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Franchise Relationship in Nigeria: Implicit Challenges to Role Performance as Franchisor

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Authors' contributions

This work was carried out in collaboration between both authors. Author AENO designed the study, wrote the literature and the manuscript as well did the analyses. Author RVO executed the field work for data generation as both were involved in the review of the draft manuscript and approved the final manuscript.

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ABSTRACT

Franchise relationships between firms and nations (as either franchisors or franchisees) contribute to macro economic development based on the creation of employment; infrastructural development and generation of income to nations among others. These relationships have shown in-balance against Nigeria. While Nigeria enjoys relatively, the benefits associated with creation of employment and development of infrastructure, it has recorded deficit in income generation as a result of capital flights and profit remittances to franchisor firms and nations. This situation creates trade in-balance against Nigeria. This work established reasons for the high number of franchisor firms and nations in Nigeria as well as reasons for little or no presence of Nigeria firms as franchisors in other nations. The study involved the use of copies of questionnaire (close and open ended structured) that were scaled based on Likert modified ranking principle and the data were analysed using analysis of variance (ANOVA), pearson correlation co-efficient 'R', 't' statistics for difference of means, spearman's rank correlation co-efficiency among others. Identified as problems of poor Nigeria firms' presence beyond national shores are product oriented, poor disposition of Nigeria firms to direct losses in investment and their management as well as high

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level of cost evasiveness among Nigeria entrepreneurs. This situation of franchise relationship in-balance could be managed based, on the adoption of pro-active rather re-active management principles, given good choice of franchisees as well as good understanding of the legal environment of franchisees' nations.

Keywords: Trade in-balance; franchisor; franchisee; risk evasiveness and franchise commitment.

1. INTRODUCTION

Franchising as a licensing alternative to direct international market entry strategy is considered to be in vogue in the developed economy of USA [1], hence over 35, 000 franchisees US firms are located in different countries throughout the globe. These franchises are in the areas of soft drink, motel, retailing, fast food, car rental operation and other varieties of business services. This accounts for over 70% of the income of franchising firms based on non-US operations [2,3,4,5,6]. Franchising is considered alternative to direct market entry given its ability to afford the natural and artificial persons as the franchisees, the opportunity to enter well known and established businesses, where management advice is provided; and the charges on the use of the franchise right is considered less expensive compared to the cost of setting up independent businesses; it has ability of generating new jobs yearly as well as enhancing sales volume and value [7]. This is in the face of the secured control the franchisor has over the franchisee and its outlets in terms of delivery and presentation of market offer. This is because the activities of the franchisor are brought to bear on the franchisee in enhancing the recognition of the franchisor's name and image [8,9]. This work assessed the impact of franchise agreement on the economic growth and development drive of Nigeria, given the relative in-balance between developed and developing economies and the challenges of capital formation; it as well highlighted the challenges to granting franchise rights to non-Nigeria firms by Nigerians, and the unwillingness of foreign firms to accepting Nigeria products for franchise.

2. OPERATIONAL FRAME WORK

Nigeria as a developing nation, is challenged by poor political policies that favour the high income earning class at the expense of the low income earners, thus the society is stratified as very few in the high income class and mass members of the low income class, with insignificant or no members in the middle class. Based on this structure, propensity to capital formation for business investment is low. This accounts for why direct investment and other modes of entry into foreign markets or attracting foreign investments are not favoured by Nigerians. The few high income earners with high investment capacity are also not exploiting optimally the advantages associated with franchising. Following this, generation of employment opportunity, sales volume enhancement and income generation as advantages traceable to franchising are not optimized in Nigeria. Given this, this work has its thrust as balancing of the in-balance between the number of franchisees and franchisors in favour of Nigeria by attracting businesses to Nigeria as franchisees based on franchising and encouraging Nigerians to invest in other countries especially along the coast of West Africa on franchise arrangements. The nation's trade balance has always been in deficit in favour of other nations and franchise balance shows high level of franchisees as Nigerians rather than franchisors.

2.1 Significance of the Study

Studies on franchise relationships with Nigeria as focus have dwelt on challenges of franchising, prospects and advantages as well as dis-advantages associated with operating in Nigeria as franchisors with Nigeria firms as franchisees [10,11,12,13,14]. None of these studies is on the prospects of franchise, with Nigeria firms as franchisors; as means of addressing the in balance of trade and exchange relationships between firms in Nigeria, and those of other West African and African countries as well as the rest of the globe. Following these; this work is considered significant as it determined the constraints and challenges to franchising indigenous Nigeria products in West Africa, African and globally as means of generating revenue and positioning Nigeria and her products in the global economy.

2.2 Objectives of the Study

This work has as objective of the showcasing franchise international market entry strategy as a viable alternative for Nigerians (to entry into the global markets), given the paucity in ability of most artificial and natural persons in Nigeria at capital formation for direct investment in foreign markets; projecting franchise as means of generating revenue and; positioning Nigeria and her products globally for acceptance and for desired economic development through growth of Nigeria nation. This is based on the identification of the challenges to the acceptance of Nigeria products and firms for franchise relationships beyond national shores, as franchisors.

2.2.1 Hypotheses

This study is built on these hypotheses stated in null forms

- **$H0_1$:** Quality variances in favour of foreign products compared to Nigeria indigenous products do not significantly influence the acceptance of Nigeria products beyond national shores; hence do not hinder Nigeria's franchise relationships with foreign firms with Nigeria firms as franchisors.
- **$H0_2$:** The psychology of ownership of trademarks and patent rights given the desire for direct control of marketing operations, profit and output levels does not significantly influence Nigeria entrepreneurs' desire to grant market offer franchise rights to foreign firms.
- **$H0_3$:** Non willingness to be committed to franchisees does not significantly affect the franchising of Nigeria products.
- **$H0_4$:** The high level of dishonesty and unethical practices in Nigeria do not significantly influence national attitude to granting franchise rights to non indigenous firms, based on fear of being taken advantage of.

3. LITERATURE SURVEY

Franchising allows the franchisor right to sell limited rights to the use of its brand name to the franchisee in return for a lump sum of payment and or a share of the franchisees profits [15]. Franchise is considered a form of licensing agreement; however, unlike total licensing, the franchisee, based on agreement, abides strictly to the rules as to how the business for which the franchise is granted will be executed. Franchise is more in the service industry as it is considered the key to low cost market and business expansion. This is given its relatively low-risk investment tendencies in the face of its ability at facilitating low cost transfer of know-how, technology, training and management skills across countries of the globe.

Liberalization of trade based on the elimination of customers' barriers has made it easier for firms to operate based on franchise principle. This is more enhanced based on international marketing research results that have led to the recognition of the heterogeneous nature of the global market and for subsequent market segmentation in line with homogeneous characteristics of different sub markets in products and general market offer planning and delivery [16,17,18,19].

Franchise is a three polar structure, made up of the franchisor (as owner of the business and the name in the system), the system (the business in which investment is made) and the franchisee, as the investor and purchaser of the right of business ownership on specified terms. The relationship succeeding between members of this polar structure based on contractual agreement, [20], could anchor on the products, names and processes or business format models. The synergy effect of this polar base structure in franchise is considered the most effective market and marketing expansion strategy.

Franchise as a form of licensing is based on simple legal procedure which recognizes the rights of parties to the agreement and is subject to periodic review and is quite distinct from distribution agreement which has provision for the roles of the manufacturers, (producers); importers and sellers or distributors-exclusive agents or otherwise. The franchise relationship rather offers the licensor the advantage of significant market presence in the licensee's base of operation and makes provision for licensor's obligations that include training, monitoring and offering of technical advice to the franchisee.

3.1 Franchise in the Developing Economy

Generally, international marketing offers national and international firms opportunities of increase, in size and of market offer, in terms of quality and quantity relative with those of firms outside the domestic market, it also offers firms escape route to harsh political and economic domestic environmental conditions [21] and is supportive, where the domestic firm lacks financial, physical and managerial capacities required to embark on foreign operation alone [22]. These suggest why franchise is considered a viable option ad-mist other benefits.

These benefits of franchise account for the growth in its acceptance in the developed world and currently among the developing nations, especially based on the influence of some push and pull factors such as domestic market saturation, increase in the rate and level of inter and intra industrial competition with inclination for generic competition and diminishing profit margin, sequel to increase in cost of domestic operations as-Push and favourable macroeconomic indices, favourable demographic structural changes and relative political stable conditions among nations especially among the developed nations as Pull, [23].

In contrast, franchise is more practiced in the developed economies compared to the developing nations as franchisors. The poor rate of adoption of the franchise model of business in the developing economy as franchisors is more attributed to poor economic population as indexed with poor level of per capita income, [6,24].

In nations such as USA, China and Brazil, franchise accounts for greater percentage of the GNP and GDP and it generates employment for the populace [25,5,6]. Statistics have it that the growth in the adoption of franchise model has a correspondence demise rate of firms; mostly as a result of complex business environment, difficulties experienced by nations in the determination and control of quality of market offers, weak legal systems, uncertainties in the regulation of business activities as well as risks associated with the protection of intellectual property rights across various nations [26]. In the assertion of [27,28], disparity associated with acceptance of franchise between the developed and developing economies is attributed to variations in the level of awareness and education among these nations. While franchise businesses especially in the area of fast food have impacted the Asian nations significantly, Nigeria and some other African nations are yet to experience this impact significantly [25].

While businesses in the soft and alcoholic drinks, automobile, fast food, banking, pharmaceutical, hotel and hospitability, other services; inclusive of telecommunication, conglomerates, beverages and other industries are faring well in Nigeria based on franchise relationships; [27,28] and [29,30]. Nigeria indigenous businesses in different industries are yet to have significant impact on the economies of nations in the West coast of African, Africa and the rest of the globe based on franchise agreement. Thus franchise does not serve as means to yielding revenue to the nation (Nigeria) nor as basis of economic development. This work offers product and other related reasons for the absence of Nigeria indigenous products and firms in other nations on account of franchise.

3.2 Implementations of Franchising

Generally, the franchise relationship, with poor management and control strategies and relationship tracking device results, in brand dilution (distribution), risk of loss of valuable trade secrets, financial loss attributed to outlet failures, erosion of product standardization and quality characteristics; high cost of performance monitoring, distraction of innovative skills, extensive regulation resulting to financial and legal disclosures from the franchisors' perspective. From the franchisees' perspective are issues such as high franchise fee; high start up cost; high royalty payment on routine basis, high cost of co-product promotion activities, inability to enjoy the benefits of innovative skills resulting from loss of control of operation, based on loss of (lack of) flexibility and creativity, high cost of termination of the contract (franchise) and difficulties of exit especially given the long term nature of most franchise relationships; high cost of equipment and supplies especially where relationship is based of spin-off firm arrangement, [31,32,21]; erosion of right of the franchisee to terminate contract that is in favour of the franchisor, high level of uncertainty associated with contract renewal and lack of control over goodwill generated by the franchise agreement based on operations [10]. These phases of limitations of the franchise relationship are attributed to weaknesses in legal and regulatory environments across different nations of the globe.

Given these limitations, this work identified additionally, some psychological factors that limit the Nigeria franchisors' ability in products and firms, to sell beyond the shores of the nation.

3.3 Franchising Arrangements and Types

Various franchising arrangements and types do exist. These include single unit, where the franchisor has relationships with a number of franchisees owning and operating in locations; sequential franchise, where the franchisees are granted license one-at-a-time, on the proof that the franchisor is capable of maintaining and sustaining relationship with a franchisee before additional franchisee is enlisted. Thus, it is difficult for the franchisor to maintain direct involvement/relationship with each of the different franchisees; and area development, where the franchisor grants the franchisee the right to multiple franchisees on prove of capacity to manage such relationships based on self involvement with the effort of franchisor's personnel as compliment. Sub-franchising do also exists. This refers to master franchising which involves two levels of franchise; of the franchisor master and sub-franchisees. Where the master franchisee as franchisor to the sub – franchisee, provides all supports in training and otherwise for the sub franchisee and the area representative franchising as a form of sub-franchising. The area representative as the master franchisee is delegated less responsibilities compared to the sub-franchisee by the franchisor. Based on the expectations of the franchisor as master or sub-franchisor and the franchisee, this work assessed the level of commitment of Nigeria firms as franchisors to franchisees and their willingness and ability to make and attract franchisees

3.4 Challenges to Franchising in Nigeria

Nigeria like other nations (developed and developing economies) is subjected to the influence of global trends in technology and communication. The relative difference is that while the developed economies given their strengths and opportunities are harnessing associated threats and weaknesses for development through growth, Nigeria has paucity in tendencies for internal and external economic environment variables management. Thus, rather than achieve development and growth, only growth is recorded. These growth tendencies have posed challenges to the practice of franchising in Nigeria, both as franchisee and franchisor.

These challenges include:

3.4.1 Mono-cultural economy

Nigeria major source of revenue nationally and internationally is petroleum product oriented. This product and its allied are demanded mostly by governments and few multi-national firms. Hence the desired impact of this product in aggregate is industrial and institution market oriented, rather than consumer market oriented. This makes the Nigeria market less amenable to globalization, as predicated on shifts in global economic tends towards inter-dependency [31,32,33]. Given this situation, most small and medium scale firms as hub of macroeconomic activities in Nigeria are constrained in market activities participation. Even where these small and medium scale businesses show interest in international marketing operations through franchise and other methods, the impact of competition limits their chances of survival, especially in the face of high the cost of operation- [34,35,36].

3.4.2 Paucity of technology of operation

Most firms in Nigeria still operate based on out-dated and obsolete technologies that give raise to product and production oriented problems [37]. These include failure in stock level and or over stocking. These problems result in loss of customers and tying down of capital respectively. Other problems such as break down in product facilities and turning out products ahead of consumer's anticipation based on poor policies of market segmentation or behind anticipation do exist. Nigeria product characteristics are often considered out of consonance with the target markets' expectations especially as product technology usages are often not acceptable to the market [33]. Following these, locally produced market offers are considered costly compared to those from the emerging economies of the globe such as, China, India, Brazil and others; hence the demand for Nigeria indigenous products is comparatively low.

3.4.3 Inadequate funding of firms

Statistics have it that Nigeria is one of the nations of world with the lowest level of per capita income [38,39]. This makes it difficult for the natural and artificial persons to save resources for investment. Thus, financing of private sector ventures is challenged.

Government policies in the area of funding private sector small and medium scale businesses are corruptly implemented for negation in goal actualization. These associated problems of inadequate funding of firms account for the fewness of firms whose marketing operations are beyond the shores of Nigeria.

It must be noted equally, that the process of securing short, medium and long term credit facilities for economic activities in Nigeria is shrouded with risks. These risks are both from the borrowers and lenders perspectives

[40,41,42,43,44]. Thus investment by Nigerians beyond the national market is challenged.

3.4.4 High cost of operation

Based on the poor state of infrastructural development in Nigeria especially in the area of marketing logistics, communication and power (energy) supplies; the costs of operation of firms have continued to increase. Thus, most small scale businesses have closed shops. Some medium and large scale businesses are transferring their operation's base out of Nigeria to neighbouring West African countries. The consequent of this high cost of operation is high cost of per unit output; hence corporate outputs in Nigeria are less competitive compared to foreign products.

3.4.5 Multiplicity of product regulatory activities

In the product (goods and services) marketing and production activities are numerous regulatory codes with multiplicity of operation standards. These codes confuse the producers, marketers (vendors) as well as consumers. This is based on differences in expectations of the various groups as regulatory bodies [45]. The situation is however worst in the regulation of franchise operation. Here, local, state and federal governments' laws and regulations are in operation concurrently and simultaneously. Thus, the different levels of government make demands on either or both the franchisor and or franchisee at the same time. The clumsiness of these laws and regulations discourage the creation of franchise relationships to the disadvantage of the economic development of Nigeria.

Amidst these challenges, in Nigeria, like in other economies, nations record favourable balance in their franchise relationships with firms outside the country, with their products compared to those products coming inside from outside; as such record increase in national revenue based on international trade and marketing relationships. The question is, why is it that the number and success rate of in-franchise in Nigeria as franchisees is greater than out-franchise as franchisors?

3.5 In and Out Franchise Relationship in Nigeria

The current franchise market size, (industrially and sectorally) in Nigeria as activity based, (like the quick service restaurants (fast food), ICT training and consulting services, production and distribution of beverages, personal and business development services, transportation and oil /gas distribution) is estimated at $2.5 billion [46]. In the food franchising sub sector, coca cola and pepsi have very strong gripe of the market, having been established for a long period. In addition to these firms, are KFC (as major US food brand in Nigeria) and many other firms investing in the country based on franchise agreement [47]. This growth of franchise business, in the opinion of analysts is expected to continue over the foreseeable future. It is also expected to record spillover effects in and on other industries and sectors of the economy (Agu, [46,48,49]).

In other sectors of the economy, Crestcom International, Fastrackids International and Precession Auto have registered influences. These franchisors are interested in exploiting the Nigeria market for profit in favour of their business share and stock holders outside Nigeria. This is based on investments with millions of Dollars that have the potential and propensity of spurring up of employment, infrastructural development, standard of living and marketing activities through growth and development of small and medium scale businesses in Nigeria.

The questions are: what is the position of Nigeria products and firms in the franchise closet? Are Nigeria products not franchiseable based on quality and quantity? Are Nigeria brands so inferior that they cannot be franchised? Are the attitudes of Nigerians as franchisors such that other nationales as entrepreneurs are afraid and unwilling to entre into franchise relationships with (them) Nigerians?

Currently, available statistics show that while many firms are interested and are investing in the Nigeria franchise market, only few Nigeria indigenous companies as franchisors have their presence outside Nigeria. Among these few Nigeria indigenous franchisors are the Lagos based Food Concepts and Entertainment (firms whose subsidiaries are Chicken Republic and Butterfield Bakery with outlet in South Africa) and Tanatalizers.

Based on this analysis, it may be important to indentify the implicit challenges to Nigeria indigenous businesses optimizing the low business failure rate advantage of 15% based on franchise compared with 80% rate that is among independent businesses in addition to the higher chances of business success based on franchise compared with independent start ups [50,51].

Identifying these implicit challenges to indigenous franchisors' relationship with foreign firms and nations is the focus of this work. This will aid Nigeria as a nation and her firms as franchisors to add new sources of revenue as franchise fees and royalties; reduce dependency on local market; leverage existing technology, know-how and intellectual properties; gain competitive edge to the domestic market by bringing to Nigeria new ideas from international licensees; enjoy strategic advantages in having a global franchise network and gaining improved economies of scale through increased network growth (Edwards, [52,53,54].

4. ANALYSES

The data base of the research work is presented and analyzed as follows:

4.1 Test 1

Hypothesis 1 has its thrust as determining the impact of the quality of Nigeria indigenous market offers (products) on their acceptability beyond the shores of the nation based on franchise relationships.

This is based on data in Table 1.

The hypotheses are stated thus:

$H0_1$: Variances in quality in favour of foreign market offers compared to Nigeria indigenous market offers significantly influence the acceptance of Nigeria products beyond the shores of Nigeria hence; do hinder franchise relationships with foreign firms.

HA_1: Variances in quality in favour of foreign market offers compared to Nigeria indigenous market offers do not significantly influence the acceptance of Nigeria products beyond the shores of Nigeria hence do not hinder franchise relationships with foreign firms.

Based on the adoption of analysis of variance (ANOVA) statistic, as a statistical technique for testing whether the mean of three or more populations are all equal (55), the actual values of Nigeria and foreign products in quality are measured for variance. These as indices of measure of acceptance of the Nigeria indigenous products for franchise is determined by the mathematical notation 1 represented thus:

$$f = \frac{V_b}{V_w} = \frac{\text{between groups variance}}{\text{within groups variance}} = \frac{S^2_B}{S^2_W} \quad (1)$$

Where $VB = \frac{SSB}{df_B}$; and $V_W = \frac{SSW}{dfw}$

df_B = number of groups (k) minus 1
df_w = number of cases within each subgroups (n) minus 1

where:

V_B = Variance between groups
V_W = Variance within groups
df_B = Degree of freedom between groups
df_w = Degree freedom within groups

This test is conducted at 0.05 level of significance.

Table 1. Impact of product quality variances of Nigeria products compared with foreign products on franchise relationships

Variances	Normal value	Standard value	Actual value Nigeria	Actual value Foreign	Nigeria product	Franchise services
▪ Product meeting customers' expectations and requirements-performance	1	0.98	0.78	.91	.12	.08
▪ Reliability serviceability and durability-customer service standard	1	0.91	0.64	.87	.25	.10
▪ Commitment to customers	1	0.94	0.52	.90	.31	.12

Variances	Normal value	Standard value	Actual value Nigeria	Actual value Foreign	Nigeria product	Franchise services
▪ Complaint resolution for quality improvement	1	0.92	0.62	.89	.26	.11
▪ Aesthetics, packaging and features	1	0.95	0.59	.92	.27	.09
▪ Business process and support service quality	1	0.96	0.66	.93	.26	.10
▪ Price and market offer	1	0.97	0.70	.94	.24	.08

Table 2. Rating of demand differential between Nigeria and foreign products, demand for products and franchise beyond the shores of Nigeria

Demand differential franchise services	Non demand for products beyond the shores of Nigeria	Non-demand for services
.18	.98	.92
.23	.75	.90
.38	.69	.88
.27	.74	.89
.33	.73	.91
.27	.74	.90
.20	.76	.92

Table 3. Computation of f-ratio: Rating of demand differential between Nigeria and foreign products, demand for products and franchise beyond the shores of Nigeria

Demand differential		Non-demand for products beyond the shores		Non-demand for franchise services	
X_A	X^2_A	X_B	X^2_B	X_C	X^2_C
.18	.0324	.98	.9604	.92	.8464
.23	.0529	.75	.5625	.90	.8100
.38	0.1444	.69	.4761	.88	.7744
.27	0.0729	.74	.5476	.89	.7921
.33	0.0521	.73	.5329	.91	.8281
.27	0.0729	.74			
.20	0.0400	.76	.5776	.92	.8464

$\sum X_A = 1.86$ $\sum X^2_A = 0.468$ $\sum X_B = 5.39$ $\sum X^2_B = 4.205$ $\sum X_C = 6.32$ $\sum X^2_C = 5.707$

$\bar{x}_A = 0.27$ $\bar{x}_B = 0.77$ $\bar{x}_C = 0.90$

N = 7 n = 7 n = 7

Grand mean = 0.65, SSB = 1.55, SSW = 0.034 and SST = 1.584

$$\therefore V_B = \frac{SSB}{df_w} = 0.775 \text{ and } V_W = \frac{SS_W}{df_w} = 0.0019$$

Substituting the f –ratio in mathematical notation 1

$$F = \frac{V_B}{V_W} = \frac{0.775.}{0.0019}$$

$$= 407.89$$

Table 4. Summary of ANOVA

Sources of variance	df	Sum of square ss	Mean of square ms	f-cal	Critical value of F	Significance	Decision
Between group	2	SSB = 1.550	V_B = 0.7750				
Within group	18	SSW = 0.034	V_W = 0.0019	407.89	2.77	Significant	Accept H_1
Total	20	1.584	0.7769				

At 0.05 level of significance, the critical value f is given as 2.77. Since f >f 0.05 (2.77), hypothesis H_A is accepted. Thus the conclusion is that variances in quality in favour of foreign market offers compared to Nigeria indigenous market offers significantly influence the acceptance of Nigeria products beyond the shores of Nigeria hence do hinder franchise relationships between Nigeria firms and foreign firms.

4.2 Test 2

Hypothesis 2 evaluates the impact of psychology of ownership of trademarks and patent rights as well as the desire to have direct control of marketing operations, profit and output levels on the willingness of Nigeria entrepreneurs as franchisors to grant franchise rights to foreign firms.

This is based on data on Table 5.

The impact of psychology of ownership of firms on franchise relationship among Nigeria entrepreneurs and those of entrepreneurs of the coast of West and South Africa is evaluated based on the adoption of pearson correlation co-efficient 'R', represented by mathematical notation 2 thus.

$$r_{xy} = \frac{\sum(x - \bar{x})(y - \bar{y})}{ns_x\, s_y} \qquad (2)$$

Where:

x and y are each value of x and y
$\bar{x}$ and $\bar{y}$ are mean values of x and y
S_x and S_y are standard deviation of x and y, and
n is the number of paired values

For the purpose of this analysis, the hypothesis is:

$H0_2$: The psychology of ownership of trademarks and patent rights given the desire to have direct control of marketing operations, profit and output levels do not significantly influence Nigeria entrepreneurs' desire to grant franchise rights to foreign firms.

This hypothesis is re-structured thus:

H_0: μ = 0 (there is a linear relationship between the psychology of ownership of firms and operations' impacts on franchise between Nigeria entrepreneurs and those of entrepreneurs operating along the coast of West Africa and South Africa.

H_a: μ ≠ 0 (there is no linear relationship between the psychology of ownership of firms and operations' impacts on franchise between Nigeria entrepreneurs and those of entrepreneurs operating have registered influences along the coast of West Africa and South Africa.

Table 5. Impact of psychology of ownership of firm on franchise relationship among Nigeria and the coast of West and South Africa entrepreneurs

Variables	Nigeria entrepreneurs	Entrepreneurs beyond the shores of Nigeria
▪ The extent to which entrepreneurs accept the fact that power in organization can be distributed	.47	.45
▪ The extent to which entrepreneurs act on their own and or as part of a group	.42	.45
▪ The extent to which entrepreneurs feel threatened by uncertain and ambiguous situations	.46	.48
▪ The extent to which entrepreneurs value quantity of		

Variables	Nigeria entrepreneurs	Entrepreneurs beyond the shores of Nigeria
life (accomplishment) compared to quality of life (compassion)	.57	.63
▪ Fear (the probability) that the franchise relationship will not be executed as desired	.41	.38
▪ The consequences of the franchise relationship not being executed as desired	.54	.51
▪ The inability to reverse and the cost of reversing negative consequences associated with the adoption of franchise granting franchise rights as franchisors	.33	.31

Table 6. Required computations for calculating r_{xy}

Nigeria entrepreneurs X	Entrepreneurs in the coast of West and South Africa Y	X - $\bar{x}$	(x - $\bar{x}$)^2	y-$\bar{y}$	(y -$\bar{y}$)^2	(x-$\bar{x}$) (y -$\bar{y}$)
.47	.45	-0.01	0.0001	-0.01	0.0001	0.0001
.45	.45	-0.03	0.0009	-0.01	0.0001	0.0400
.46	.48	-0.02	0.0004	-0.02	0.0004	0.0004
.57	.63	-0.09	0.0081	-0.17	0.0289	0.0153
.45	.38	-0.03	0.0009	-0.08	0.0064	0.0024
.54	.51	-0.06	0.0036	-0.05	0.0025	0.0030
.38	.31	-0.10	0.0100	-0.15	0.0225	0.0150

$\sum x = 3.34$ $\quad \sum y = 3.21$ $\quad \sum(x - \bar{x} = 0.0240$ $\quad \sum(y - \bar{y}) = 0.0609$ $\quad \sum(x-\bar{x})(y-\bar{y}) = 0.0762$

$\bar{x} = 0.48$ $\quad \bar{y} = 0.46$

$$S_x = \sqrt{S^2_x} = 0.069$$

$$S_y = \sqrt{S^2_y} = 0.101$$

Substituting for mathematical notation 2

$$r_{xy} = \frac{\sum(x - \bar{x})(y - \bar{y})}{nS_x S_y}$$

$$= 1.562$$

To determine the significance of the correlation using the ‘t’ student’s test statistic with mathematical notation 3 shown as:

$$t = \frac{r\sqrt{n-2}}{1-r^2} \quad (3)$$

$$= 2.43$$

The value of ‘t’ computed is 2.43, at 0.05 level of significance and 5 degrees of freedom, that is (7-2). The critical value of the ‘t’ statistic is given as 2.015. The test is significant, thus the null hypothesis is rejected, ie that there is no linear relationship between the psychology of ownership of firms and operations’ impacts on franchise between Nigeria entrepreneurs and those of entrepreneurs operating along the coast of West Africa and South Africa.

Conclusion therefore is that linear relationship exists between the impact of psychology of ownership of firms among Nigeria entrepreneurs and those of entrepreneurs in the coast of West Africa and South Africa. Thus, psychological factor variables and their impacts are equal among businesses in Nigeria and in other West Africa and South Africa countries. Hence, variables of psychology of ownership do not hinder the ability and willingness of Nigeria businesses to enter into franchise relationships with foreign firms.

Table 7. Assessment of variables that make willingness to entre into franchise relationship: Nigeria vs non-Nigeria firms

Variables	Nigeria firms	Non Nigeria firms
Attitude to:		
▪ Direct loss of income in the market due to franchise	35.35	26.10
▪ Loss of brand reputation in the market actually and potentially, in addition to, similar and neighbouring markets	44.80	9.90
▪ Loss of brand value for stakeholders in the franchise organization and network.	37.10	12.00
▪ Definition of benefits, risks, opportunities and challenges	41.30	8.10
▪ Protection of brand and intellectual proprieties	46.90	9.95

4.3 Test 3

The thrust of test 3 is the determination of the impact of non –willingness of Nigeria franchisors to be committed to franchisees on franchise relationships with firms beyond the shores of Nigeria.

The test is based on data presented in Table 7 above.

To test for the non-willingness or otherwise of Nigeria firms compared to foreign firms to be committed to franchisees as franchisors, the weighted aggregate score as actual and numerator is divided by the standard weighted score as denominator as percentum. Where percentage score is 50 and above, non willingness is established, otherwise willingness is established.

Hypotheses are stated thus:

$H0_3$: Non willingness to be committed to franchisees as franchisors does not significantly affect the franchising of Nigeria products.

H_{A3}: Non willingness to be committed to franchisees as franchisors significantly affects the franchising of Nigeria products.

Based on the computation in Table 8, Nigeria firms as franchisors show less willingness to be committed to franchisees at 51.36% compared to foreign firms at 15.26%. It is therefore concluded that non willingness to be committed to franchisees as franchisors significantly affects the franchising of Nigeria products as H_{a3} is accepted.

To test for significance in difference or otherwise between willingness of Nigeria firms as franchisors to be committed to franchisees compared with foreign firms, the ‘t’ test statistic for difference of mean represented by mathematical notation 4 is adopted.

$$t = \frac{\bar{x} - \bar{x}^2}{\sqrt{\frac{S^2}{n_1} + \frac{S^2_2}{n_2}}} \qquad (4)$$

Where:

$\bar{x}_1$ = mean of the Nigerian firms
$\bar{x}_2$ = mean of the foreign firms
n_1 = sample size of Nigerian firms
n_2 = sample size of foreign firms
S^2_1 = variance (S^2_1) or standard deviation (S_1) of Nigerian firms
S^2_2 = variance (S^2_2) or standard deviation of (S_2) of foreign firms

Hypothesis 3 is re-structured thus:

$\hat{H}0_3$: There is no significant difference between the willingness of Nigeria firms and foreign firms as franchisors to be committed to franchisees.

HA_3: There is significant difference between the willingness of Nigeria firms and foreign firms as franchisors to be committed to franchisees.

Table 8. Determination of willingness or otherwise to be committed to franchisees as franchisors by Nigeria firms compared with Non-Nigeria firms

Variables	Nigeria firms	Non Nigeria firms
Attitude to:		
▪ Direct loss of income in the market due to franchise	35.35	26.10
▪ Loss of brand reputation in the market actually and potentially; in addition to, similar and neigboruing markets	44.80	9.90
▪ Loss of brand value for stakeholders in the franchise organization and network	37.10	12.00
▪ Definition of benefits, risks, opportunities and challenges	41.30	8.10
▪ Protection of brand and intellectual proprieties	46.90	4.95
Total score	205.45	61.05
Multiplier	25.00	25.00
Aggregate actual weighted score	5,136.25	1,526.25
Standard weighted score	10,000.00	10,000.00
Percentage aggregate actual weighted score over standard weighted score	51.36%	15.26%

Table 9 shows computation of values for measure of significance deference on the degree of willingness to be committed to franchisees between Nigeria entrepreneurs and entrepreneurs of the cost of West Africa and South Africa countries.

Table 9. Computation of values for measure of significance differences in willingness

X	X^2_1	X_2	X^2_2
35.35	1,249.62	26.10	681.21
44.80	2,007.04	9.90	98.01
37.10	1,376.41	12.00	144.00
41.30	1,705.69	8.10	65.61
46.90	2,199.61	4.95	24.50

$\sum X_1 = 205.45$ $\sum x^2{}_1 = 8{,}538.37$ $\sum x_2 = 61.05$ $\sum x^2{}_2 = 1{,}013.33$

Calculated values:

$S_1 = 4.90$, $S_2 = 8.18$, $\bar{x}_1 = 41.09$, $\bar{x}_2 = 12.21$, df = 5+ 5 -2 = 8, and $n_{1,}\, n_2 = 5$

Thus substituting for mathematical notation 4

$$t = \frac{\bar{x} - \bar{x}^2}{\sqrt{\frac{S^2}{n_1} + \frac{S^2_2}{n_2}}}$$

$$= 17.94$$

The computed 't' statistic is 17.94. From the table, at 0.05 level of significance and at 8 degrees of freedom, the critical value is 1.860. Based on this, the null hypothesis is rejected as 't' statistic of 17.94 is greater than the critical value of 1.860. The conclusion is that the test is significant at 0.05 level of confidence. There is therefore significant difference between the willingness of Nigeria firms and foreign firms as franchisors to be committed to franchisees. This willingness, as expressed based on variables in Table 8 is more in favour of foreign firms.

4.4 Test 4

Test 4 determines the impact of the perceived high level of dishonesty and unethical practices in franchising on granting franchising rights to non Nigeria -indigenous firms.

Test variables for this assessment are considered in Table 10

Basis of impact assessment:

50 and above –high (positive/encouragement)
Below 50 –low (negative/discouragement)

The test is based on the projected hypotheses thus:

$H0_4$: The perceived high level of dishonesty and unethical practices in franchise relationships significantly influence national attitude to granting franchise rights to non Nigeria indigenous firms.

HA_4: The perceived high level of dishonesty and unethical practices in franchise relationship do not significantly influence national attitude to granting franchise rights to non Nigeria indigenous firms.

Test is based on the use of spearman's rank correlation co-efficient as a non-parametric measure of correlation represented as equation 5.

$$r^s = 1 - \frac{6\sum d^2}{N(N^{2-}1)} \quad (5)$$

Where:

d = The difference between each rank of corresponding values of x and y

N = The number of pairs of values

This test is executed at 0.05 level of significance and the decision rule is to accept the null hypothesis if the r_s is less than the Qr_s

Substituting for mathematical notation 5

$$r_s = 1 - \frac{6\sum d^2}{N(N^2 - 1)}$$

$$= 0.60$$

The test of significance Qr_s for this test statistic is conducted using the mathematical notation 6

$$Qr_s = \frac{Z-1}{\sqrt{N-1}} \quad (6)$$

Substituting for mathematical notation 6

$$Qr_s = 0.800$$

Where z is standard normal deviation, which at 0.05 level of significance given as 1.96.

Table 10. Impact of perceived high level of dishonesty and unethical practices on franchising indigenous Nigeria products

Variables	Assessment index	Impact on franchising
▪ Inflating the cost of product development	.68	.38
▪ Inflating the cost of market development and customer education	.78	.40
▪ Inflating the cost of infrastructure development	.65	.42
▪ Inflating the cost of learning and eliminating product defects	.73	.52
▪ Possibility of cannibalization of existing product	.88	.41
▪ Unwillingness to bear costs of training and provision of support services	.69	.43

Table 11. The variance components of the rs

Assessment index X	Impact measurement Y	R_x ranking of X	R_y ranking of Y	$(R_x - R_y) = d$	$(Rx - Ry)^2$ d^2
.68	.52	5	1	-4	16
.78	.40	2	5	-3	9
.65	.42	6	3	3	9
.73	.38	3	6	3	9
.88	.41	1	4	-3	9
.69	.43	4	2	2	4
					$\sum d^2 = 56$

The results based on the computations show that r_s as 0.605 less than Qr_s as 0.80, thus the null hypothesis is accepted. It is concluded that the test is insignificant at 0.05 level of confidence; hence the alternative hypothesis is rejected.

It is thus right to accept that the perceived high level of dishonesty and unethical practices in franchise relationship significantly influence national attitude to granting franchise rights to non Nigeria-indigenous firms, especially based on fear of being exploited by the franchisees.

5. FINDINGS

Findings of this research exercise include:

- Nigeria indigenous products (goods and services) are judged to be of low quality relative to non-indigenous market offers. This variance in quality is attributed to poor product performance in terms of meeting the expectations of target markets; as well as other characteristics such as non reliability, non-durability and non serviceability; poor commitment of vendors (producers) to customers; poor customer complaints management activities; poor products' aesthetic value in terms of packaging, texture and others, as well as high price of these market offers.

Cumulatively, these deficits (deficiencies) in characteristics of Nigeria indigenous products constrain their acceptance in anticipated relationships by non Nigeria -indigenous firms as franchisees.

- The Nigeria indigenous entrepreneurs like those of the coast of West Africa and South Africa are not negatively influenced by psychology of ownership of firms, thus are willing to grant franchise rights to firms beyond the shores of Nigeria. These entrepreneurs are willing like they are in the banking, hospitality, telecommunication and other industries to share and distribute administrative power and authority; they value quantity of life (accomplishment) higher compared to quality of life (compassion), and are not threated by uncertain and ambiguous business situations. However, Nigeria indigenous entrepreneurs are aversive to the implicit cost implications of franchise relationships. To this extent, the psychology of ownership of firms with special bias to preserving trademarks and patent rights as well as desire to have direct control of marketing operations, project and output level do not constrain the willingness of Nigeria indigenous entrepreneurs to entering into franchise relationships with firms beyond the shores of Nigeria.
- It is established that Nigeria indigenous entrepreneurs do not show reasonable degree of willingness to be committed to franchisees beyond the shores of Nigeria. This is based on the observed and assessed poor disposition of entrepreneurs to direct loss of income in the franchise market. Other factors include loss of brand reputation in the market, loss of brand value for stakeholders; definition of franchisee –franchisor relationship objectives and obligations in terms of benefits, risks, opportunities and challenges, as well as low degree of protection of brand and intellectual properties' rights. These negative dispositions constitute challenge to franchising Nigeria indigenous products.

The situation is unlike among the non Nigeria - indigenous franchisors; hence the large numbers of firms are operating in Nigeria on the condition of franchise [46] as franchisors.

- Nigeria indigenous entrepreneurs are evasive of the perceived high level of dishonesty and unethical practices common in franchisee –franchisor relationships, thus are not favourably disposed to granting franchise right to firms beyond the shores of Nigeria. These perceived dishonest and unethical practices are common in the area of inflating of the cost of product and market development, customer education, provision of infrastructure and learning and eliminating product defects. Other areas of perceived fraud are cannibalization of existing products and inflating of the cost of training and provision of support personnel.

This cost aversive attitude of Nigeria indigenous entrepreneurs discourages the establishment of franchisor-franchisee relationship by Nigerians, as franchisors.

5.1 Discussion of Findings

Various challenges militate against the franchise relationship between Nigeria firms as franchisors and foreign firms as franchisees. These range from the nature of products, marketing opportunities identification and assessment, measurement of benefits and risks and challenges management among others. These are discussed thus:

- Most Nigeria indigenous products command high core value compared to foreign products, however producers are poor in the area of product concept development and product positioning, hence these products in core, augment and symbolic characteristics do not satisfy the need of target markets. Product evaluation based on physical attributes, performance, benefits and image is often at variance with market expectations. New products in the development process do not often consider the dynamisms in consumer behaviours, inter and intra geographical markets differences especially in comparison with foreign competing offers, nor are these products priced based on the principles of either single or multi-line market offer.

In the area of product package and logo, most Nigeria products do not command good aesthetic values, do not communicate good corporate and market offer image, lack ability at conveying desired information to current and potential target markets, and do not add extra values to customers. It is also observed that some Nigeria products as packaged do not offer convenience in usage neither do the package offer visibility and eligibility of inscriptions for attractiveness nor are they environmental friendly.

It is also observed that some product consumers do not find it easy to pronounce and recall the names of some of these products, especially considering the high level of rural density and low quality literacy level. These products have names with literal and connotative (extended or implied) meanings that are not unique and widely acceptable. These names also do lack international appeal and in most cases are not legally acceptable.

Given these poor characteristics and features of Nigeria indigenous products; they lack appeal to foreigners as franchisees.

- The Nigeria entrepreneurs have actually not seen it as important to expand their market beyond the national borders, especially as the home market is not yet saturated. Based on this, efficiency and effectiveness in market offer planning is low, especially as few observed planned marketing activities lack priorities, thus money is spent compared with results achieved.
- Evidences show that few efforts at entering into franchise relationships by Nigerians as franchisors with foreign firms as franchisees are and were executed with paucity in the definition of associated benefits, risks, opportunities and challenges, hence franchises in terms of relationships with foreign firms as franchisees have cost Nigeria more than the anticipated benefits.
- Nigeria entrepreneurs find it difficult to determine with reasonable degree of accuracy, product gestation period as well as project payback period. This is because the required financial models that show investments and expected returns on investments over defined time are not properly adopted. Given this, franchising is considered high risk involving. Thus tendencies to protecting brand and intellectual properties rights are high and investment in trademarks beyond the shores is considered unnecessary.
- Costs of training and providing support personnel and facilities for the franchisees beyond the national shores are considered unnecessary. The initial master franchise fees are considered low and unacceptable by Nigeria entrepreneurs.
- There is also paucity in ability at determining the economies (nations) to site or accept as franchisees, as such bases for assessing and determining best return on investment are not certain. Given this, Nigeria entrepreneurs are challenged in the choice of the right franchisees. Where decisions are taken, for franchisee they are poorly done, hence expectations' are not (achieved) met.
- Nigeria entrepreneurs in franchisee relationships as franchisors are more re-active than pro-active, hence decisions on master franchise to company per country, direct franchising as franchising for more up-front investments, for more control and more profit on long term basis; area or province franchising to larger 'countries' or

a combination of these structures are based on re-actions to the trends of competition. Nigeria firms are disadvantaged given the growth of franchise across Australia, Europe, Latin America, USA and other parts of the globe.

Based on this discussion, Nigeria as a nation/economy and its firms is not yet mature for franchise relationships as franchisor.

6. CONCLUSION

Nigeria can only benefit from the growth and development in franchise relationship as franchisor nation given the appreciation of the challenges in product development with bias for concept development and product positioning and appreciating and understanding the current roles expected of firms in franchise relationships especially as franchisors.

7. RECOMMENDATIONS

This work recommends as follows for efficiency in balancing the unfavourable position of Nigeria in franchisee, franchisor relationships:

- Nigeria firms interested in franchise relationships as franchisors must develop crop of top managers who are international marketing rather than export marketing oriented, who must show serious inclination to strategic business growth based on vertical and horizontal market and product expansion and diversification and are committed to efficiency in the employment of corporate material and personnel resources for global market expansion.
- Nigeria entrepreneurs must be management pro-active rather re-active, thus activities must be plans motivated, and investments must be based on good quality forecast of investment gestation and return on investment periods.
- Operations must be based on timely, accurate and adequate information, and must be based on vital issues and documentations, especially in respect to the franchisor-master -franchisees relationships.
- Efforts at acquiring trademarks as starting point to achieving control over brands in other countries must be made before decisions on choice of franchisees.
- Investments in the provision of strong training and support facilities and personnel must be considered important. This must be in addition to quality recording and reporting of procedures of activities with the franchisees.
- Decisions on franchising as franchisors must be based on careful selection of the right countries and right franchisees, based on the understanding of the legal environment of franchisees' nations for the optimization of the benefits of franchise and the balancing of the in-balance against Nigeria in franchise relationships.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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