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FINNISH FRANCHISEE TRAINING PROGRAM – FINDINGS FROM THE FIRST TEN PROGRAMS 1999-2001

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Abstract:

In a franchising relationship, the franchisor is responsible for arranging initial and ongoing training for the franchise owners. However, most of the young or smaller size franchisors do not have enough resources to arrange versatile and in-depth training for their franchisees. The Finnish franchisee training program is an answer to this need. It is a unique training given to prospective franchisees by a third party. The program aims to find people interested in franchising and to give them the essential skills and knowledge a franchisee needs. Additional goal is to help the trainees to choose a franchise. The organizing parties behind the programs are the government owned *Employment and Economic Development Centres* and a private consultation company specialised in franchising. The training program enables franchisors to concentrate on system specific training, while it strives for providing the participants with a realistic view of the time, financial and skills demands of franchise ownership and self-employment. Therefore, the program serves both franchisors and prospective franchisees.

The first program was organised in 1999 in Helsinki. Subsequently, the programs have also been arranged in two other major cities, Tampere and Turku. In total, more than 200 trainees graduated from the first ten programs held in 1999-2001. The graduates comprise the samples of the current study. The data were collected in two separate phases. Mailed questionnaires and phone interviews were used to gather quantitative and qualitative data. In the initial phase 2001, all 100 graduated participants of the first five training programs were surveyed. In the latter phase 2003, all graduated participants (N=114) from the programs 6-10 were sampled. The present study explores the potential differences of the samples gathered in these two phases. Moreover, the analysis pertains to the achieved results of the training programs. Consequently, the effectiveness of the training can be evaluated and verified.

The purpose of the research is to analyse the effectiveness of the franchisee training program by describing the career shifts of the trainees. Past literature has shown that the effectiveness of education and training is a multifaceted phenomenon and therefore difficult to measure. Desirable effects of the training may emerge later and in various ways. The training programs 6-10 seemed to be even more successful than programs 1-5 in increasing the entrepreneurial activity among the participants. More franchised firms were started and more stand-alone businesses established. In addition, unemployment among the participants decreased remarkably.

JEL-code:

Franchising, training, career choice, Finland

I. Introduction and Theoretical Background

The paper begins with an introductory section consisting of three parts. It starts off with a brief overview of the Finnish franchising in light of the latest statistics. Next, the origin of the franchisee training program, the organizing parties, trainees, and the program itself are introduced. Following the introductory section, research design is described and the results of the survey are presented. The paper concludes with a discussion of the results, implications and recommendations for future research.

A. Franchising in Finland

Franchising is a relatively new phenomenon in Finland. The emergence of first business format franchises dates back to the late 1970's. Nevertheless, a breakthrough appeared a decade later when a stream of franchises was started and the national franchising association was established (Tuunanen & Hyrsky 2001). During the last decade the amount of franchises operating in Finnish markets has been growing around 10-15% yearly. The 2002 statistics indicate there being 164 franchisors with close to 3,900 franchisee-owned and over 1,800 company-owned outlets. Majority of the franchises are service (n=67) and retailing chains (n=69). In addition, 28 franchises operate in the fast food, café and restaurant sector. Three quarters of the franchises have Finnish roots.

According to 2002 statistics, franchising employs nearly 38,000 people and generates a gross annual turnover of 3.54 billion EUR. In comparison, according to Statistics Finland the gross annual turnover of retailing in 2002 was 23.1 billion EUR. Franchising accounts for 2,5% of the gross domestic product (GDP). Despite a slight economic downturn, the upward progress of Finnish franchising is expected to continue for several reasons. For instance, the

growth of franchising continued also during the years of recession in the early 90's¹. Franchisors operating in the market also indicated that there was need for 694 new franchisees in the year 2002. Moreover, there is room for new franchises particularly in consumer and business-to-business services, while the retail sector has reached a stable state. The fast food, café and restaurant sector is faced with saturated and mature markets. In addition, one out of four franchises indicated being in the “market entry – phase” of their lifecycle. (Tuunanen 2002)

In understanding the context of the franchisee training program, it is essential to recognize the differences between forms of franchising. In Europe, only business format franchising is regarded as franchising. While in the North-America, also product distribution franchising and trade name franchising (e.g. gas stations, car dealerships and soft drink bottlers) are regarded as franchising. Consequently, when discussing franchising in this article, only business format franchising is considered. For the purpose of this article, the following definition given by the *Finnish Franchising Association* is employed.

“Franchising is a relationship which involves a contractual and long-term collaboration between two independent firms, a franchisor and a franchisee, in which the franchisor grants for payment a right to the franchisee to make use of the franchisor’s business format in a pre-described and controlled manner at a certain location or area.” (Finnish Franchising Association 2000, p. 7.)

B. Background of the Program

Franchising started to arouse interest among Finnish small business policy makers after the mid 90's. In 1997 *Ministry of Labour* initiated a research project “*Franchising Entrepreneurship in Finland in year 2000*”. The project was partly funded by the *European Social Fund* (ESF) and its primary goal was to estimate the quantitative and qualitative

development of Finnish franchising in the next three years. In their research report, Eräheimo and Laakso (1997) predicted that franchising would create 15,000 new jobs by the end of year 2000. In addition, at that time there was a need for 1,000 new franchisees in existing franchises. Eräheimo and Laakso (1997) also found that an essential threat to the projected growth estimates was a lack of franchising knowledge among new small business owners as well as among the public and private enterprise advisors. The project laid a foundation for the birth of a novel franchisee training program.

The franchisee training program was developed to find people interested in franchising and to give them the essential skills and knowledge a potential franchisee needs. Another goal of the program was to help the trainees to buy a franchise. The organizing parties behind the programs are the *Finnish Employment and Economic Development Centers (T&E Centers)*² in the three major cities Helsinki, Turku and Tampere. A private company specialized in franchising consulting took responsibility for the implementation. The training programs are partly supported by the ESF. The rest of the finance is provided by the T&E Centers. The program is complimentary for the trainees, only a nominal fee of 170 EUR to cover studying materials is charged. Also, some franchisors have sponsored training programs occasionally. The first two training programs were organized in 1999 in the capital city of Helsinki. By the end of the year 2001, ten programs had been completed with close to 200 participants finishing the program. This study will concentrate on the first three years of the program when the programs were organised uniformly. From the beginning of 2002 the format of the training was changed considerably. The programs are still ongoing and the 16th training was launched in May 2003.

The programs are being advertised in national and regional newspapers and those interested can also learn more about them through the T&E Centers and local employment offices. The participants of the programs go through a careful selection process that includes a written application and interviews. The purpose of the selection is to assure the best possible prerequisites for every trainee to purchase a franchise. In this sense, the program acts as a screening tool. Targeting, screening and recruiting potential franchisees may be an unexpectedly slow, costly and tricky process (cf. Macmillan 1996). The matter is crucial for franchisors that presently face difficulties in finding and recruiting qualified franchisees. Indeed, lack of proper candidates is perceived by the franchisors as the most severe factor restraining the growth of franchising (Tuunanen 2002).

Franchisees' recruitment has received a lot of academic attention. It is assumed that prudent recruitment enables future prosperity of the franchise relationship and franchisee performance. Related, the previous research has established two tenets. First, from a franchisor's standpoint, it is vital to select best potential franchisees who possess desirable personality traits (e.g. motivation or need for achievement, risk-taking propensity, innovativeness, internal locus of control, etc.) and personal characteristics (e.g. age, gender, ethnicity, education, work experience, business experience, health, financial resources, etc.) that are most suitable to the business. Second, from a franchisee's standpoint, it is essential to pick up the "right" franchise offering by seeking adequate information and evaluating, analyzing and comparing various franchise offerings. Any failure in recruitment may lead to franchisee dissatisfaction that again may result in lack of commitment, under-performance, diluted brand value and even to his or hers voluntary turnover.³ Hence, the franchisee training programs serve both franchisors and future franchisees by minimizing their individual deficiencies.

C. Franchisee Training Program

The backgrounds of the trainees were heterogeneous. A part of them had a regular full-time or part-time job, some ran their own business, some were students, and some were unemployed looking for a job when entering into the program. Despite of the dissimilar starting points of the participants, a common feature uniting them was the interest in making a career choice⁴. Some 20-25 participants were selected for each program.

In order to combine theory with real life business practice, quite a few franchisors have been involved in executing the programs. The programs were promoted via newspaper ads and direct marketing aimed at franchisors. However, their real interest was awakened only when the first graduates contacted them. The franchisors wanted to know where those skilful applicants had learned about franchising. By being involved in executing the programs, the franchisors have got a chance to introduce their franchise offerings and to meet the trainees. Especially for franchisors recruiting new franchisees, participation in the programs has been an efficient avenue for finding capable candidates. A noteworthy feature of the Finnish market is a shortage of events where franchisors could meet potential franchisees. Most often franchisors seek potential franchisees via advertising in national newspapers. The domestic market is small with 5.2 million inhabitants. Unlike in larger EU countries or the USA, there are no franchising fairs. A further indication of the significance of franchisee training programs is that most franchisors do not have enough resources to arrange versatile and in-depth training for their new franchisees (Libart Ltd. 1998). In a franchising relationship the franchisor is responsible for arranging initial and on-going training for the franchisees.

For the trainees the program is approximately five months long reflection and decision-making process, during which many of them decide whether they want to be self-employed.

A typical training program consists of 20-25 day classroom instruction period, distant learning and self-studying exercises and an individual consultation.

Top franchising experts (e.g. consultants, attorneys) and professionals in various business areas (e.g. accounting, human resources, and marketing) have served as lecturers for the training programs. Programs consist of standard curriculum. A detailed example of the curriculum is presented in Table 1. The lecturers aim to provide the participants with a realistic view of the time, financial and skills demands of franchise ownership and self-employment. In the course of the lectures, the advantages and disadvantages of franchising are discussed.⁵ According to Tuunanen & Hyrsky (2001), the advantages that franchisees encounter in operating their businesses are actually the same ones that motivate people to buy a franchise. These business boons and motivational factors include “recognised trade name”, “proven business concept”, “ease of entry”, “ongoing franchisor support”, “training” and “reduced risk of failure”. By covering the various facts and requirements involved in franchise ownership and self-employment, the programs’ purpose is to inform and prepare the trainees for the difficulties and risks that many new self-employed are likely to confront.⁶ Examples of such risks are lack of finance or under-capitalisation, cost management, marketing, staffing, legislation and regulations, taxation etc.

Table 1. An Example of the Curriculum

<i>Day (2pm-8pm)</i>	<i>Topic</i>
1	Operating as a franchise owner
2	Franchising versus independent small business ownership
3	Self-evaluation and decision to initiate a venture
4	How to analyze and value various franchises?
5	Case studies: Franchisors introduce their business offerings
6	Principles of franchisor-franchisee relationship and co-operation
7-8	How to run a franchise outlet?
9	Marketing in a franchise system and local store marketing
10	Customer relationship management
11	Laws and regulations related to franchising
12	Accounting in a franchised business
13	Principles of financial planning
14	Principles of corporate and value added taxation
15	Procurement and inventory management in a franchise system and local store
16	Business communication and franchise owner's interaction skills
17-18	Human resource management and franchisee as an employer
19	Time management and coping with stress
20	Wrap-up of the class-room instruction & orientation to self-studying and personal consultation

The training starts with classroom lectures and a self-studying period which in total last between 9-14 weeks. This phase includes 3-5 one-week pauses for distant learning and assignments. Classroom instruction is normally given 2-4 days per week. Assignments relate to various topics (e.g. book keeping, value added tax, payroll, general taxation) requiring completion of exercises. Every trainee is expected to choose one franchise according to his or her own preferences and to compose a detailed case analysis of it. The goal of the analysis is to learn to evaluate various franchise offerings and to gather the necessary information for deciding whether to buy the franchise or not.

Based on the participant's needs and wishes, she or he may receive personal consultation lasting up to two days. Trainees can meet with a franchising consultant, a franchise attorney and a career tutor. Generally, the first consultation meeting takes place after the classroom and self-studying phase. It involves a feedback interaction and discussion on the trainee's

career path and options. At this point the trainee and the consultant together design the following action. Those who clearly indicate interest in buying a franchise receive further advice and guidance as to the negotiations with the franchisor, the franchise agreement, start-up investments, financing, spreadsheet and other relevant issues related to the franchise offering and business plan.

Because of their various backgrounds, the learning needs of the trainees are different. Some need a lot of personal consultation in planning their future careers, whereas some only want little back-up support in negotiations with the franchisor they have chosen. Every participant has his or her own personal curriculum, which ensures that individual needs are taken into account in planning and executing the programs. Tutoring is available throughout the program.

D. Effectiveness of Entrepreneurship Education

The article aims to contribute to the discussion on the effectiveness of entrepreneurship education and training⁷. The know-how invested in the franchise package is transferable, teachable and learnable. This is a unique and core feature in characterizing franchising as a method of starting a business (see e.g. Stanworth, Price, Purdy, Zafiris & Gandolfo 1996). The article reports the results of a study assessing the effect of the franchisee training program on participants' career choices and their opinions about franchise ownership. Scholars of different disciplines, say pedagogy, economics and psychology, have shown that the effectiveness of education is a multifaceted and controversial phenomenon. For instance, as Orser and Hogarth-Scott (1998, pp. 61-67) have found, the assessment of education and the perceived value of its outcomes may be dependent upon the stakeholders (i.e. trainers, delivery agents, public policy-makers, business owners and employment equity groups)

vested interest in the education. To highlight the nuances of the concept and the difficulty of measuring it, the following descriptions are given.

“...it is possible to define the effects of education as versatile and multidimensional phenomena on the dimensions of time. We can examine the primary or immediate, secondary and even tertiary effects of education, which by the end of education can be seen in the functioning of those educated and the surrounding society and which last as long as the following generation. Analysis-models derived from different fields of science emphasize further that impact-analysis cannot be limited merely to outputs, but we have to simultaneously take into consideration the costs and other inputs of education, educational process and immediate results, which all have to be brought into relation with the final goal oriented outcomes.” (Vaherva 1983, p. IV)

A slightly different point of view is provided by Garavan and O’Cinneide (1994, p. 5) who comment on the evaluation of entrepreneurship education and training programs as follows.

“If entrepreneurship education and training is to be effective, the contention is that it must be so not only through factual knowledge and the limited skills acquirable in the classroom, but also through the stimulation of new ventures, the success of those ventures and the increasing capacity of the entrepreneur to pursue even greater success.”

When applying the view of Garavan and O’Cinneide for the present study, it is possible to come up with two questions: Can the program help “to make new franchisees”? And are the new franchisees successful in their ventures?⁸ In this context, it has to be noted that due to the limitations of a cross-sectional analysis, the findings on the effectiveness of the training are preliminary. Furthermore, as a consequence of these limitations, it is difficult to measure success at the current phase of the study. In the forthcoming follow-up study, success could be measured for instance, through the following criteria: Does the franchisee continue his or

her business after the first critical years of operation? Is the franchisee's business profitable and growing? In the franchisor's opinion, is the franchisee's overall performance average, above or below the average in the particular franchise system? And finally, is the franchisee satisfied with his or her business?

II. Research Design

The present research data were gathered in two phases and therefore, there are two samples, I and II.⁹ The present study explores potential differences of the samples and the analysis pertains to the achieved results of the training programs. Consequently, the effectiveness of the training can be evaluated and verified. The effectiveness of the program was measured through changes in the trainees' professional employment status and trainees' intention to purchase a franchise. Moreover, participants' overall satisfaction with the program was measured, since satisfaction is frequently used as a first level measure of the effectiveness of education indicating participants' reactions to the training¹⁰.

The background and contact information of the participants were gathered in collaboration with the organising parties. All graduated participants of the first ten training programs were chosen as informants. In order to pass the program it is required that a trainee takes part in lectures and turns in self-study exercises. Few trainees had decided to discontinue the training. The first two surveyed programs were carried out in Helsinki in 1999 and the following three in 2000 in Turku, Tampere and Helsinki respectively. These five programs comprised the first sample of the study. The second sample included the five programs arranged in 2001. Three of them took place in Helsinki and one each in Turku and Tampere.

In the initial data gathering phase all 100 graduated participants of the training programs 1-5 were surveyed. Ninety usable responses were received and hence, the response rate was 90%. In the latter phase, all graduated participants (N=114) of the programs 6-10 were sampled. Eighty-six acceptable responses and a response rate of 75% were obtained. At both times, quantitative and qualitative data were gathered through mailed questionnaires and phone interviews.

In both phases, all graduated participants of the chosen five programs were sampled simultaneously even though the training programs were arranged at different times and in different cities. Consequently, depending on the time of training, informants were surveyed six to twenty four months after they had completed the training. This issue should be regarded as a methodological limitation of the study, since the results i.e. effectiveness of the training, may depend upon the length of the time passed from the completion of the program. To find out whether the samples were similar, an investigation on the possible differences in the backgrounds of the trainees was done. Potential differences between the samples could limit the comparability of the results i.e. effectiveness of the training. The analyses showed no significant differences between the two samples. The organizing parties had employed similar lines of recruitment for all ten programs.

As Table 2 shows, the background variables of the two groups were fairly identical. Nearly half of the respondents were female, so both genders were almost equally represented. The mean age of the respondents in Sample I was 42 and 41 years of age in Sample II. In addition, there were less married people and some more people who had divorced in Sample II than in Sample I, but the differences were non-significant. Moreover, the education levels of the respondents were strikingly similar in both samples.

Table 2. *Description of the Samples*

<i>Background variable</i>		<i>Sample I (N=90) %</i>	<i>Sample II (N=86) %</i>	<i>Combined Sample I + II (N=176) %</i>
<i>Gender</i>	Female	51	53	52
	Male	49	47	48
<i>Age</i>	21-30 years	11	14	13
	31-40 years	28	34	31
	41-50 years	39	38	39
	51-60 years	22	12	16
	61-70 years	0	2	1
<i>Marital Status</i>	Married	52	45	48
	Long term relationship	24	28	26
	Single	16	14	15
	Divorced or widowed	8	13	11
<i>Highest Level of Education Completed</i>	Elementary school	4	5	5
	High school	4	6	5
	Vocational education * (vocational school or polytechnic)	74	73	73
	University	18	16	17

* In Finland there is vocational education institutions or polytechnics. The education runs between 2-4 years depending on the profession, specialization and the particular institution.

Table 3 further shows that the entry statuses of the trainees did not vary much between the samples. The main dissimilarity can be found in the number of unemployed persons, which was lower in Sample II. However, the difference was rather small, mere 6 percent points.

III. Results

A. Career Decision Making

By examining changes in the trainees' professional employment status, it is possible to measure some effects of the program. First, trainees were asked about the impact of the program on their career choices made after passing the program. Nearly 60% of the Sample I respondents stated that the program had an effect on their decisions while the corresponding figure among Sample II respondents was 74%. Every fifth (21%) of the Sample I respondents

and every fourth (26%) of the Sample II respondents felt the program had a strong or even very strong effect on his or her career decision. In addition, more than one third (37%) of the Sample I and almost half (48%) of the Sample II participants viewed the training having moderate or slight effect on their career decision-making. The effect was measured by a scale ranging from one to five - “the training had no effect on my career decision” to “the training had a very strong effect on my career decision”. The T-test showed a significant difference (.001) between the samples. The training had a stronger effect on graduates’ career decisions in the Sample II.

Since the training program was aimed also at the unemployed, one central goal was naturally to assist the unemployed to employ themselves. The program was deemed a success. The number of unemployed decreased by equal proportions in samples I and II. More importantly, entrepreneurial activity increased dramatically among the participants. Four new independent start-up businesses occurred in Sample I and eleven in Sample II. The amount of established new franchise businesses was also a bit higher in Sample II.

Table 3. Trainees’ Employment Status

<i>Job Status upon Entry into the Training</i>	<i>I %</i>	<i>II %</i>	<i>I + II %</i>	<i>Job Status upon Completion of the Survey</i>	<i>I %</i>	<i>II %</i>	<i>I + II %</i>
Unemployed	41	35	38	Unemployed	11	6	9
Salaried Employee	41	43	42	Salaried Employee	49	44	46
Small Business Owner	11	12	11	Small Business Owner	16	24	20
Franchisee	0	0	0	Franchisee	13	15	14
Student	5	6	6	Student	7	1	4
Other*	2	4	3	Other*	4	10	7

* Status not known.

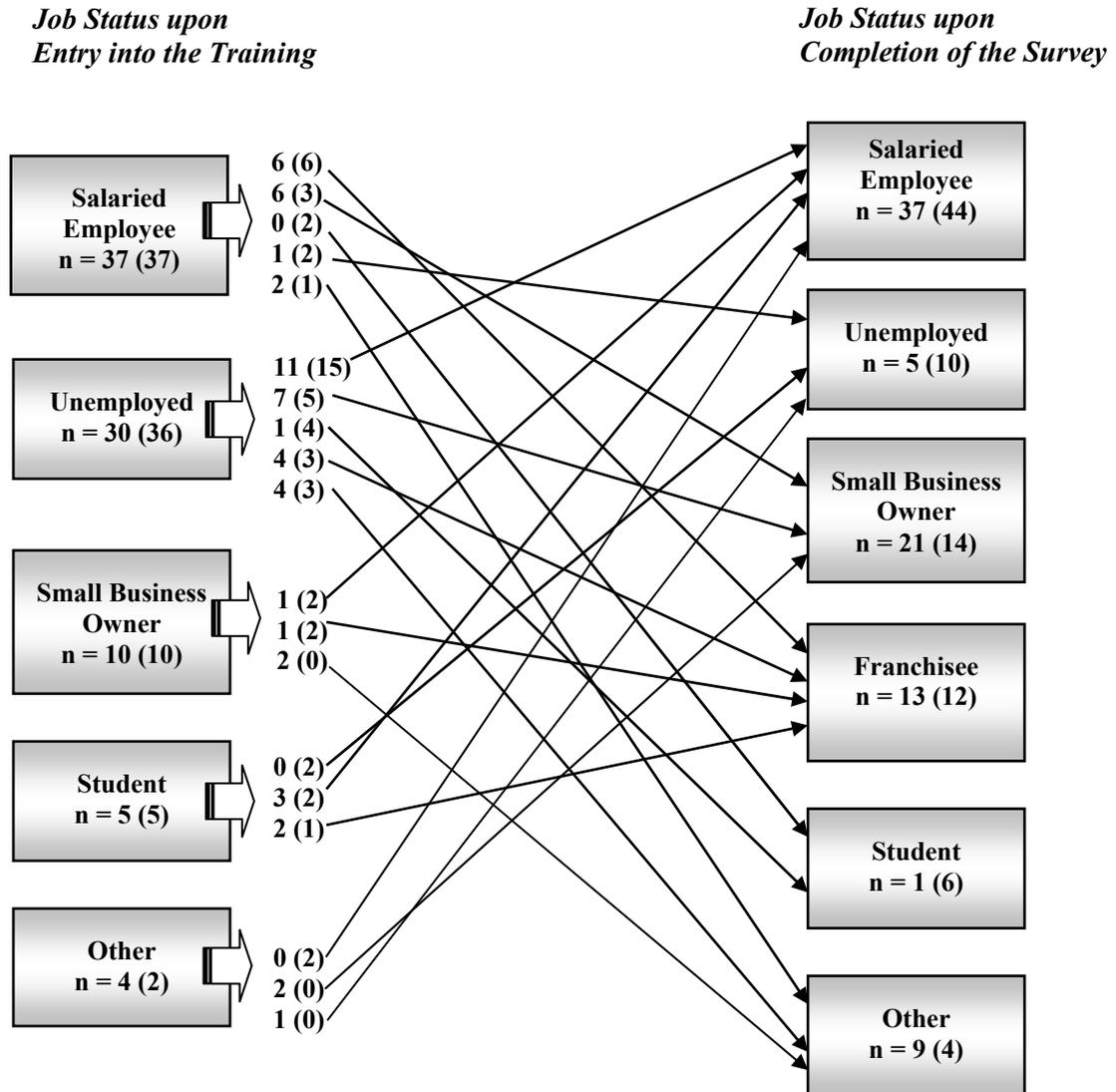
A more detailed analysis of the changes in trainees’ professional statuses is illustrated in Figure 1. Identical information is given in Table 4. The arrows in the Figure 1 present career

paths when a career shift took place. In order to separate the two samples, the numbers describing Sample I are in brackets. Sixteen different career paths emerged in both samples and in total fifty-five shifts in Sample I and fifty-four shifts in Sample II occurred. A couple of the paths stood out since so many people followed them, e.g. fifteen unemployed in Sample I and eleven in Sample II found a salaried job in either public or private sector. Meanwhile, six persons, who had either a full or part-time job at the time of entering the training, became franchisees afterwards. Interestingly, the same career-decision was made by equal amount of persons in both samples. Also, six trainees in Sample II who previously were salaried employees decided to establish their own companies. Likewise, in Sample I, five previously unemployed decided to employ themselves and started a business, whereas four opted to continue their studies in vocational schools, polytechnics, or university after the training program. In comparison, seven persons in Sample II who were looking for jobs prior to the training, set up their own businesses while four bought a franchise after the program.

Conversely, in several occasions career choices were rather individual and the paths varied a lot as only few people followed them. For instance, two small business owners in Sample I and one in Sample II became franchisees after graduation from the training. Similarly, three students, one in Sample I and two in Sample II started a franchised business. The illustration shows that those 25 persons, 12 in Sample I and 13 in Sample II who bought a franchise after finishing the program had very dissimilar entry statuses. What should be noted though, is that twelve of those twenty-five had a job at the time of entering the training. It might have been easier for people who had jobs to gather the funds to start a franchised business. Additionally, some franchisors might prefer recruiting employed people to franchisees and avoid recruiting unemployed. Nonetheless, as there were 13 people with other kind of entry statuses who also

became franchisees, it appears that the training can be effective for people having heterogeneous backgrounds.

Figure 1. Trainees' Career Shifts



* Sample I in brackets

Table 4. *Trainees' Career Shifts*

<i>Job Status upon Entry into the Training</i>	<i>Job Status upon Completion of the Survey</i>													
			Salaried Employee		Unemployed		Small Business Owner		Franchisee		Student		Other	
	I	II	I	II	I	II	I	II	I	II	I	II	I	II
Salaried Employee	37	37	23	22	2	1	3	6	6	6	2	0	1	2
Unemployed	36	30	15	11	6	3	5	7	3	4	4	1	3	4
Small Business Owner	10	10	2	1	0	0	6	6	2	1	0	0	0	2
Student	5	5	2	3	2	0	0	0	1	2	0	0	0	0
Other	2	4	2	0	0	1	0	2	0	0	0	0	0	1
Total (N)	90	86	44	37	10	5	14	21	12	13	6	1	4	9

No career shifts happened in 35 cases (39%) in Sample I and 32 cases (37%) in Sample II. Once more, the results between the samples seemed to be similar. In 23 of these cases in Sample I and in 22 in Sample II the trainee was a salaried employee. Twelve small business owners, six in Sample I and six in Sample II continued operating their businesses also after the program. Interestingly, in two occasions in Sample I and one in Sample II, a small business ownership was discontinued during the training and the trainee found a salaried job. One sixth (16%) of the unemployed people belonging to Sample I and every tenth (10%) belonging to Sample II remained unemployed also after the training.

B. Intention to Buy a Franchise

The second measure employed in analysing the effectiveness of the training programs was trainees' intention to purchase a franchise. In Sample I, one fifth (20%) of the participants indicated that they were seriously interested in buying a franchise in the future. In similar vein, a group of equal size (21%) expressed being not interested in it. Interestingly, 59% of the trainees were still unsure of their future decision. In Sample II, there were more of those, who were uninterested in buying a franchise (15%) than those who were interested (12%). But, the figures were evidently much lower than in Sample I. On the other hand, the number

of trainees who could not indicate their future decision was even greater than in Sample I, namely, two thirds (69%).

C. Satisfaction

Participants' satisfaction was measured via two scales. First one, overall satisfaction, was quantified by asking how did the training meet participants' initial expectations (see Table 5). A five-step Likert –type scale ranging from “Surpassed my expectations considerably” to “Fell short of my expectations considerably” was employed. Eighty-two percent of the Sample I respondents rated the program at “3” or above (met or surpassed expectations.) More than one third (36%) felt the program exceeded their expectations slightly or considerably. Only every sixth (18%) trainee rated the training as falling short of his or her expectations. The mean score of the overall satisfaction in Sample I was 3.26. To compare, in Sample II, nine out of ten (92%) respondents told the program had met or surpassed their expectations. Additionally, 46% felt that the training exceeded their expectations slightly or considerably. Less than every tenth (8%) trainee perceived that the training fell short of his or her expectations. The mean score of the overall satisfaction in Sample II was 3.52 and consequently, there was a significant difference (Sig. .056) between the samples in favour of the second sample.

Table 5. Trainees' Overall Satisfaction with the Program

<i>How did the training meet your initial expectations?</i>				
<i>Scale</i>	<i>Alternatives</i>	<i>I</i>	<i>II</i>	<i>I + II</i>
		<i>%</i>	<i>%</i>	<i>%</i>
5	Surpassed my expectations considerably	11	14	13
4	Surpassed my expectations slightly	25	32	28
3	Met with my expectations	47	46	46
2	Fell short of my expectations slightly	14	8	11
1	Fell short of my expectations considerably	3	0	2

The second scale pertaining to trainees' satisfaction was intention to recommend the program to others. The scale was dichotomous having the options: "Yes, I would recommend the program" or "No, I would not recommend the program". Nine out of ten (90%) of Sample I respondents opted for recommending the training for potential participants. Participants' overall satisfaction and their post-course intention had a strong and significant correlation (Contingency Coefficient .605; Sig. .000) with each other. Ninety percent of those who were satisfied with the program were likely to recommend it. Similarly, the respondents of Sample II appreciated the program and almost all of them (98%) were ready to recommend the training for potential participants. In contrast to Sample I, in Sample II the overall satisfaction of the participants and their post-course intention had a low and non-significant correlation (Contingency Coefficient .242; Sig. .152) with each other. Surprisingly, there were six graduates who expressed that the training fell short of their expectations but still they were ready to recommend it. Ninety-nine percent of those who were contented with the program were likely to recommend it.

IV. Discussion and Implications

Nearly one sixth of the respondents (n=12) purchased a franchise and eight informants started their own, independent businesses of the Sample I respondents. Moreover, six people continued running their existing businesses. Almost an equal amount (n=13) of respondents started a franchised business and fifteen informants established their own, independent company in the Sample II. As in Sample I, six persons continued running their existing businesses. To summarize, the figures indicate that more than one fourth (29%) of the informants of Sample I and over one third (39%) of the respondents of Sample II were involved in entrepreneurial activities at the time of the study. Twenty-three percent of the

Sample I and 17 percent of Sample II respondents found a salaried job after passing the program. Moreover, a clear majority, nearly 60% of the respondents of Sample I and 74% of the respondents of Sample II confirmed the program had had an effect on their employment and career choices.

The results showed that the programs 6-10 were even more successful than earlier programs in fostering entrepreneurial activity among the participants. However, Sample II included less of those who intended starting a franchised business in the future compared to Sample I. Also, there were even more of those who were unsure about their upcoming career decision in Sample II. Within both samples, unemployment rate decreased by the same proportion. Nonetheless, results of the training programs were parallel and no remarkable differences were recorded between the samples.

Even though a majority of all the respondents (82% of the Sample I and 92% of the Sample II respondents) were pleased with the program, satisfaction is not necessarily a straightforward indicator of the effectiveness of the training. However, it is often used as a first level measure of the effectiveness of education. By the same token, it is recommended to evaluate for one thing, what have the participants learned and second, have any changes in their behaviour occurred and have they been able to apply the learned skills in practice. The bottom-line effects of the training are results of the first three levels – satisfaction (reactions), learning and behaviour. Measuring or evaluating the bottom-line effects is demanding, time consuming and requires following the whole process and determining the expected or desired outcomes already beforehand. (Vaherva 1983; Mikkonen 1997) On the other hand, the assessment of education and the perceived value of its outcomes might differ depending upon the stakeholder (Orser and Hogarth-Scott, 1998). In this cross-sectional study, the

effectiveness of the program was gauged through direct changes in the participants' professional employment status.

On the average, one franchise outlet in Finland employs five full-time and six part-time employees. Further, the annual sales average of a franchised outlet is close to 450,000 EUR (Tuunanen 1999). When taking these and indirect impacts of the created new businesses into account, the outcomes of the training program have been positive and significant - particularly in comparison to inputs into the program. In this light, the training programs can be considered as a social and economic investment.

Occasionally, a trainee might come to the conclusion that franchising is not suitable for him or her. This should also be regarded as a positive outcome, since it will spare both the trainee and the potential franchisors from future frustration and disappointments. Another issue related to program outcomes is intrapreneurship or corporate entrepreneurship (Pinchot 1985; Kuratko & Hodgetts 1998). The program should not solely aim at training would-be franchisees or self-employed persons. The training should also be seen as an avenue available for stimulating intrapreneurial attitudes and behaviours among the trainees.

Moreover, the training can be seen as a neutral small business policy intervention that does not bias competition and markets. It applies to both growing and mature franchises due to the franchisee turnover and withdrawals that create new entrepreneurial career opportunities. However, the program should be extended outside the three large cities. Programs should be started also elsewhere in Finland to increase the volume of graduates and to balance the regional development. Especially areas, where there is no large employer/s and the density of entrepreneurial activity is high might be fruitful soil for extensions of the program

(Stanworth, Stanworth, Granger & Blyth 1989). Nevertheless, the franchisee training programs serve to satisfy the strong current demand for new skilful franchisees.

The program serves both the franchisors and franchisees. It is of special interest to franchisors who can focus on business specific training while the program provides invaluable general business acumen. On the other hand, the nature of the program highlights the responsibility of the trainees or prospective franchisees for conducting information searches and analyzing franchise offerings. In Finland, there are no franchise specific laws or regulations such as in the USA. There is the ethical code¹¹ that concerns the members of *the Finnish Franchising Association (FFA)* as part of the *European Franchise Federation*. As regards the training programs, the role of the FFA is well worth considering. Thus far, the FFA has not been involved in the programs, but its participation might well enhance the status of the training. A noteworthy fact is also that many of the franchisors who have been involved in the programs are not members of the FFA. Therefore, the effect of the FFA's involvement on the program status is not self-evident. In future, one possibility could be that the training programs would be granted a right to give out certified degrees of continuing education to the trainees involved.

When discussing the effectiveness of the franchisee training program, an important question remains to be answered: What is the actual impact of the program on new business formation? Would those trainees, who started their own business after the training, started a business without the training? Basically, individuals selected for the program might from the outset have been more interested and suitable for small business ownership. This is an issue that has been raised in connection with many employment and entrepreneurship education

programs. Studying those trainees who became entrepreneurs might shed some light on this subject.

As regards future research, the effectiveness of the franchisee training program is well worth studying. The present study will continue as a longitudinal investigation with the existing respondents. The aim is to deepen the information by utilizing qualitative methods and more sophisticated questionnaires. When evaluating educational effectiveness, follow-up and longitudinal studies are essential, since career choices are rather complex and involve long-term decision making processes. What further supports the conducting of a follow-up study is that the opening of many franchised outlets might be delayed, say for a year or two, if a proper site location cannot be found. Another intention is to study the success of those trainees who purchased a franchise. It would also be worth studying how the franchisors' view and appreciate those applicants who have passed the training program and the impact of the training on those who took salaried positions.

The possible limitation of the current study is that it is cross-sectional. Moreover, the usefulness of the results may be somewhat limited due to the fact that in both phases the survey was administered at the same time for all the participants of the five programs, even though the programs were completed at different times. Nevertheless, no statistical evidence was found to support the expectation that there would be significant differences between the samples. Generally, the achieved outcomes of the both samples were surprisingly alike. What should be taken into account is that potential differences between the results of the training programs may still stem from several reasons that were not gauged in this survey. Different backgrounds of the trainees, location of the training program (the city) and nuances between the groups of the trainees of the programs might be intervening factors. Therefore, the

comparability between the training programs is inevitably little questionable. Notably, no international academic research in the field of franchisee training was found. Further absorption to evaluation and educational effectiveness studies could provide more advanced indicators and measures for future research. In addition, other employment and training as well as entrepreneurial education programs could be used for benchmarking purposes. The present study will continue as a longitudinal investigation with the existing respondents.

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Notes

¹ Relationship between unemployment and new firm formation is a controversial issue that has received much academic attention (see e.g. Bannock & Stanworth 1990; Tervo & Niittykangas 1994; Orser & Hogarth-Scott 1998). In broad terms, time-series studies tend to show that entrepreneurship could be induced by high unemployment while cross-sectional studies have indicated the reverse.

² *The Ministry of Trade and Industry, the Ministry of Labour, and the Ministry of Agriculture and Forestry* supply their regional services from one outlet – *the Employment and Economic Development Centres* (T&E Centre). Fifteen centres across the country provide a comprehensive range of advisory and development services for businesses, small business owners, and private individuals. Tasks of the centres cover for instance: support and advise for small and medium-sized enterprises at the various stages of their life cycles, promotion of the technological development in enterprises and assistance in export and internationalisation, implementation of regional labour policies, planning and organising of adult training within the official labour policy framework, promotion and development of farming and fisheries and rural enterprise activities. The centres contribute and have specialised in EU funding. Each centre also develops EU co-operation in its own area.

³ (Bernstein 1968-1969; Wattel 1968-1969; Tatham, Bush & Douglas 1972; Hunt 1977; Knight 1984; Brannen 1986; Weinraugh 1986; Schell & McGillis 1990; Withane 1991; Justis, Olsen & Chan 1993; Schell & McGillis 1992; English & Hoy 1995; Hing 1995; Kaufman & Stanworth 1995; Stanworth 1995; Mcmillan 1996; Morrison 1996; 1997; Stanworth, Price, Purdy, Zafiris & Gandolfo 1996; Price 1997; Jambulingam & Nevin 1999; Tuunanen 2001)

⁴ Price (1997, 249-290) has applied career approach to franchisee buying decisions.

⁵ For franchisee advantages see e.g. Hunt 1977; Knight 1986; Peterson & Dant 1990; Dant 1995; Stanworth, Kaufmann & Purdy 1995; Stanworth & Kaufmann 1996.

⁶ see e.g. Hunt 1977; Carman & Klein 1986; Justis, Olsen & Chan 1993; Tuunanen & Hyrsky 2001

⁷ For the framework of the study, theories dealing with the evaluation of labour market training and employment programs (e.g. Kirkpatrick 1983; LaLonde & Maynard 1987; Mikkonen & Räisänen 1995), educational effectiveness (e.g. Vaherva 1983; Mikkonen 1997) and entrepreneurship education (e.g. Gibb 1993; Curran & Stanworth 1989) were reviewed.

⁸ Research findings by Evans & Leighton (1990) had shown that previously unemployed people who started their own business were not as successful as those who were employed just before initiating their ventures. This is interesting since a considerable number of the participants of the franchisee training program were unemployed prior to entering the program.

⁹ The study concerning the first five training program is published in Torikka & Tuunanen 2003. The present study is a replication of the initial study. The reproduction of the study enables more reliable analysis on the outcomes of the training.

¹⁰ See e.g. Kirkpatrick 1983; Vaherva 1983; Robinson & Robinson 1989; Mikkonen 1997.

¹¹ The same ethical code binds the members of *the European Franchise Federation*. See www.franchising.fi/esittely/saannot.htm for the Code of Ethics of *the Finnish Franchise Association* and www.eff-franchise.com/Code%20of%20ethics%20text.htm for the European Code of Ethics for Franchising.