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Franchising as a strategy for job creation in the clothing sector: A case study of Walvis Bay

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Abstract. The franchise business model enjoys much support in both developed and developing countries. It is considered by many a key contributor to economic growth and is also perceived as a vital vehicle for job creation. Unemployment rates in Namibia are currently a cause for concern and approaches are needed to stimulate job creation. This study reports on perceptions of franchising as a job creation strategy within the Walvis Bay area. The study employed a mixed-method research design and used a survey questionnaire and semi-structured interviews to collect data. A total sample of n=110 completed the questionnaire, while n=6 participants were interviewed. The study results indicate rapid growth and awareness of the franchise model in the food sector, while less growth was evident in the clothing sector. The franchise model was, however, seen as a key avenue for stimulating economic growth and viable job creation strategy. Stronger incentivization is recommended, specifically in the areas of tax exemptions, export processing zones, the introduction of specific franchise legislation, and more expansive monetary and fiscal policies.

Keywords: Franchising business model, Economic growth, Job creation strategy, Namibian context, Franchise legislation.

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1. Introduction

The franchise business model enjoys much support in both developed and developing countries. It is perceived as a key contributor to economic growth and is also considered a vital vehicle for employment creation. Franchising is a kind of business that delivers goods and services, in which the business owner (the franchisor) grants another person or group of persons (the franchisee) the right to undertake a business by marketing a product or a service through the use of the original owner's (franchisor) business system (Direct, 2021). Franchising can also be defined as a business strategy where the franchisor has developed a particular business idea or establishes the brand name and then sells the rights to use that model, brand name, or services to an entrepreneur or franchisee (Bekhouche & Kahlessenane 2018). It is therefore a business arrangement whereby two independent entities establish a business relationship grounded in a licensing agreement. Generally, two main forms of franchising exist (Alon 2001). One form involves product distribution, such as Pepsi and Coca-Cola distributors, and the other takes the form of business format franchising, for example, KFC or Nando restaurants. Alon (Alon 2001) also noted that research into franchising is undertaken predominately in the business format forms of franchising rather than its product distribution side.

Notwithstanding the rising interest in franchising both locally and globally, limited studies have been carried out in the Namibia context to address issues such as perceptions of the benefits, survival rates, and impact on employment creation of this business model. Franchising has become increasingly popular as a strategy for economic development in different countries including Namibia.

1.1. Objectives Study

The study set out to establish the interest in franchising as a business model compared to other models, while also attempting to determine its contribution to economic growth and job creation in the Walvis Bay area of Namibia.

2. Review of Literature

As a business model, franchising has the necessary resources to enable companies to expand and develop into foreign markets. Franchising has grown to be a dominating distribution tool for goods and services in many sectors, making it possible to purchase a wide range of products and services from all over the world (Lee, Kim & Rhee 2021). Franchising is the fastest-growing business expansion strategy that has ever been created (Abdul Ghani, Hizam-Hanafiah, Mat Isa, and Abd Hamid 2022). When franchises and independent business ventures were compared, it was found that franchises showed a five-year rate of 85.7% as against 23% for autonomous business undertakings (Hoffman & Preble 1993). Thus, suggesting it can provide good long and sustainable employment. Franchising as a business model can therefore contribute to meeting employment needs in society. Franchising also assists countries to sustain their economies through increased employment levels which in turn assists with the alleviation of poverty. In the



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Namibia context, franchising can also be a mechanism through which the country can cope with the increased global competition. Namibia as a country has a rich and diverse culture and heritage, however, to compete in the global economy, it has to foster strategies that will build wealth and develop capable human capital. Franchising as a business model can play an important role in this process and certainly help to create jobs and alleviate unemployment rates.

Job creation strategies are a means whereby healthy economic growth can be stimulated during times when the economy contracts into a recession (Spash 2021). Governments play a leading role in finding and generating solutions that address unemployment by providing expansive monetary and expansive fiscal policies. Franchising is often positioned as crucial for the development of towns, contributing to the GDP and are a source of job creation. However, many franchise systems in both developed and developing countries do not have specific franchise legislation (Abell 2011). Within the Namibian context, the lack of specific legislation has led to the identification of concerns and challenges. In particular, control of the sector by certain companies, restrictions placed on franchising contracts that impede competition and access to franchise opportunities and the, perceived promotion of dominance of certain franchise models among others (NCC 2015).

According to Shaw (Shaw 2020) conducting a SWOT analysis of the franchising business is an important way to advance the competitive position of the company. A SWOT analysis is an important decision-making support tool for assessing the four aspects of a business, namely its strengths, weakness, opportunities and threats. It is frequently utilized to analyse strategic situations in a systematic way taking into account external and internal environments and identifying the level of organizations. According to (Luvindao 2019; NCC 2015) undertaking a SWOT analysis helped franchisors and franchisees to evaluate the potential and existing risks and rewards concerning doing business in Namibia. It can also be a way to undertake strategic planning aimed at increasing growth and the potential for growth and job creation in the clothing sector of Walvis Bay. When applying a SWOT analysis to the notion of the franchising business model in the Namibian context the following outcomes are offered. A self-analysis or personal SWOT analysis is a critical analysis of the business, which is also deemed a necessary task. One of the strengths of franchising is that it is an established business model. This is beneficial, especially for a first-time franchisee as many aspects of the business, especially if its structure and organisation is already in place. Concerning opportunities, a franchise creates decent and long-term sustainable employment which is valuable for the community. It also contributes towards skills improvements and creates development opportunities for people within the community (Direct 2022). In terms of weaknesses, franchises have very strict rules and regulations, which are dissatisfying to franchisees and staff members. Additionally, there are the royalties and continuing expense costs that come with this business agreement. The high costs of purchasing a franchise also present a definite threat, given the small size of the Namibian population, which also acts as an additional threat due to the decreased buying power.

3. Research Design and Methodology

The study employed a mixed-method research design and used a survey questionnaire and semi-structured interviews to collect data. Ranjit describes research design as a logical arrangement that defines



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the procedures associated with data collection and analysis that will allow the researcher to find answers to their research questions (Ranjit 2019). Similarly, it is suggested that the research design provides a detailed plan and overall strategic approach to data collection, analyses and description of data in research studies (Abutabenjeh & Jaradat 2018). A mixed-method approach relies on both quantitative and qualitative approaches and techniques. On the one hand, quantitative research relies on descriptive and numerical data like surveys which apply closed-ended questions or data that is transformed into usable statistics. On the other hand, qualitative research relies on descriptive and numeric data, like interviews by asking open-ended questions and analysing the data (Cooper & Schindler 2014). This form of data collection allows the researcher to gather rich information from participants and carry this meaning into the study results (Welman, C., Kruger, F. and Mitchell 2005).

The first part of the study entails a review of extant literature and related empirical studies. Phase two of the study focuses on data collection strategies that involved gathering information from various stakeholders in the franchise sector and consumers in Walvis Bay. A total sample of n=110 completed the questionnaire, while n=6 participants were interviewed. Participants were drawn from a diverse population group and included store managers, franchise staff members, professionals, entrepreneurs, communication officers, and consumers. Sampling strategies included the use of both non-probability and probability sampling techniques. A paper-based survey questionnaire was self-administered and included a series of closed-end questions and the use of a 5-point Likert scale. This questionnaire also gathered demographic information from participants and focused primarily on perceptions of franchising, growth within the sector and job creation in the Walvis Bay area. Semi-structured interviews were carried out with a smaller sample of six interviewees. Additionally, a SWOT matrix analysis technique was undertaken.

Data analysis entails the collection, modeling, and analysis of data to extract relevant information that supports the decision one makes (Pérez-González, Colebrook, Roda-García & Rosa-Remedios 2019). The information from the survey questionnaires completed by participants was analysed systematically with various statistical procedures, by relying on the computer software package, namely SPSS (Statistical Package for Social Science). Results from the descriptive statistical analysis were presented using tables and graphs. The data from the interview and transcribed data followed a thematic analysis approach.

Measures of reliability were established by using the Cronbach alpha coefficient on all questions on a Likert scale. This sought to measure the degree to which respondents agreed or disagreed with the questions posed. The results revealed the correlation between the respective items (statements) and the total sum score (without each of the items) and the internal consistency of the scale (coefficient alpha) if each of the items were to be removed. If items are removed, the alpha increases.

The scores for the statements in factor 1 are presented, and the factor "internal consistency" is acceptable. Even though 0.8 or more is an indication of a very good level, the Cronbach Alpha value between 0.6 – 0.7 is considered an acceptable level of reliability (Hulin, C., Netemeyer, R. and Cudeck 2001). The Cronbach Alpha coefficient figure and internal consistency rating are presented in Table 1 below.



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Table 1: Result of Cronbach Alpha coefficients

| Concepts | Cronbach Alpha coefficients | Internal Consistency |
|--|-----------------------------|----------------------|
| Factor 1 - Effectiveness of franchise as a strategy for job creation in Walvis Bay | 0.636 | Acceptable |

4. Results

4.1. Participant Profile

Based on the demographic data collected from the survey questionnaire the following profile of the participants was established. 60% of the participants self-identified as male (n=66) and 40% self-identified as female (n=44). The gender ratios of the interview participants were 66.7% male (n=4) and 33.3% female (n=2 in total). The age range of the surveyed participants suggested that the majority, i.e., 40.9% were 32-38 years old. Only 2.7% fell within the 59-60-year-old age bracket. The race category confirmed the diverse socio-cultural landscape of Walvis Bay and indeed Namibia more generally. The survey respondents were predominantly classified as African, who made up 84%, while 9% were White and 7% were of Mixed Race. The racial demographics of the interview participants were as follows: 50% African; 33.3% Mixed Race and 16.6% White. The majority of the survey respondents self-identified as consumers, who made up 96%, while 4% were entrepreneurs.

4.2. Questionnaire Responses

The results of the questionnaire indicate the levels of effectiveness linked to franchises as a strategy for creating jobs in Walvis Bay. They also indicate ways of improving employee skills to obtain business success in the franchise.

Responses to Question 1 of the survey which seeks to establish how easy it is to start a franchise business are shown in Table 2. The results indicate that most participants (44.6%) agree that it is easy to start a new franchise business in Walvis Bay. Almost the same percentage (34.5%) are indifferent about the question, possibly indicating that there are aspects of a start-up process that are easy as well as difficult. The remaining 20.9% do not agree and believe that starting a franchise business in Walvis Bay is difficult.



Table 2: Responses to survey question 1

| Variables | Categories | Frequency | Percentage out of total |
|---|-------------------|-----------|-------------------------|
| 1. It is easy to start a new franchise business in Walvis Bay | Strongly disagree | 3 | 2.7% |
| | Disagree | 20 | 18.2% |
| | Indifferent | 38 | 34.5% |
| | Agree | 39 | 35.5% |
| | Strongly agree | 10 | 9.1% |

When the responses to Question 2 of the survey are reviewed (see Table 3) an overwhelming majority of respondents, thus 84.5%, agree that franchises create jobs in Walvis Bay. A relatively small number of participants were neutral (9.1%) or disagree (6.37%) with the statement.

Table 3: Responses to survey question 2

| Variables | Categories | Frequency | Percentage out of total |
|---|-------------------|-----------|-------------------------|
| 2. Franchises are creating jobs in Walvis Bay | Strongly disagree | 3 | 2.73% |
| | Disagree | 4 | 3.64% |
| | Indifferent | 10 | 9.1% |
| | Agree | 58 | 52.7% |
| | Strongly agree | 35 | 31.8% |

The overwhelming majority (52.7%) of the survey respondents agree that franchises create jobs in Walvis Bay. Almost the same percentage (40%) are neutral in their opinion and the least (7.3%) strongly disagree about franchises creating jobs (see responses to survey question 3 in Table 4)



Table 4: Responses to survey question 3

| Variables | Categories | Frequency | Percentage out of total |
|---|-------------------|-----------|-------------------------|
| 3. The job creation strategy implemented is effective | Strongly disagree | 2 | 1.8% |
| | Disagree | 6 | 5.5% |
| | Indifferent | 44 | 40% |
| | Agree | 44 | 40% |
| | Strongly agree | 14 | 12.7% |

When asked to consider whether franchises grow faster than other businesses, the majority of respondents, namely, 59.1% affirmed that such businesses grow faster when compared to other businesses. As Table 5 highlights below a fair proportion of respondents were either indifferent (27.3%) or disagreed (13.6%) with the statement.

Table 5: Responses to survey question 4

| Variables | Categories | Frequency | Percentage out of total |
|---|-------------------|-----------|-------------------------|
| 4. Franchises grow faster than other business types | Strongly disagree | 2 | 1.8% |
| | Disagree | 13 | 11.8% |
| | Indifferent | 30 | 27.3% |
| | Agree | 48 | 43.6% |
| | Strongly agree | 17 | 15.5% |

Table 6 presents the results of survey question 5 which addresses the question of whether franchising has more advantages than other types of businesses in creating jobs. The findings indicate that 2.7% of the participants perceive that franchising is not as advantageous when compared to other business types in creating jobs. 6.4%disagree with the statement, while 28.2 % were indifferent. Nevertheless, 50.9 % and 11.8% of the participants respectively agreed or strongly agreed that franchising was advantageous. This implies that the majority of the participants gave affirmative responses.



Table 6: Responses to survey question 5

| Variables | Categories | Frequency | Percentage out of total |
|---|-------------------|-----------|-------------------------|
| 5. Franchising has more advantages than other business types in creating jobs | Strongly disagree | 3 | 2.7% |
| | Disagree | 7 | 6.4% |
| | Indifferent | 31 | 28.2% |
| | Agree | 56 | 50.9% |
| | Strongly agree | 13 | 11.8% |

Question 6 of the survey sought to confirm that the franchisor imparts management skills, which benefit franchisees in their operations. The results shown as depicted in Table 7 show that the majority of the participants, thus a total of 77.2% agreed with the statement.

Table 7: Responses to survey question 6

| Variables | Categories | Frequency | Percentage out of total |
|--|-------------------|-----------|-------------------------|
| 6. The franchisor imparts management skills that benefit franchisees in their operations | Strongly disagree | 2 | 1.8% |
| | Disagree | 4 | 3.6% |
| | Indifferent | 19 | 17.3% |
| | Agree | 60 | 54.5% |
| | Strongly agree | 25 | 22.7% |

In Table 8 the responses to the question seeking to ascertain perceptions about human development training programmes for entry-level employees to obtain success in the franchise are presented. The results show that the majority of the participants (73.6%) believe franchises have a human development training programme for entry-level, whereas (18.2%) are indifferent, and the other (8.2%) have an opposing view.



Table 8: Responses to survey question 7

| Variables | Categories | Frequency | Percentage out of total |
|--|-------------------|-----------|-------------------------|
| 7. The franchise has a human development training programme for entry-level employees to obtain success in the franchise | Strongly disagree | 1 | 0.9% |
| | Disagree | 8 | 7.3% |
| | Indifferent | 20 | 18.2% |
| | Agree | 54 | 49.1% |
| | Strongly agree | 27 | 24.5% |

Table 9 below presents a composite account of the qualification levels of franchise employees. Most participants (41.5%) indicate that the majority of franchise employees have no formal qualifications. While, overwhelmingly, the majority (76.4%) of participants agree that the majority of franchise employees have a high school level. Furthermore, when asked about whether they perceived franchise employees to hold a university or college degree 33.6% disagreed, while 29.1% were indifferent, with only 37.3% agreeing to the statement.

Table 9: Responses to survey question 8

| Variables | Categories | Frequency | Percentage out of total |
|--|-------------------|-----------|-------------------------|
| 8. The majority of franchise employees have: | Strongly disagree | 23 | 20.9% |
| | Disagree | 20 | 18.2% |
| | Indifferent | 21 | 19.1% |
| | Agree | 30 | 27.3% |
| | Strongly agree | 16 | 14.5% |
| No qualification | Strongly disagree | 15 | 13.6% |
| | Disagree | 24 | 21.8% |
| | Indifferent | 20 | 18.2% |
| Primary school level | Strongly disagree | 15 | 13.6% |
| | Disagree | 24 | 21.8% |
| | Indifferent | 20 | 18.2% |



| | | | |
|---------------------------|-------------------|----|-------|
| | Agree | 40 | 36.4% |
| | Strongly agree | 11 | 10.0% |
| High school level | Strongly disagree | 6 | 5.5% |
| | Disagree | 5 | 4.5% |
| | Indifferent | 15 | 13.6% |
| | Agree | 64 | 58.2% |
| | Strongly agree | 20 | 18.2% |
| University/college degree | Strongly disagree | 16 | 14.5% |
| | Disagree | 21 | 19.1% |
| | Indifferent | 32 | 29.1% |
| | Agree | 34 | 30.9% |
| | Strongly agree | 7 | 6.4% |

As noted in Table 10, most participants (69.1%) agreed that franchisees prefer financial institutions' funds to boost franchise growth and create jobs in Walvis Bay. A relatively small number of participants were neutral (26.4%) or disagree (4.5%).

Table 10: Responses to survey question 9

| Variables | Categories | Frequency | Percentage out of total |
|---|-------------------|-----------|-------------------------|
| 9. Franchisees prefer financial institutions' funds to boost franchise growth and create jobs in Walvis Bay | Strongly disagree | 3 | 2.7% |
| | Disagree | 2 | 1.8% |
| | Indifferent | 29 | 26.4% |
| | Agree | 48 | 43.6% |
| | Strongly agree | 28 | 25.5% |



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Finally, when asked to respond to the question of whether age and gender played a critical role when employing individuals for different positions, the results suggest that 6.4% of the participants strongly disagreed, while a further 12.7% disagreed (see Table 11). Additionally, 28.2% were indifferent, while 38.2% and 14.5% agreed and strongly agreed respectively. Thus, the majority of respondents, (52.7%) affirmed that age and gender are considered critical factors when employing individuals for positions.

Table 11: Responses to survey question 10

| Variables | Categories | Frequency | Percentage out of total |
|--|-------------------|-----------|-------------------------|
| 10. Age and gender are considered as critical factors when employing individuals for different positions | Strongly disagree | 7 | 6.4% |
| | Disagree | 14 | 12.7% |
| | Indifferent | 31 | 28.2% |
| | Agree | 42 | 38.2% |
| | Strongly agree | 16 | 14.5% |

4.3. Interview Responses

The interview component of the data collection sought to investigate and evaluate the attributes of professionals, store managers and store supervisors, while also identifying the strengths, weaknesses, opportunities, and threats to the franchise business model.

Theme 1: Advantages and disadvantages of franchising in terms of job creation in Walvis Bay and Namibia

In response to this question, many participants were able to identify various advantages linked to franchising and how they contributed to job creation. Interviewees mentioned that franchises when they became operational, contributed to employment creation as noted by Participants 1 and 4 below.

“So a franchise would be a great investment because you are bringing job creation, you bringing in most cases adding value to the community so the municipal, what we usually do, especially with; we try to attract local investments and investors by basically getting into partnerships or will land allocation.” (Participant 4)

“Franchising is a good thing, in terms of employment. If you get an open vacancy in one of the other branches, we do promotions, we do transfers so it’s a good thing for me. And it’s also promoting our staff, in a sense of at management level. When we promote, we make space for new employment.” (Participant 1)



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Theme 2: Small market in Namibia thus a potential high failure rate

“The disadvantages is that in a country like Namibia, where the population is rather small, the feet aren’t always there so I have seen very few franchisees succeeding in the country; I’ve seen many failures and of course, the cost implications are also there. So if your start-up costs are high, that means you need to get the turn over, to recover that investment and with a low volume in Namibia, it does become a problem and I’ve seen many sad stories, where people have borrowed to set up a franchise, only to be disappointed and then lumbered with huge debt, which often has resulted in those who have provided the guarantee having to carry the can or shield the responsibility.” (Participant 5)

“I think one of the disadvantages tends to be that uhm we’ve got very few if any uhm maybe now, I think we might have few Master Franchise holders in Namibia but I think most of the franchise owners are usually foreign but I think that tends to have a negative impact sometimes because they not in touch with the market so they don’t know what exactly the market is like local; what the needs of the market are, the needs of the labour force is and I think if you dealing with somebody who is making decisions that are removed from what’s the real happenings on the ground, you might have some challenges there around labour relations around uhm sometimes the loyalty, payments that need to be paid can be a bit predatory so I think that is another concern with franchises.” (Participant 6)

In response to this question, many participants were able to identify the competitive advantage that a franchise has.

“The fact that you get support to setup, like to train your employees, to help manage or put processes in mind, in place, help run your business, getting that support from what you call it, your franchisee and franchisor, really helps a lot” (Participant 4).

“The franchisor provides that sort of complete ready package just to get going. So there are certain advantages in the business model especially for those I find who are more mature in age. Let’s say they’ve worked in the public sector or they worked in the corporate world or they’ve been an employee of somebody, have accumulated some savings, they’ve always had a yearning to go on their own, they’ve always had that desire and then they finally yield to the entrepreneurial pool. So it’s generally considered lower risk in the sense that you then buy and bottle everything that comes with it and you can get going; you don’t have to pay what we call “school fees”, the cost of actually having made incorrect decisions” (Participant 5).

“I’ve seen some instances, to help you get up and running, they can provide support in the way of systems, billing systems, integrated power point of sale systems that could help the business really move it to the next level from the get-go, there’s the support that can be provided as far as marketing and advertising champion.” (Participant 6)

In response to this question, many participants were able to identify the competitive advantage that a franchise has.

Half of the interviewees agreed that franchises are growing rapidly

“Yes” (participant 1)



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“Yes, they’re growing.” (Participant 3)

“Yes definitely.” (Participant 4)

Half of the interviewees agreed and disagreed that existing franchises are and are not a threat to new franchise competitors entering the market.

“Yes, there is a threat to someone starting up but they also doing their research at the end of the day, to help them grow also.” (Participant 1)

“Yes they are a threat.” (Participant 3)

“So to some extent yes but on the flip side as well, you used to that shop, you’ve built relationships with the tellers or the manager and all of that. Like some customers; that it might not necessarily be such a big deal so I suppose partly, yes.” (Participant 4)

Theme 3: Employment

“Because there are a lot of people like I said, it’s almost like the first question, there’s a lot of space, job creation in the franchise and on a daily and monthly basis one, because some people are getting other jobs and move out and then we can employ, the more we can employ, the more people we can train, the better for us and Namibia” (Participant 1).

“Creating like employed people. So they promote internally and the new employees start at the bottom” (Participant 2).

“Well, it’s probably no different when it comes to employment creation except that the franchisors, their model would normally look for individuals who are the right people or suited for the job, whereas an entrepreneur starting a business might be tempered to employ unemployed family members and friends and so forth” (Participant 5).

“I think to a large extent franchises are very good for employment, I think they can create employment very quickly if you compare setting up a franchise to setting up brand new venture, green field venture, I think a franchise stands a better chance of success so the possibility for more long-term sustainable employment uhm is better I believe with a franchise than it is with a brand-new venture so I think there’s a lot of positives to franchises as far as employment is concerned” (Participant 6).

Interviewees, were, however, able to highlight some obstacles faced in franchising that hinder the business from exploiting or dominating the market.

Theme 4: Prices and current conditions

“Maybe the price range. They are in between. But compared to other stores, they are more than the others” (Participant 2).

“One of the things is the prices. Price is a big challenge. Unfortunately, you cannot be the cheapest on every item” (Participant 3).

“Well I mean now in the current sort of economic climate, ok if you look in context with like example COVID because there’s been lockdowns, uhm the transport industry has been affected so products are not



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arriving as fast as they used to for a franchise so that might hinder the way which they currently operating because you know you won't get your products on time at the right with fashion" (Participant 4).

Theme 5: South African and Master Franchisors

"As I said earlier most franchisors come from South Africa" (Participant 5).

"When it comes to KFC, that's run out of the Master Franchisor is in Natal I understand, Kwa-Zulu Natal and that has also had its own complications and there might be from what we hear some changes on the landscape" (Participant 5).

"The other one that is also being run through, which is now no longer around, is the other food one, what was it called; closed down actually. Was also run out of I think the Western Cape. The Master Franchisor was in the Western Cape, was in the food business" (Participant 5).

"I forget now, it's one of those food types of franchises, that did quite well in the beginning but again if you have that sort of triangle arrangement then, the Master Franchisor probably has an operation in South Africa and wants to maximize on profit" (Participant 5).

Most of the participants agreed that the high costs of purchasing a franchise hinder a lot of entrepreneurs from doing business in that sector.

Theme 6: Risks

"As I said, the risk involved is in all businesses, yes, if you take stealing from the business, that is a big risk and not honest enough and to break this property, you get children who do not look after the business, breakdown, that is the risk. Stealing is every day" (Participant 1).

"The thief is one of the biggest risks, it's a challenge, even the person you appoint, you don't know the purpose of that person. The dishonesty of the employees is also a risk" (Participant 2).

"Small population, and high costs, maybe, are the two things popping into my mind. Politics would play a big role" (Participant 4).

"Well risks are like in any business you know whether you are going to achieve the turnover, are you gonna generate the cash flow. If you take your pension money and invest it and there are no borrowings, it's probably okay you know, you won't make a huge living out of it, but you can probably make a decent living out of it but the risks involved is if you borrowing hey, you going to find it very difficult to service that loan from the cash that you generating from the business. So that's the biggest risk and that's why the failure rate has been so high" (Participant 5).

"It depends on how the financing was done because then you get your Non-recourse Loans which are the loans given in the name of your company on its own as you as the personal owner have no surety or anything linked to it at all. But very often especially with start-up businesses, the business doesn't have any assets of its own, and unfortunately, you as the owner or whoever is signing the surety for you will have to sign in your personal capacity surety for this loan so if the business is not able to pay or deliver or needs to



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get liquidated and the bank is not able to recover what they need to recover from the business, they have recalls legally against you as the owner of the business or against the surety the investor of the business so in most instances; look you know banks have a fiduciary responsibility against their depositors, so they will do whatever it is they need to do, to ensure that they are able to get their depositors money back and that includes having SMEs, entrepreneurs sign suretyship in the personal capacity of these loans. So very often, what you end up finding especially with your start-up and SME businesses, is that as the owner, it's very difficult to separate yourself from the business; as the business fails, there is usually some sort of personal liability that you carry" (Participant 6).

5. Discussion

The results show that the immediate capital outlay is enormous. Thus, the service, backing, and guarantee of purchasing a franchise have a huge price tag. Every franchisor normally charges a fee and some specified percentage of sales returns. Buying into franchises is therefore not easy or cheap. More than that, Namibia has its unique challenge in the sense that the market is rather small as the population size of 2.5 million is relatively small and widely dispersed across the country (Participant 5). Moreover, due to high unemployment, there is very little buying power.

In addition, Namibia has no legislation or a dedicated franchise association. While there are laws that regulate how businesses operate which afford a degree of protection for consumers and entrepreneurs, such legislation does not specifically relate to franchises (Abell 2011). This lack of regulation of the franchising sector opens up the sector to abuse especially from the franchise holder and means that the rights of the franchisee are not protected. Due to limited regulations in Namibia, it is seen as having an unfriendly business climate. The establishment of the Namibia Investment Promotion and Development Board, with this mandate of working towards creating a more business-friendly and conducive environment, is, however, attempting to change this situation.

Most participants agreed that franchises create employment just like any other business, however, franchises have more advantages in terms of decent employment (Hoffman & Preble 1993). For example, employees get to improve their skills through training programmes. For instance, one of the results of the current study shows that most of the participants (73.6%) believe that franchises have a human development training programme for entry-level employees. A participant mentioned that the Namibian government did not see the franchise model as a panacea for employment creation and economic growth. While another participant indicated that they did not see the franchise model as being a big creator of jobs and wealth in Walvis Bay, or elsewhere in the country. While franchises can create employment very quickly compared to setting up a brand-new venture, they are, however, probably no different when it comes to employment creation. One exception might be that for the franchisors, their model normally looks for individuals who are well suited for the job and meet the job criteria, whereas, entrepreneurs, starting a business, might be tempted to hire unemployed family members and their friends. Franchises are strict in the sense that the ratios would be more realistic.



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6. Conclusions

This paper reports on a mixed methods study that investigated perceptions of franchising as a strategy for job creation. Scholars have established that it is a key contributor to economic growth and is also seen as a vital vehicle for employment creation. Despite the growing interest in franchising locally and the world over, little research has been conducted in the Namibia context to explore its impact on economic growth and job creation. This study collected both quantitative and qualitative data using a survey questionnaire and semi-structured interviews. The study results were presented using graphs and themes generated from the interview processes. The findings indicate rapid growth and awareness of the franchise model in the food sector while less growth was evident in the clothing sector. The franchise model was, however, seen as a key avenue for stimulating economic growth and viable job creation strategy. Stronger incentivization is recommended, especially in the areas of tax exemptions, export processing zones, the introduction of specific franchise legislation, and more expansive monetary and fiscal policies. Recommendations on how government intervention to strengthen legislative guidance, decrease taxes and improve loan guarantees for franchise owners and ways to boost economic growth and increase job creation through the adoption of the franchising model are offered. Further research is required to consider additional variables such as revenue generation, franchises up north, and the profitability of franchises. There is abundant room to expand future research to consider additional geographical areas and other cities in Namibia and in this way produce more reliable results.

7. Recommendations

The following recommendations are worth pondering based on the conclusions:

- 1) The Namibia Franchise Association NFA should be implemented by the Government of the Republic of Namibia and NIPDB to maximize the potential for franchising growth and job creation,
- 2) Franchise firms ought to be supported since they enable the franchisor to quickly enter local markets and amass local knowledge.
- 3) Namibia and other nations struggling to establish and grow new businesses should be aware that operating franchisees do not demand exceptionally high levels of entrepreneurial competence, and therefore should endeavour to exploit such opportunities when they come.

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