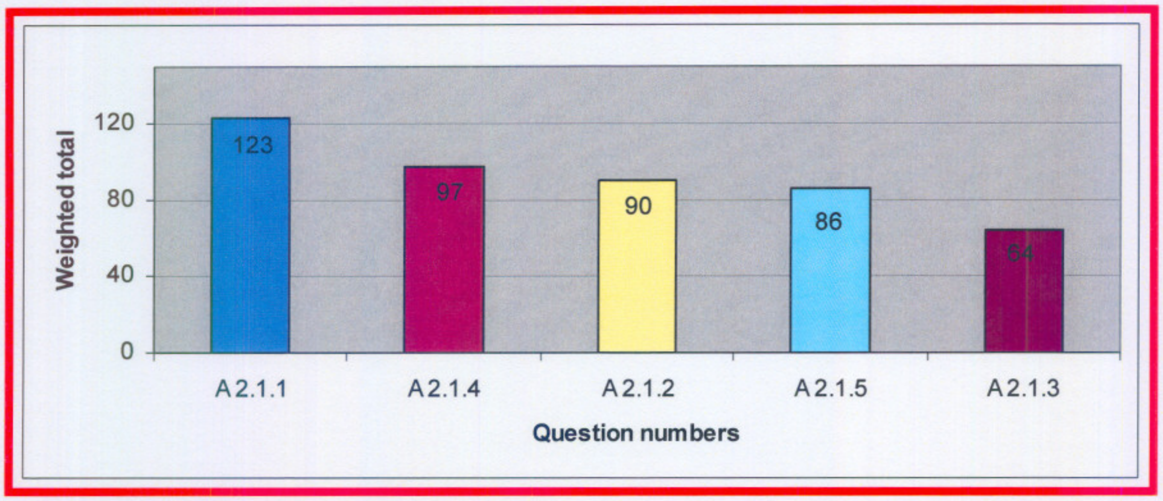
2. Quality and risk control (weighted total of 97), followed by

3. Extensive knowledge of competition and market conditions (weighted total of 90), followed by

4. The ability to motivate people (weighted total of 86) and least important

5. Keen sensitivity of operating costs (weighted total of 64).

Figure 3.2 Characteristics of a successful franchisor

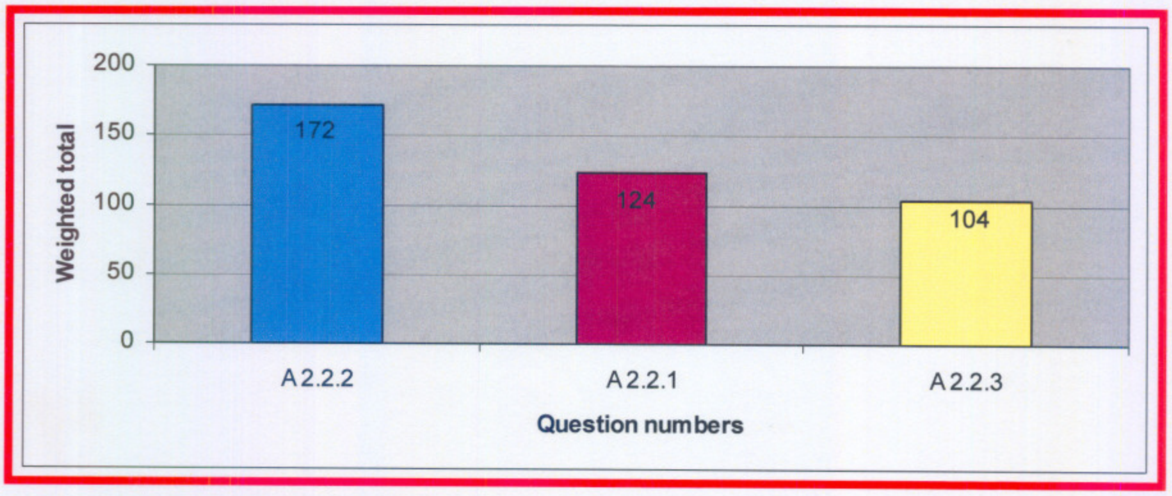


b) Sub-section A 2.2

The management of FNB indicated their choice ranked in the following order of importance:

1. Setting standards for the bank (franchise model) are seen as the most important responsibility of a franchisor (weighted total of 172), followed by,
2. Responsible for the strategic direction of the bank (weighted total of 124), and least important
3. Act as mentor in terms of business processes (weighted total of 104).

Figure 3.3 Responsibilities of a successful franchisor



3.3.1.3 Sub section A 3: Requirements to be a successful franchisee in the banking environment

- **Purpose**

The purpose of this question is to establish which of the requirements to be a successful franchisee in the banking environment as identified in the literature study, are considered most important to least important by the management of FNB.

- **Results**

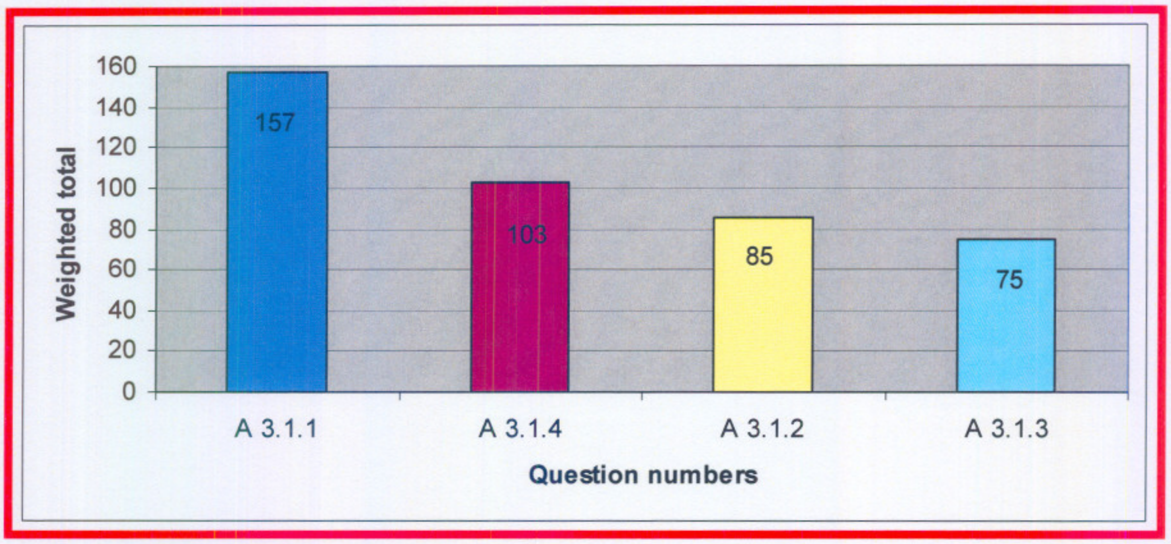
The twenty participants ranked the four responsibilities of a successful franchisee in sub-section A 3.1 from most important to least important. (Calculations have been performed by using weights. Weights have been assigned as follows: most important ranking 1 = 10, 2 = 6, 3 = 4, and least important ranking 4 = 1.)

a) Sub Section A 3.1

The management of FNB indicated their choice ranked in the following order of importance:

1. Will be required to have an in-depth knowledge and understanding of local market potential, customer segments, client profiles and client needs are seen as the most important responsibility of a franchisee (weighted total of 157), followed by
2. Responsible for overall profitability of the branch (weighted total of 103), followed by
3. Be aware of local economic trends (weighted total of 85), and least important
4. Have the ability to convert his or her knowledge of the market into a sales or business plan (weighted total of 75).

Figure 3.4 Responsibilities of a successful franchisee



3.3.2 Discussion of questionnaire - Section B

Section B: Benefits and challenges / disadvantages a bank can expect when implementing the franchise concept

- **Section B has been divided into two sub-sections which include the following:**
  - B 1: Benefits;
  - B 2: Challenges / disadvantages.

3.3.2.1 Sub section B 1: Benefits

- **Purpose**

The purpose of this question is to establish which of the benefits expected in the banking environment as identified in the literature study, are considered most important to least important by the management of FNB.

- **Results**

The twenty participants made a choice of **THREE** out of six benefits listed in sub-section B 1.1 and ranked it from most important to least important. (Calculations have been performed by using weights. Weights have been assigned as follows: most important ranking 1 = 10, 2 = 6, and least important ranking 3 = 4.)

a) **Sub-section B 1.1**

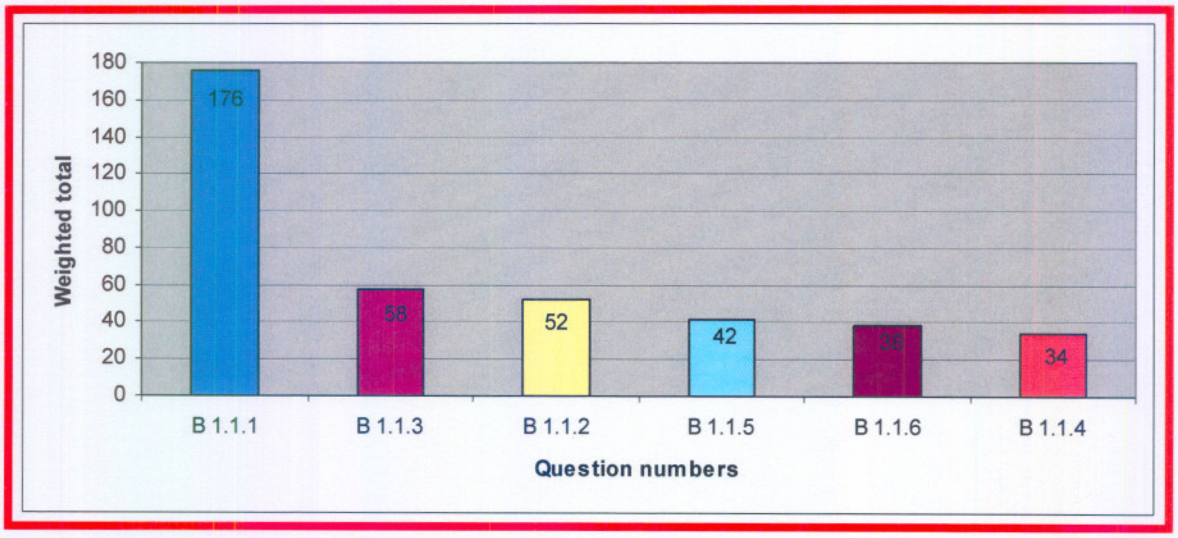
The management of FNB indicated their THREE choices ranked in the following order of importance:

1. That franchising improves customer service by ensuring that the customer has the same experience irrespective of which branch of the franchise he / she visits is seen as most important (weighted total of 176), followed by

2. Franchising makes it possible to replicate a quality product in a simple manner and highlight operational efficiency and focus on greater process efficiency (weighted total of 58), and the least important out of three choices are

3. Franchising nurtures an entrepreneurial culture, and promotes owner involvement and dedication (weighted total of 52).

Figure 3.5 Benefits a bank can expect when implementing the franchise concept



3.3.2.2 Sub-section B 2: Challenges / Disadvantages

- **Purpose**

The purpose of this question is to establish which of the challenges / disadvantages expected in the banking environment as identified in the literature study, are considered most important to least important by the management of FNB.

- **Results**

The twenty participants made a choice of **THREE** out of six challenges / disadvantages listed in sub section B 2.1 and ranked it from most important to least important. (Calculations have been performed by using weights. Weights have been assigned as follows: most important ranking 1 = 10, 2 = 6, and least important ranking 3 = 4.)

a) Sub-section B 2.1

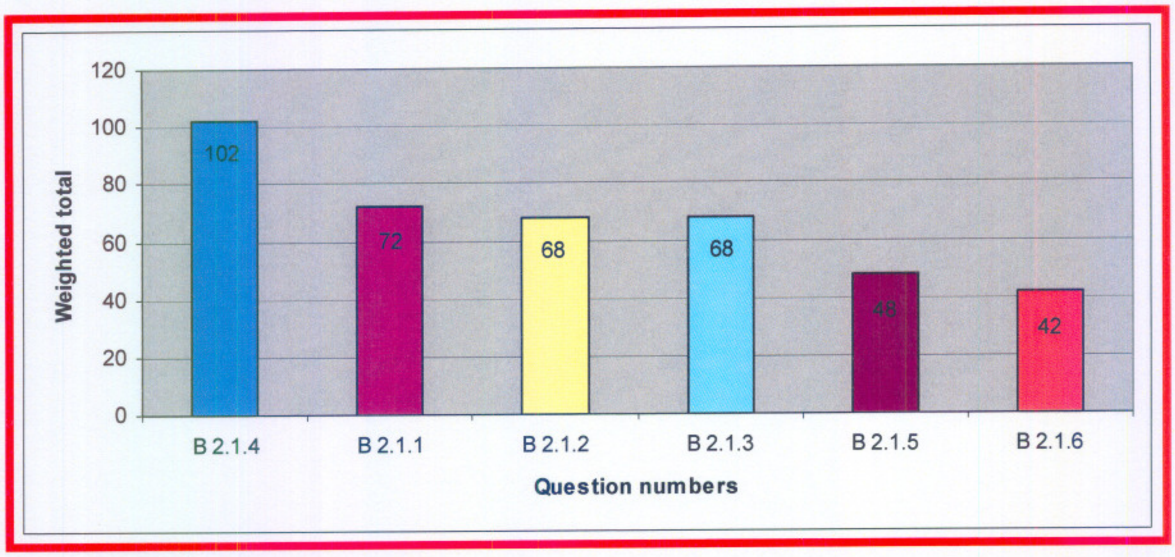
The management of FNB indicated their THREE choices ranked in the following order of importance:

1. That Banks have not been franchises since its inception, so it is a very expensive exercise to revamp all the branches countrywide in order to change to a franchise look and feel, can be seen as most important (weighted total of 102), followed by
2. Determining what capacity of staff members per franchise outlet will be needed to service the customer base effectively, can be very difficult (weighted total of 72).

The least important THIRD RANKING is shared by the following two challenges:

1. The bank has to change the culture of the bank to an intrapreneurial culture, as an owner-manager culture needs to be created (weighted total of 68), and
2. It will be a continuous change process that will have to be managed and staff members will have to be trained and adjust to changes made as well as to new business processes (weighted total of 68).

Figure 3.6 Challenges / disadvantages



3.4 Summary

The purpose and results of the questionnaire obtained from the literature study completed in Chapter 2, were discussed in this chapter.

From the perceptions of the participants involved in this research, it is evident that the critical success factors identified in this research are mostly agreed upon and should be considered when implementing the franchise concept to the banking environment. The most important benefits and challenges / disadvantages were also identified.

Based on the responses interpreted in this chapter, conclusions and recommendations will be discussed in Chapter 4.

CHAPTER FOUR

CONCLUSIONS AND RECOMMENDATIONS

4.1 Introduction

Franchising is a very impressive business concept, in view of the benefits and business solutions it provide. However, not all businesses are suitable to become franchises, as discussed in chapter two. FNB took the lead in the banking environment in South Africa with the implementation of the franchise concept.

The franchise concept involves many aspects to be considered when selecting it as a business concept. The research indicated that there are critical success factors to consider in implementing the franchise concept successfully. In the banking environment, it is especially critical, because it is such a new concept with no guidelines or benchmarks available. FNB has first hand experience, because they are still in the process of implementing the concept at this stage. The study demonstrated the most critical success factors to be considered when implementing the franchise concept to the banking arena.

Through the study, the most important benefits, as well as challenges or disadvantages associated with the franchise concept in the banking environment, have also been identified.

Based on the responses, which were interpreted in the preceding chapter, the conclusions and recommendations are considered in this chapter.

4.2 Conclusions

As a well-known, established financial institution, FNB has a countrywide network of branches striving towards consistency in the delivery of service and customer experience everywhere. The most important motivation for implementing the franchise concept has also been to obtain operational efficiency. By analyzing the questionnaires completed by the respondents, the following conclusions were made.

4.2.1 Conclusions based on the critical success factors considered when implementing the franchise concept to a bank

- Section A was divided into three sub-sections which include the following:
  - A 1: Requirements needed to implement the franchise concept successfully to the banking environment;
  - A 2: Requirements to be a successful franchisor in the banking environment;
  - A 3: Requirements to be a successful franchisee in the banking environment.

4.2.1.1 Conclusions based on requirements needed to implement the franchise concept successfully in the banking environment

The management of FNB strongly agreed or agreed with all the requirements. In only one instance, there was a five percent disagreement.

This indicated that all the requirements identified in the research are very important and should be considered when banks want to implement the franchise concept. The study also demonstrated which of the requirements are most important and which are least important.

Referring to results as indicated in figure 3.1 (p. 43):

a) The two MOST important requirements that stood out at an eighty-five percent "strongly agree" rate, have been indicated as:

- Employees need to be trained in new business processes, products and services of the new franchise concept;
- Selecting the right person for the right job role is important.

It is imperative that employees receive training in new business processes, products and services of the new franchise concept, as it is a completely new business concept from what they are use to. With the franchise concept, all business processes are standardised. The employees are responsible for delivering excellent service to customers, so they need to know exactly what every business process involves to avoid mistakes and duplication of effort. When they are serving a customer, they need to be prompt and efficient. Employees are responsible for selling products and services to customers in view of identifying and satisfying their needs. This involves intensive knowledge of all the products and services. As indicated in the literature study as well, through training, the future is touched. Within the franchise structure of today, the effort to achieve goals of the organisation is in employee training and retraining, resulting in improved employee productivity. The best marketing tool for a business is always well-trained staff.

It is essential that the right person be selected for the right job role. As indicated in the literature study, franchisors should be selective on the type of people they choose as franchisees. The most critical part of running a franchise is not its location but rather its people. Franchisees should have certain core values, such as the attitude of the franchisees towards and about their employees. Managers or franchisees that prefer to manage using a participative rather than an autocratic decision-making style, tend to have lower staff turnover rates. The bank / franchise will benefit, because it will decrease training costs and other related employee expenses, as well as the benefit that customers prefer to come back to outlets and deal with the same employees that have given them great service in the past. Another core value of franchisees will be their attitude towards success. Individuals who have a positive attitude towards life, success, and business, tend to do well. Another very important core value that franchisees should avail of in the banking environment is sales orientation. Franchisees or owner managers should have a positive attitude towards sales and marketing of the banks products. Franchisees should enjoy talking about their business and the products they sell to strangers both inside and outside the bank.

Franchisees should be an example to their employees in view of customer service. Someone who does not care or respect customers will have a hard time training their employees of the customer's importance. Franchisees should also select employees that are sales orientated and that enjoy working with customers. Banks are offering the same products and services; the only way they can differentiate themselves from each other is by delivering excellent service to their customers. Part of excellent service is building longstanding relationships with customers. Customers like to deal with employees that know their needs and who they have a good business relationship with. The abovementioned proofs how important it is to choose the right person for the right job role. If a person does not fit the job role, it will affect customer service as well as the success of the franchise.

Both of the abovementioned requirements demonstrated through the study as most critical are indeed very important and can only benefit the bank if they are addressed in that way.

b) Referring to the five requirements rated at a seventy five percent "strongly agree" rate as indicated in figure 3.1 (p. 43).

It is critical that banks establish beforehand exactly what will be franchised. Banks will usually make use of business format franchising which involves the style in which the franchisee is managing the store or outlet. The aim of implementing the franchise concept is usually to standardise business processes, products, services and the appearance of all outlets to create uniformity and consistency. Therefore, this is a very important requirement, which should be addressed beforehand.

As indicated in the literature study as well, it is essential that banks start the implementation of the franchise concept with a pilot approach. In this way, the collection of challenges to be faced and consequently the test of the new concept will be much more comprehensive and realistic. It is a learning experience so adjustments and improvements can be made as far as they proceed.

Top management support is very important, because of the huge change process to move from the traditional bank business concept to the new franchise concept. The whole change process involves structure, culture, and infrastructure changes. This is a time-consuming and very difficult process to manage. It is not a secret that large changes create resistance to change. That is why top management should support and communicate with their employees about changes and involve them in the process. The employees need to know that top management supports the changes and are in favour of decreasing resistance to change.

The preparation of the bank's structure and culture to make the implementation of the franchise model viable is essential, because the franchise concept involves an entrepreneurial culture and a flatter organisational structure, which is very different from the old traditional bank business concept. Banks usually have a huge head office with centralised senior and middle management decision-making levels. If banks are considering the franchise concept, they will have to create a leaner head office and decentralise the senior and middle management decision-making levels. In this way, an intrapreneurial culture is also created. An owner-manager culture is created at branch level, because more responsibilities are decentralised to branch mangers or franchisees. This involves a time-consuming and very difficult change process, but is essential for the functionality of the franchise concept.

Finally, it is most imperative that employees follow laid down processes and procedures of the new franchise concept. They cannot continue on the traditional processes and procedures, as it is completely different from the new concept and cannot be used anymore.

c) Referring to the next requirement rated at a sixty five percent "strongly agree" rate as indicated in figure 3.1 (p. 43).

The bank needs to establish beforehand the critical functions of all the relevant parties e.g. the franchisor, franchisee, and field consultants, because everyone should know exactly what are expected from them and what their roles involves.

In the bank's case the franchisor is top management or the top executives. They are responsible for setting standards for the bank as well as the strategic direction of the bank. It is very important to establish what their role will be in the new franchise business structure. Franchising is a business strategy for winning a disproportionate market share, by getting and keeping customers through brand loyalty, as indicated in the literature study. The franchisee again, will be required to have an in-depth knowledge and understanding of local market potential, customer segments, and client needs. It is thus important that they know beforehand exactly what are expected of them. The relationship between the franchisor and franchisee is the key to success of the franchise system.

The role of the franchise field consultant is crucial, because he will act as an intermediary between the franchisor and franchisee with the franchise implementation project. It is thus also critical that they know what their role involves.

d) **Referring to the next requirement as indicated in figure 3.1 (p. 43) which was also rated at a sixty five percent "strongly agree" rate, but five percent disagreed with this requirement.**

The project team responsible for the implementation of the franchise concept should have studied most important cases of success and the franchising industry, before starting the specific project for the bank. This is an important requirement, because the challenges faced with the implementation of the franchise concept in any industry are universal and therefore, it is essential to learn from others' experience to leverage the project's probability of success, making the necessary adaptations to the bank's business model as needed.

e) **Referring to the final important requirement at a fifty percent "strongly agree" rate as indicated in figure 3.1 (p. 43).**

The creation of a franchise infrastructure is needed, because the franchise business concept is completely different from the traditional bank business concept. For example, the franchise business concept involves the managing of the very important franchisor / franchisee relationship, which was previously not necessary. It also involves new business processes and a completely new way of managing the business or bank.

The study demonstrated the most important requirements to be considered when implementing the franchise concept to the banking environment. In this way, the study is providing valuable information to assist in future implementation at banks. Banks will now have a good idea of what the most critical requirements are to implement the franchise concept successfully, also taking cognisance of the order of importance.

4.2.1.2 Conclusions based on requirements to be a successful franchisor in the banking environment

Sub-section A 2 has been divided into two further sub-sections:

- A 2.1: Characteristics of a successful franchisor – 5 characteristics of the franchisor listed;
- A 2.2: Responsibilities of a franchisor - 3 responsibilities of the franchisor listed.

a) **Referring to the results of Sub Section A 2.1 as indicated in figure 3.2 (p. 45). The management of FNB indicated their choice of franchisor characteristics in the banking environment ranked in order of importance.**

With the empirical study, the management or franchisees of FNB indicated that a high degree of managerial ability stood out as one of the most important characteristics of a franchisor in the banking environment. Clearly, the franchisor needs the ability to conceptualise, organise, and manage a business. The franchisor is responsible for each unit in the franchise system. To achieve effective and profitable results require controls at all levels. The franchisor or top management of a franchise has to cope with the day-to-day problems of being in business, while keeping a constant eye on new developments and the growth plan of the bank. This is a huge responsibility, which needs a high degree of managerial acumen.

The second most important characteristic of a franchisor identified through this study, is quality and risk control. Customers expect quality products and services. If a bank cannot deliver, it will not be competitive or even survive. It is important that the franchisor makes sure that the franchise or bank delivers quality products and services that will satisfy customer needs and wants. In the banking environment, risk control is very important, because they are dealing with customer's money and financial assets. It is essential to prevent fraud, because it has a direct effect on the bank's profit margin. If the bank is losing money because of fraudulent activities, it is an expense to the bank's income and expenditure statement. Risk control is also important in view of the protection of staff, customers, and bank assets. Banks need to make sure that they take into consideration risk when they are lending to customers and the bank cannot recover debt from customers. The bank considers it a loss, as it is irrecoverable.

The next important characteristic of a franchisor is extensive knowledge of competition and market conditions. Franchisors must be flexible and ready to change with market fluctuations. Franchisor leadership requires a clear and fluid vision of the future. In the banking arena, the competition is becoming more and more severe. Franchisors or top management will have to know exactly what the competition is doing in order to stay ahead. In the banking environment, the franchisor should keep up with economical conditions as well as plan ahead in view of what will happen in the future to foreign exchange rates, interest rates, inflation, etc. to determine future risk and pricing. They need to keep up with the pricing of their products and services as well as technology improvements to stay ahead of competition. Banks need to provide more improved or convenient ways of banking to their customers than the competitors. Franchise organisations are gearing their chains to move quickly on customer-driven preferences, attitudes, and desires. Franchisors seek daily for creative and innovative ideas to meet these needs.

The next characteristic of the franchisor identified during the study is the ability to motivate people. The top management or franchisor in the banking industry has a countrywide network of franchisees and their employees to manage. It is not an easy task. The franchisors need to keep the franchisees motivated and encourage them to motivate their employees to give excellent service to their customers. This is critical for the survival and competitiveness of the bank. As also indicated in the literature study, the most critical part of running a franchise is its people.

Finally, keen sensitivity of operating costs is also identified as an important characteristic of a franchisor. Banks need to control the operating costs in order to be more profitable. Franchisors need to maintain a good balance between expenses and income. It is necessary to have certain expenses, e.g. advertising cost in order to attract new sales to increase net profits. The same is applicable to staff costs, as the capacity of staff should be sufficient to service customers effectively, but excess staff should be avoided as it will be a waste of costs. Most expenses are controllable, e.g. stationary, salaries, advertising cost, travelling, and telephone costs. It is essential to recover certain costs, e.g. telephone costs, if possible, to decrease expenses. Franchisors need to consider long-term maintenance costs when planning ahead. Sometimes it is better to service equipment on a regular basis, because it might be more cost-effective than replacing them on a regular basis. In view of the above, it is clear that cost control plays a very important role.

The results of the study as discussed above, demonstrated the most important characteristics of the franchisor in the banking environment.

b) Referring to the results of Sub Section A 2.2 as indicated in figure 3.3 (p. 45). The management of FNB indicated their choice of responsibilities of a franchisor in the banking environment ranked in order of importance.

Setting standards for the bank (franchise model) stood out as the most important responsibility of a franchisor in the banking environment. The aim of implementing the franchise concept to the banking environment is to standardise everything to create uniformity and consistency in the delivery of customer service. The franchisor or top management is responsible for setting standards for the bank to assist franchisees with the standards that are required at branch level in view of business processes, service and appearance of banking halls. The franchisee is not allowed to change anything without approval from top management or the franchisor.

The next important responsibility of the franchisor identified through the study is the responsibility for strategic direction of the bank. As previously mentioned, franchising is a business strategy for winning and increasing market share by getting and keeping customers through brand loyalty and excellent service. The franchisor in the banking environment needs to present a strategy of where the bank presently is, and what the bank wants to achieve in future. If the focus is to become the leading bank in the country, there should be a strategy in place on how they want to achieve their goal. The franchisor should thus know exactly what the competition is doing, what will happen in view of economic and market conditions and keep up with new technology improvements and opportunities. If the franchisor does not react to external changes briskly, such as technology changes or product developments, it will be a certain disadvantage to the bank.

Finally, the franchisor should act as mentor in terms of business processes. The franchisor is responsible for setting standards in view of the franchise model, and part of it involves designing business processes for the franchisees to follow.

The abovementioned has been demonstrated through the study as essential responsibilities of the franchisor in the banking arena.

4.2.1.3 Conclusions based on requirements to be a successful franchisee in the banking environment

a) Referring to the results of Sub Section A 3.1 as indicated in figure 3.4 (p. 47). The management of FNB indicated their choice of responsibilities of a franchisee in the banking environment ranked in order of importance.

The most important responsibility of a franchisee identified through the study is that the franchisee will be required to have an in-depth knowledge and understanding of local market potential, customer segments, client profiles and client needs. The branch managers or franchisees of the bank should know if there is potential for growth in their market share. They also need to know what market segments they are serving in their area and if it is mass market or high profile customers. In this way, they will be able to provide a marketing strategy to attract new customers and deliver products that satisfy their specific needs and wants. To flourish, both franchisor and franchisee should be friendly, flexible, fast, and focused in the mercurial marketplace, as indicated in the literature study as well.

The next responsibility of the franchisee is the overall profitability of the branch. Every branch manager or franchisee in the bank is responsible for all aspects of their branch, such as controlling cost and increasing sales and revenue. One of the core values of the franchisee is attitude to success. A franchisee should be a positive individual who is striving to make a success of everything they do in life. If this is their motto, they will manage a profitable branch. The aim of the franchise concept is to create an owner-manager culture or entrepreneurial culture, which involves successful business people or entrepreneurs. Franchisees in the banking industry should also be sales-orientated. They need to interact with strangers and market the bank's products to become more profitable. Inevitably, customers are the only reason the employees and systems are there.

A further responsibility of the franchisee, ranked in order of importance through the empirical study, is that the franchisee should be aware of local economic trends. The branch manager or franchisee should know about possible retrenchments in the area, or whether the area is growing, or prospective businesses are looming. They need to know if there is a possibility for market growth or whether it is declining. In this way, they can present a strategy for their branch.

Finally, the franchisee in the banking environment should have the ability to convert his or her knowledge of the market into a sales or business plan. As discussed above, the franchisee or branch manager should be able to identify the market he or she is serving. In their sales or business plan, they need to discuss their strategy on how they plan to attract new customers and what products or services they feel will satisfy their customers' needs or wants. Usually, they will also discuss their strategy of market growth in creating a more profitable business.

The study demonstrated the most important responsibilities of the franchisee in the banking environment.

4.2.2 Conclusions based on benefits and challenges / disadvantages a bank can expect when implementing the franchise concept

Section B has been divided into two sub-sections which include the following:

- B 1: Benefits;
- B 2: Challenges / disadvantages.

4.2.2.1 Conclusions based on benefits a bank can expect when implementing the franchise concept

Referring to the results as indicated in figure 3.5 (p. 48): Six of the most important benefits considered in the banking environment, as identified through the research, have been listed in the questionnaire. The respondents were requested to choose THREE of the six benefits and then list them in order of importance.

The benefit of franchising that improves customer service by ensuring that the customer has the same experience irrespective of which branch of the franchise he / she visits, stood out high above the other benefits. By using the franchise concept, the bank standardises business processes, services, products, and appearance of all branches countrywide. In this way, customer confusion and irritation are minimised by ensuring a consistent customer experience and the delivery of superior customer service at every branch of the bank or franchise. The main aim of franchising the bank is to ensure that customers receive consistently good quality service everywhere.

The second most important benefit identified through the study is that franchising makes it possible to replicate a quality product in a simple manner and highlight operational efficiency and focus on greater process efficiency. The same products and services can be sold at hundreds of outlets countrywide or even worldwide. The bank can sell all its products in the same way at all its branches. Consumers, for instance, can buy a funeral cover or money market account with the same benefits, conditions, and pricing at any branch of the bank. The standardisation of business processes makes it possible to improve operational and process efficiency. When an employee sells a funeral cover, he or she will follow certain processes in a certain order, e.g. complete certain documentation, and complete certain screens on the computer system. These exact processes will be followed for every product sold by all employees at all the branches or outlets. This improves productivity; avoid mistakes and duplication of effort and promotes consistency and efficiency.

The final most important benefit identified during the study is that franchising nurtures an entrepreneurial culture, and promotes owner involvement and dedication. The heart of franchising is entrepreneurship. Franchising is also seen as a growth opportunity with branches countrywide, or even worldwide. Franchising promotes entrepreneurship in view of business opportunities that are exploited. One of the core values a franchisee should avail of is independence. The more independent the individuals are, the more entrepreneurial they are. If you really look at the type of person that will be successful in a franchise system, it is someone who is creative, but can also work as part of a system. Highly demanding franchisees will force the bank to respond more actively, and so, become more competitive. Banks need "entrepreneur" branch managers or franchisees that can manage branches as if it is their own businesses.

The abovementioned benefits have been demonstrated by the study as most important. It should be considered when prospective banks are thinking of implementing the franchise concept, as it can be enormously beneficial to them.

4.2.2.2 Conclusions based on challenges or disadvantages a bank can expect when implementing the franchise concept

Referring to the results as indicated in figure 3.6 (p. 50). Six of the most important challenges / disadvantages considered in the banking environment as identified through the research have been listed in the questionnaire. The respondents (management of

FNB) were requested to choose THREE of the six challenges or disadvantages and then list them in order of importance.

Banks have not been franchises from their inception, so it is a very expensive exercise to revamp all the branches countrywide in order to change to a franchise look and feel. It is probably the most important or difficult challenge that banks face when implementing the franchise concept to their business environment. Banks need to revamp all their branches to accommodate the franchise appearance and that is very expensive and time-consuming. This is a huge obstacle or challenge that banks face, because their branches were not designed as franchise outlets from their inception.

The second most important challenge the study demonstrated is that banks may experience problems to determine what capacity of staff members per franchise outlet will be needed to service the customer base effectively. FNB designed a formula based on financial and non-financial transactions to determine the capacity of employees needed to service a certain customer base effectively. It has been a difficult process, because there was no benchmark or guidelines that could be used. They also had to take the different market segments into consideration, as not all branches are servicing the same customer segments. Some are servicing high profile customers and others mass market. These customer segments are using different products as well as service transactions.

The least important THIRD RANKING is shared by the following two challenges:

- The bank has to change the culture of the bank to an intrapreneurial culture, as an owner-manager culture needs to be created; and

- It will be a continuous change process that will have to be managed and staff members will have to be trained and adjust to changes, as well as to new business processes.

It is interesting that the third ranking is shared by two challenges. The study revealed that a huge challenge faced by a bank when implementing the franchise concept is that the bank has to change its culture to an intrapreneurial environment where an owner-manager culture can thrive. Culture changes are very difficult, because it always encounters resistance to change, which should be managed sensibly. It usually happens gradually. Changing the culture is a critical success factor to consider when implementing the franchise concept, because of the difficulties associated with it.

The other important challenge that the study brought to light is that implementing the franchise concept to the banking environment will be a continuous change process that will have to be managed, and staff members have to be trained to adjust to the changes made, as well as to new business processes. As already discussed under critical success factors in paragraph 4.2.1, changing from the traditional bank business model to the franchise model involves major changes that is time-consuming and very challenging and difficult to manage. It also means that employees need to be trained on the new business processes as it differs completely from the old business processes.

The study identified the most important or most difficult challenges that prospective banks should consider with a franchise implementation project.

4.3 Recommendations

- Franchising does not imply guaranteed success and everything on a platter. As indicated through the research, the very first step that a prospective bank should take when considering implementing the franchise concept would be to determine if the franchise concept is the best option for their business. Testing their business environment for suitability of franchising is imperative.

- The prospective bank should also study cases of success and failure in the franchising industry before implementing the franchise concept to the bank. In this way, they will be able to enjoy others' experiences to leverage the project's probability of success, thus making the necessary adaptations to the bank's business model as needed. It will also be a good idea to study banks that implemented the franchise concept, e.g. FNB, to obtain guidelines and insight on the concept in the banking environment.

- It is essential that prospective banks be aware of the critical success factors when implementing the franchise concept to the banking environment. The ten most important requirements as demonstrated through the study are most important. The characteristics and responsibilities of a successful franchisor and franchisee have also been identified. As indicated through the study, the most critical part of running a franchise is not its location, but rather its people. Both franchisor and the franchisees play a very important role in making the franchise system successful. Understanding the franchise relationship is the key to success for any franchise organisation.

- Prospective banks need to realise that implementing the franchise concept to their business environment is a very demanding and difficult task. To change the traditional bank business concept to the franchise concept is very challenging. It involves major preparations of the existing bank structure and culture to make the implementation of the franchise model possible, which is very expensive and time-consuming. It is a continuous change process that needs to be managed by top management in view of resistance to change. Of crucial importance is the extent to which employee commitment and ownership of the change process and its results are enhanced. It is thus very important that a bank should consider all possible challenges and disadvantages to establish if it will be worthwhile embarking on such a huge exercise.

- Finally, franchising offers very impressive benefits to banks. One of the most impressive benefits franchising offers is that it improves customer service by ensuring consistency in superior customer service at every branch of the bank countrywide. In the competitive environment that banks are operating in today, it is all about which bank will be able to deliver the best service to their customers. That is why banks will be searching for better ways to deliver excellent service to their customers. In view of the above, banks can gain a competitive advantage by introducing the franchise concept successfully.

4.4 Achievement of objectives

The objectives of this study were:

- To research the franchise concept in general to understand the concept better and specifically the franchise concept in the banking environment to determine what the requirements are and critical success factors needed to implement the franchise concept successfully.

- The franchise model implemented at FNB, specifically in the Sedibeng area was also researched, to determine benefits / advantages and challenges / disadvantages that can be associated with the implementation of the franchise concept in the banking environment.

A literature study on franchises in general and in the banking environment (Chapter two) was therefore required to compile a questionnaire to determine what the requirements are and critical success factors needed to implement the franchise concept successfully as well as the benefits and challenges or disadvantages a bank can expect when implementing the franchise concept to the banking environment.

Based on the outcome of the results certain conclusions were made in this chapter, confirming that there are certain critical success factors a bank needs to consider when implementing the franchise concept as demonstrated in this study. The study also demonstrated the most important benefits and challenges a bank can expect when implementing the franchise concept. This information will provide valuable guidelines and insight for future implementation of the franchise concept to the banking environment. Given the findings, it is considered that the objectives as set out in paragraph 1.4 of this study have been achieved.

4.5 Further studies to be considered

The franchise concept in the banking environment is still very new and in an experimentation phase. It is therefore recommended that:

- Further studies be considered in other areas of South Africa; and
- Given a period of time, an assessment of the success of franchising in the banking environment should be made.

4.6 Summary

The research indicated that banks meet most of the criteria and requirements needed to implement the franchise concept successfully to the banking environment. However, the fact that banks have not been franchises when they started the enterprise, makes the implementation of the franchise concept a difficult and very challenging process, which is very expensive and time-consuming.

It is critical that banks consider the critical success factors when implementing the franchise concept to deal more effectively with the challenges.

Ultimately, it will be worthwhile for banks to implement the franchise concept to their business environment in view of clear-cut benefits to be gained in the process.

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APPENDIX A

QUESTIONNAIRE

Franchising Questionnaire

October 2005

Dear FNB Franchisee and Management

Re: MBA mini-dissertation for completion of MBA Degree

Franchising is an innovative phenomenon in the banking environment, although franchising as a general business concept originated in the 1800s. In South Africa, First National Bank is the first bank to have introduced the franchise concept to the local banking industry.

In view of this groundbreaking business venture, FNB has experienced a steep learning curve in developing and testing the franchise model while constantly improving the model.

This study attempts to establish the critical success factors, benefits and challenges when implementing a franchise concept to the banking environment in South Africa, as this knowledge is considered essential for a smooth implementation of franchising.

I am a third-year MBA student at the Potchefstroom Business School at the North-West University, Potchefstroom. Currently, I am doing research on the franchise concept in the banking environment, as part of the final fulfilment of my MBA degree.

This topic is of special interest to me, because I am an employee of FNB and have been part of the Sedibeng-franchisee venture.

I would like to include your branch in my research and would appreciate it if you could set the time aside in your busy schedule to complete the structured questionnaire handed out to you. Your esteemed participation is appreciated sincerely.

Thank you for your time.

Yours sincerely

Louise Britz

016 3620316 (W), 016 3621160 (Fax)

FRANCHISING QUESTIONNAIRE

This questionnaire is designed to collect information in order to firstly determine what are considered to be critical success factors when implementing the franchise concept to a bank. Secondly, to determine what are considered to be the benefits and challenges a bank can expect when implementing the franchise concept to their business.

The value of the diagnosis depends on the honesty and open-heartedness with which you answer the questions.

Thank you for your co-operation. We hope that you will find the questionnaire interesting and stimulating.

GENERAL INSTRUCTIONS - SECTION A 1

Virtually all the questions may be answered by marking a cross in the relevant block. Use the following key: **1** = Strongly agree; **2** = Agree; **3** = Disagree; **4** = Strongly disagree. **You must select the number which best describes how you feel about the item.** For example, should you be asked the extent to which you agree with the statement:

"The bank needs to establish beforehand the critical functions of all the relevant parties e.g. the franchisor, franchisee and field consultants."

and you feel that you **agree**, you will mark the number 2 **(2 = Agree)** with a cross as in the example:

		Strongly agree	Agree	Disagree	Strongly disagree
A 1.1	The bank needs to establish beforehand the critical functions of all the relevant parties e.g. the franchisor, franchisee and field consultants.	1	X	3	4

SECTION A

All Branch Managers and Administration Managers of each branch of FNB in the Sedibeng area should complete this section.

Indicate to what extent do you agree or disagree with the statement. Mark the applicable block with a cross (x).

A CRITICAL SUCCESS FACTORS CONSIDERED WHEN IMPLEMENTING THE FRANCHISE CONCEPT TO A BANK

A 1 REQUIREMENTS NEEDED TO IMPLEMENT THE FRANCHISE CONCEPT SUCCESFULLY TO THE BANKING ENVIRONMENT

		Strongly agree	Agree	Disagree	Strongly disagree
A 1.1	The bank needs to establish beforehand the critical functions of all the relevant parties e.g. the franchisor, franchisee and field consultants.	1	2	3	4
A 1.2	Banks need to establish beforehand exactly what will be franchised in their business environment e.g. business format, products and services.				
A 1.3	Banks need to start the implementation of the franchise concept with a pilot approach. In this way, adjustments can be made as far as they proceed.				
A 1.4	The project team responsible for the implementation of the franchise concept, should have studied most important cases of success and the franchising industry, before starting the specific project for the bank.				
A 1.5	Top management support is essential in the sense that they need to act as driving force for change and manage resistance to change effectively.				
A 1.6	The preparation of the bank's structure and culture to make the implementation of the franchise model viable, is essential.				
A 1.7	Employees need to be trained in new business processes, products and services of the new franchise concept.				
A 1.8	Employees need to follow laid down processes and procedures of the new franchise concept.				
A 1.9	Selecting the right person for the right job role is important.				
A 1.10	The creation of a franchise infrastructure is needed, which include skills in e.g. supply of product, operational expertise, network development, financial management, training, market analysis, marketing strategy and managing of franchisor / franchisee relationship.				

GENERAL INSTRUCTIONS - SECTION A 2 AND A 3

Please RANK from most important to least important by marking the space provided with the applicable number e.g. (1 = most important, 3,4 or 5 = least important)

A 2 REQUIREMENTS TO BE A SUCCESSFUL FRANCHISOR IN THE BANKING ENVIRONMENT

A 2.1 The following are characteristics of a successful franchisor. Rank according to what you consider to be most important to least important.

A 2.1.1	A high degree of managerial ability.	
A 2.1.2	Extensive knowledge of competition and market conditions.	
A 2.1.3	Keen sensitivity of operating costs.	
A 2.1.4	Quality and risk control.	
A 2.1.5	Ability to motivate people.	

A 2.2 The following are responsibilities of a franchisor. Rank according to what you consider to be most important to least important.

A 2.2.1	Responsible for the strategic direction of the bank.	
A 2.2.2	Setting standards for the bank (franchise model).	
A 2.2.3	Act as mentor in terms of business processes.	

A 3 REQUIREMENTS TO BE A SUCCESSFUL FRANCHISEE IN THE BANKING ENVIRONMENT

A 3.1 The following are responsibilities of a franchisee. Rank according to what you consider to be most important to least important.

A 3.1.1	Will be required to have an in-depth knowledge and understanding of local market potential, customer segments, client profiles and client needs.	
A 3.1.2	Be aware of local economic trends.	
A 3.1.3	Have the ability to convert his / her knowledge of the market into a sales or business plan.	
A 3.1.4	Responsible for overall profitability of the branch.	

SECTION B

All Branch Managers and Administration Managers of each branch of FNB in the Sedibeng area should complete this section.

GENERAL INSTRUCTIONS - SECTION B

Choose the 3 most important statements in section B1 and section B2, by marking the space provided with the applicable number e.g. (Rank 1 = most important, 3 = least important)

B BENEFITS AND CHALLENGES / DISADVANTAGES A BANK CAN EXPECT WHEN IMPLEMENTING THE FRANCHISE CONCEPT.

B 1 BENEFITS

B 1.1 The following are benefits for a bank. Choose the 3 most important ones.

B 1.1.1	Franchising improves customer service by ensuring that the customer has the same experience irrespective of which branch of the franchise he / she visits.	
B 1.1.2	Franchising nurtures an entrepreneurial culture, and promotes owner involvement and dedication.	
B 1.1.3	Franchising makes it possible to replicate a quality product in a simple manner and highlight operational efficiency and focus on greater process efficiency.	
B 1.1.4	Franchising provides better focus on capacity management and reduced cost.	
B 1.1.5	Franchising helps to improve the branch's productivity and sustainable profit growth over the long term.	
B 1.1.6	Franchising helps to provide staff with an opportunity to multi-skill themselves, ensuring greater job satisfaction, and being more productive.	

B 2 CHALLENGES / DISADVANTAGES

B 2.1 The following are challenges / disadvantages for a bank. Choose the 3 most important ones.

B 2.1.1	Determining what capacity of staff members per franchise outlet will be needed to service the customer base effectively, can be very difficult.	
B 2.1.2	The bank has to change the culture of the bank to an intrapreneurial culture, as an owner manager culture needs to be created.	
B 2.1.3	It will be a continuous change process that will have to be managed and staff members will have to be trained and adjust to changes made as well as to new business processes.	
B 2.1.4	Banks have not been franchises since its inception, so it is a very expensive exercise to revamp all the branches countrywide in order to change to a franchise look and feel.	
B 2.1.5	Implementing the franchise concept will be a time-consuming process, because it involves structure and infrastructure changes.	
B 2.1.6	There are certain boundaries for the franchisee, e.g the franchisee cannot distribute printed material without approval from the bank's marketing department, sell products not supplied by the bank, or change the layout of the branch as he/she wants. Everything is standardised.	