



RECRUITMENT OF EMPLOYEES AND CUSTOMER SATISFACTION IN THE ENTERPRISE OPERATING IN THE FRANCHISE SYSTEM – CASE STUDY

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Abstract: An entrepreneur starting an economic activity struggles with numerous problems. In order to secure sufficient profits, he or she has to run a business that will perfectly fill market gaps. This is where franchising comes in. A business run under a known brand with a tried and tested recipe for success seems to be an offer hard to reject.

The aim of this paper was to analyse staff and consumer satisfaction with the services offered by a franchisor. Trading and service company X is a leader on the Polish market of flooring products. The research conducted by the author shows that company X's well-thought-out business strategy had a direct impact on its recognition among customers. The right selection of staff, employment stability and a clear promotion path contributed significantly to company X's brand recognition among customers.

Keywords: franchising, human resources, management, organization

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Introduction

Running a business under a brand that is well-known and well-established in the consumer's mind is the dream of many entrepreneurs. Economic development and constant pursuit of money have given rise to the need to introduce to the market a business idea that will not only guarantee measurable financial benefits, but also minimise the risk of failure. The ideal solution seems to be the concept of franchising. While this concept has been known around the world for a long time, in Poland it was not until 2000 that businessmen started to talk about franchising. Increasingly, not only foreign but also Polish companies offer the possibility of running a business under their name (brand) (Stawicka 2013, p. 57).

This paper presents the concept of franchising in chain stores operating under brand name X X. The main aim of the paper was to analyse staff and customer satisfaction with services offered by company X. The paper was created based on two research methods. The first, theoretical, part of the paper presents a review of the existing literature on the subject of franchising, whereas the second part uses a structured survey questionnaire and an interview with the manager of company X's shop. The interview concerned the recruitment process and career path in company

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X. The main aim of the interview was to obtain information about the staff and methods applied to educate them.

Franchising in the organisation and management of an enterprise

One of the most precise definitions of franchising is presented in the European Code of Ethics for Franchising and states that: Franchising is a system of marketing goods, services or technology, which is based upon a close and ongoing collaboration between legally and financially separate and independent undertakings, the franchisor and its individual franchisees (European Franchise Federation, www.ef-franchise.com, 2018). Thus, in every franchise system the franchisor grants its individual franchisees the rights, and imposes the obligations, to conduct a business in accordance with the franchisor's concept. These rights entitle the individual franchisee to use the franchisor's trade name, trade mark and service mark, know-how, business methods, technical knowledge, procedural system and other intellectual property rights (Spinelli, Rosenberg, Birley 2004, p. 3).

In the above-defined form of economic cooperation, the franchisor makes its contribution to the system in the form of: know-how, brand, a set of advertising and promotional concepts, complete procedures for running a business, training and purchase terms (Pilarczyk, Mruk 2006, p. 23). The franchisee, in turn, offers above all his/her enterprise and initiative, knowledge of the local sales markets and willingness to strive to achieve the highest possible profit (Rosado-Serrano, Paul 2018, p. 180). Thus, the idea of franchise systems involves a shift from centralisation to decentralisation, not only in the way of thinking but also in the involvement in the enterprise.

Experts concerned with the concept of franchising highlight a number of aspects of this specific form of cooperation among enterprises. For instance, A. Tokaj-Krzewska places a special emphasis on distinguishing, from the perspective of legislative correctness, between the concept of franchising and a franchise agreement, with the latter merely specifying the framework of such cooperation. In the organisational context, Tokaj-Krzewska defines franchising as cooperation that uses specific methods for distributing goods and services and which involves a legal formula that enables one enterprise to grant another enterprise the right to distribute goods and services on precisely defined terms. Franchising is a form of economic ties between economic entities where the overarching entity grants the subordinate entity the right to carry on business activity in a clearly defined manner (Antonowicz 2015, p. 11). Franchising is also defined as a method to support the launching and running of a business activity. According to E. Banachowicz, franchising is not only about allowing the franchisee to use the brand mark, but also about helping an inexperienced entrepreneur to run his/her own business (Antonowicz 2015, p. 11). Another interesting definition of franchising was presented by J. Jacyszyn, who stated that franchise is an agreement through which one can capably transfer a certain sphere of activity to an economic entity while controlling it by means of legal, economic, organisational and other instruments (Antonowicz 2015, p. 12). R.S. Brown views franchising as an organisational structure in which the franchisor

allows its franchisee to copy its own business model. Thanks to such an agreement, the franchisor can expand by selling franchise systems, and thereby free human and financial capital (Brown 2018, p. 2360). Thus, franchising is a scope of economic relations within which the owner (franchisor) of a product, process or brand authorises the other party (franchisee) to carry on a business activity in exchange for a payment specified in the agreement (Czeczotko, Kudlińska-Chylak, Warsewicz 2017, p. 80). Franchising is also considered as a source of financing economic activity (Kokot-Stępień 2016, p. 18).

Quite often, franchise is referred to in literature as a system of cooperative marketing or as a form of vertical marketing cooperation (Karmeni, de la Villarmois, Beldi 2018, p. 1485).

The first mentions of activity resembling franchising date back to the Middle Ages, when landowners allowed peasants, or slaves, to use their land. Some authors associate the emergence of franchising with the freedom of public tributes, and consequently with royal privileges under which a monarch allows merchants and craftsmen to perform certain commercial activities and services in exchange for payment of a certain amount of money (Stecki 1994, pp. 15-16). The proper origins of franchise date back to the 19th century, when in England and Germany pub owners, as a result of serious financial problems, decided to become exclusive distributors of beer from specific breweries (Murray 2008, p. 25). The first franchise agreement was signed in Austria in 1809 - governor Macquarie granted the so-called "royal privilege" giving the right to import 45 thousand gallons of rum for the period of three year in exchange for construction of a hospital in Sydney (Stawicka 2013, p. 10).

The homeland of franchise is thought to be the United States. The concept of franchise was synonymous there with a state concession granted to colonisers to manage the country in exchange for later use of things owned by the state. A good example of such a solution, referred to as Public utility franchise, is the Railway Society (Towarzystwo Kolei Żelaznych) which has an exclusive right to build railway lines, railway stations and facilities for rolling stock (Ziółkowska 2017, p. 14). The pioneers of franchise as we know it today are thought to be the following enterprises: Singer, General Motors, Coca-Cola, Pepsi Co and Rexall. The biggest boom in franchise occurred at the turn of the 20th century, when enterprises experienced an increased need to extend their distribution channels but did not possess sufficient financial resources to build sales networks (Varotto, Aureliano-Silva 2017, p. 31). An ideal solution in that situation was to offer franchise-like agreements to individual entrepreneurs who had necessary capital (Zajko, Bradac Hojnik 2018, p. 2). In exchange for co-financing the extension of distribution channels, the entrepreneurs were granted the right to exclusive sale in a given territory. The person best associated with the concept of franchising is Ray Kroc, the founder of McDonald's (Dziewit 2018, p. 15).

In Poland, franchise appeared in 1989, when the Polish government carried out the transformation of the economy. The development of the concept of franchising in Poland can be divided into three stages. The first one was directly connected with the emergence of foreign investors in Poland, first manifestations of the organisation

of Polish franchising systems, and also with the development of entrepreneurship in the Polish society. The first franchised outlet was Yves Rocher, located at Chmielna street in Warsaw. Precisely one year later, first franchised units, belonging to a group of global systems - McDonald's and Adidas - were established. Foreign capital found a large and insatiable market in Poland, ready to accept every new business with open arms. Franchise systems were created by Polish companies as well. In 1992, the first Polish franchise systems were established: Pożegnanie z Afryką and A.Blikle. The second stage of the development of franchise in Poland took place between 1996 and 2001. This period saw a significant increase in competition in the economy, with the vast majority of franchise systems owned by foreign concerns. The period 2000-2001 witnessed a significant development of Polish franchise systems, which easily competed with foreign chains. This dynamic development was a result of conclusion of a lot of agreements over a short period of time with the aim to expand chains. Some of the systems resigned from charging an entry licence fee. Detailed requirements concerning the standards of a building's fittings and customer service were abandoned. The beginning of the 21st century was a period when franchise systems enhanced their quality of functioning by developing logistics centres, raising brand awareness among customers, improving procedures and introducing ever new services (Ziółkowska 2017, p. 23). *Figure 1* presents the number of franchise systems and franchised outlets in Poland over thirteen years.

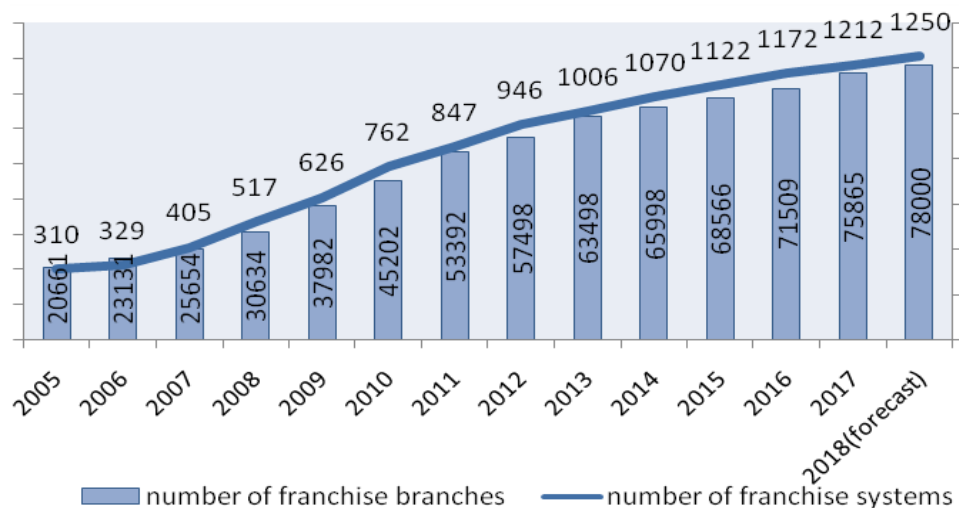


Figure 1. Development of the franchising market in Poland

Source: Own work based on (Wiśniewski 2018, p. 38)

Starting from 2011, there are 50 new franchise systems added on average every year. By the end of 2017, the number of franchise systems reached 1212. The annual average growth dynamics of new franchise chains for the whole period of 14 years stood at 12%.

Changes in the economic, legal and organisational situation as well as the character of business had a significant impact on the emergence of various forms of franchise relations, which can be classified according to certain criteria. *Figure 2* presents division of franchise by scope of business activity, form of system organisation, scale of activity and other types.

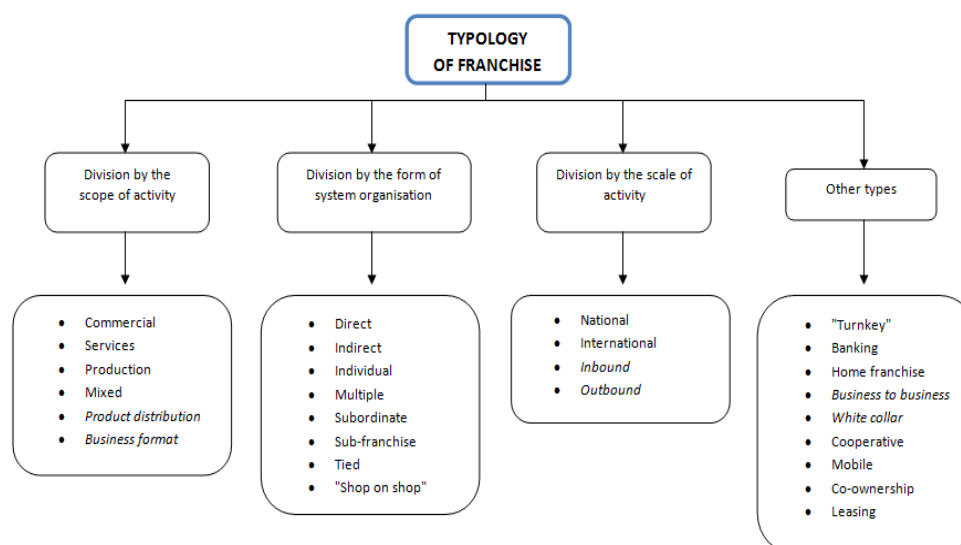


Figure 2. Typology of franchise

Source: Own work based on (Ziółkowska 2017)

The above-presented classification of franchise was based on the division proposed by M.J. Ziółkowska (Ziółkowska 2017, p. 32). Not all of the above-presented types of franchise have got a Polish equivalent. Some of the types of franchise reflect the divisions existing in Anglo-Saxon countries, where franchise relations saw the fastest growth. Others are typical of Western European countries, e.g. other types of franchise (Rundo, Ziółkowska 2013, p. 21).

Assessment of the staff and satisfaction with services offered by commercial and service company X

Company X began its operation in 1992, when in Szczecin two enterprising and creative men decided to take advantage of the market niche and open the first shop offering flooring products. In 2008, company X opened the first franchised outlet located in Radomsko town. Currently, the chain has over 106 own outlets and 46 franchised outlets (of which 31 operate according to principles of deposit franchise). According to the ranking by Rzeczpospolita, both in 2015 and 2016 company X enjoyed the title of the strongest commercial brand in Poland. It operates based on the model of deposit franchise (franchisee purchases required goods without using its own financial resources, goods are owned by the franchisor until purchased by

customers; it is a type of commercial franchise). Thanks to such a solution, the franchisee does not incur the costs of investment in the outlet, exposition and supplying the outlet with goods. The only financial cost incurred by the franchisee is the entry fee of PLN 50.000 nett payable at the moment of joining the chain (with the area of the outlet covering 300-400). An ideal franchisee of the chain has experience in customer service (sales) and (preferably) experience in finishing works. A franchise agreement is concluded for a period of at least 5 years. Thanks to simple and transparent principles, the system guarantees stability and security. The basic task of the franchisee is to ensure high sales and to manage the outlet according to the standards specified in the franchisor's manual. When signing a franchise agreement, every franchisee receives a franchisor's manual, which provides a set of principles for running a business and customer service.

Company X offers its franchisees:

- high quality product offer - both in terms of quality and price,
- management of the range of products - full financing of the franchisee outlet's supply, reliable logistics channels, expansion by increasing a new range of products, market intelligence and monitoring,
- marketing - Polish nationwide advertising campaigns, image campaigns featuring famous people, social media promotion, training courses, advertising leaflets, supporting the outlet's sales through e-shops.

In order to conduct the most accurate analysis of the staff, it is necessary to focus on the process of staff recruitment and job descriptions. The analysis was conducted based on a narrative interview with the manager of outlet X located in Katowice and using an anonymous survey questionnaire consisting of four multiple-choice questions. All persons participating in the survey were customers of the company X. The survey took place in one of the stores of the company's network X. The first stage of the study consisted of conducting a narrative interview with the store manager, the second to obtain information from store customers using a questionnaire. The research was conducted in the period 1-30 September 2018. 60 people, divided into four age groups (aged 18-30, 30-45, 45-60 and 60+), participated in the survey. Males (65%), people aged 45-60 years and people with higher (40%) and medium level (30%) education constituted the vast majority of the respondents. The selection of such a research sample was dictated by the specificity of the study. The questionnaire form was a supplement to the interview conducted with the store manager X. It was to verify whether the theoretical preparation of employees translates into customer satisfaction. The division presented by the author into the above-mentioned age groups combined with information on the sex and education of the client allowed us to create a profile of a potential recipient of X products. This information is particularly useful when planning the implementation of a new assortment in the store chain. The results of the study may be useful for managers and owners of the X franchising network as well as for other owners of similar franchise systems.

As the interview shows, in outlets of company X a particular emphasis is placed on soft skills, which build the company's organisational culture. An ideal candidate for an employee should identify himself or herself with the vision of the company.

Future employees should have the following characteristics: involvement, ability to work with others, consistency, development-orientation, and commitment to ensuring the highest quality of task execution. Both graduates and people with experience in sales are encouraged to send their applications. When a job is vacated, applications from the company's internal human resources are considered in the first place. This is because company X supports professional development of those already employed. Job ads are placed on the company's website and Internet portals. The recruitment process usually consists of three stages (see *Figure 3*).

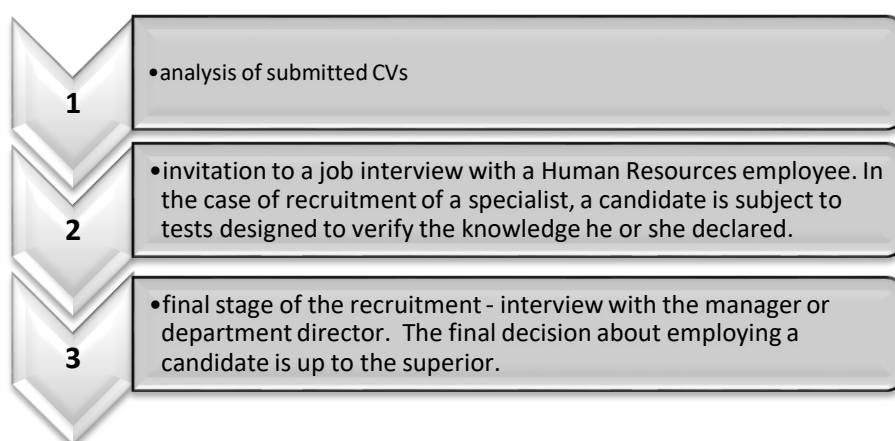


Figure 3. Recruitment process in company X

Source: Own work based on company X's training materials

Every new employee, once he or she acquires appropriate experience, is obliged to take a sales consultant exam. A positive result in the exam automatically promotes the employee in the outlet's organisational structure from the post of a sales assistant to that of a sales consultant.

The company's programme of traineeships for students (in shops) and practices for university students (in the headquarters) attracts a lot of interest. Such initiatives enable young people entering the labour market to gain valuable professional experience. Both trainees and apprentices are assigned an individual supervisor who monitors every stage of their work. The best trainees and apprentices, after they complete traineeships and practices, are proposed a job in company X.

Every employee who stands out against the team in terms of his or her attitude or sales results has a chance to be promoted within the company. As the manager of company X stresses: "The company keeps on investing in its employees, giving them an opportunity to extend their knowledge through training courses and specialist fairs. The most important internal training courses include cyclically organised trainings on product knowledge run by Regional Product Trainers, sales trainings and staff management trainings." The employees can extend their knowledge using an e-learning platform, which has gained popularity over the last years. Company X also organises internal training courses, mainly with its main suppliers.

Every entrepreneur starting an economic activity strives to gain the largest possible number of customers for the products offered by his or her company. In order to increase their competitive advantage, entrepreneurs should appropriately identify the needs and behaviour of potential customers. For that purpose, an anonymous survey was conducted on a group of randomly selected respondents who were customers of company X. 60 people, divided into four age groups, participated in the survey. Analysis of the survey results leads to several conclusions that characterise not so much the outlet's customers as the expectations with regard to the range of products and the development of the whole network.

The first question in the survey concerned recognition of chain X among the respondents (see *Figure 4*).

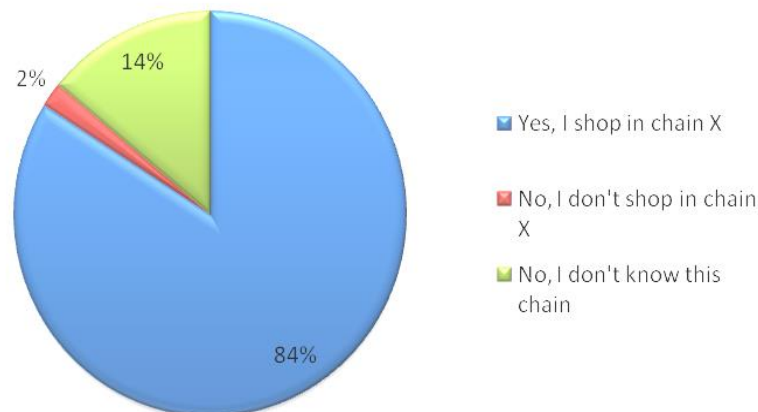


Figure 4. Recognition of chain X

Source: Own work

As the figure above shows, chain X is well-recognised among the respondents. As many as 84% respondents make purchases in outlets X, with only 2% declaring a dislike of the chain. Such a good result indicates a well-prepared and conducted advertising campaign. The brand has a well-established position in the consumer's mind.

The next question in the survey concerned the assessment of the range of products offered by chain X (see *Figure 5*).

Today, when a consumer chooses products from a wide selection of alternatives, a varied and high quality range of products offered by an outlet is a standard requirement. A consumer is much more likely to choose an outlet where he or she can purchase all the products he or she needs from a given category. Of those surveyed, as many as 72% consider company X's range of products as wide and varied. What's interesting, only 15% indicated the response "average", with no respondents indicating the negative assessment. This result should satisfy the chain's management.

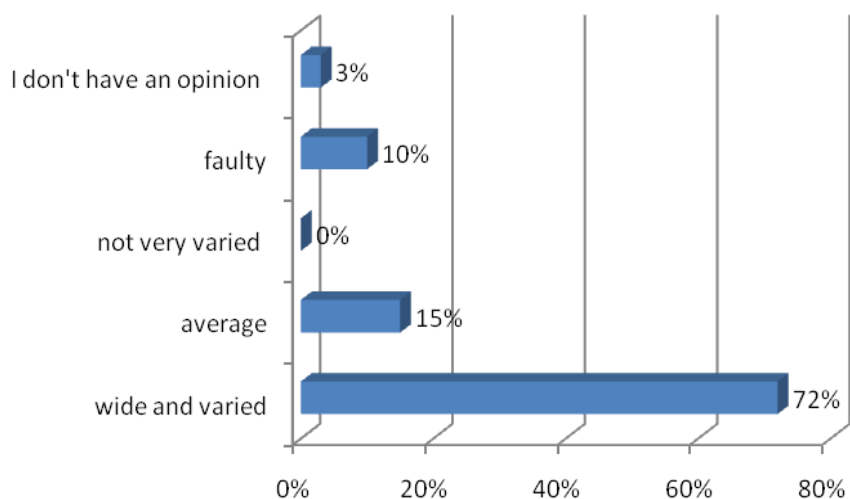


Figure 5. Assessment of the range of products of chain X's outlet

Source: Own work

Today, when a consumer chooses products from a wide selection of alternatives, a varied and high quality range of products offered by an outlet is a standard requirement. A consumer is much more likely to choose an outlet where he or she can purchase all the products he or she needs from a given category. Of those surveyed, as many as 72% consider company X's range of products as wide and varied. What's interesting, only 15% indicated the response "average", with no respondents indicating the negative assessment. This result should satisfy the chain's management.

Another question in the survey concerned consumers' expectations as to the products offered by company X (see *Figure 6*).

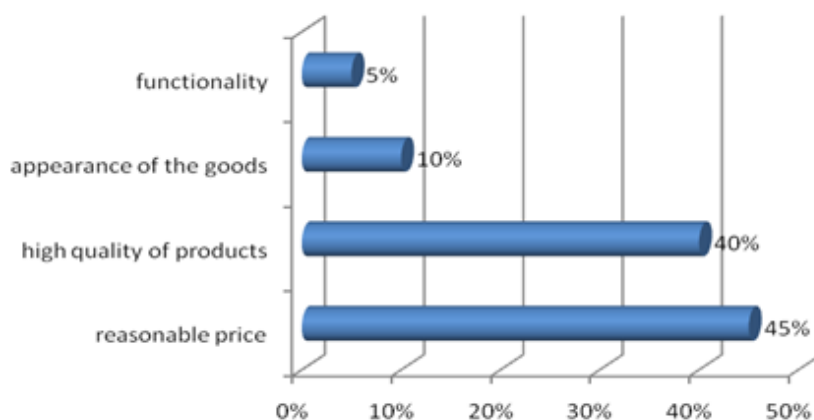


Figure 6. Respondents' expectations

Source: Own work

When starting a business activity, it is necessary to consider what customers expect and whether there is a market niche that can be filled. A well-conducted market analysis may result in achievement of a competitive advantage or, in the worst case, in maintaining profits at a satisfactory level. The survey asked the respondents to indicate those characteristics of the products that are most important for them when making a purchase. Among the most important factors indicated by the respondents were a reasonable price (45%) and high quality of products (40%). Only 10% of the respondents pay attention to the appearance of a product or its functionality (5%).

The last question in the survey concerned respondents' satisfaction with the products offered by chain X (see *Figure 7*).

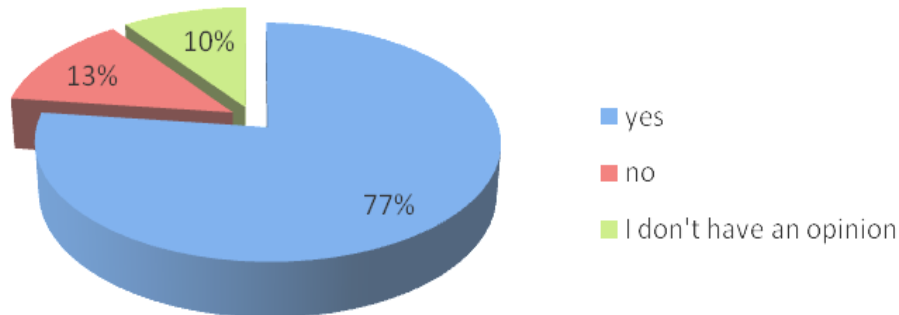


Figure 7. Level of respondents' satisfaction with the products

Source: Own work

The main aim of the survey was to assess consumers' satisfaction with the products offered by chain X. Naturally, one has to reflect on the possibility of reaching a compromise between a product's high quality and low price. The respondents were asked to answer the question of whether products offered by chain X meet their expectations. As many as 77% of those surveyed are satisfied with the products offered by the chain. This group of respondents does not have any reservations about the products offered by the chain. They show true loyalty. What is interesting, 13% of those surveyed are not satisfied with the products, and 10% have no opinion.

Conclusions

As the research shows, a well-designed franchise system brings benefits to each party to the agreement. Consistent quality, unchanged price and comprehensive assistance are only few of the advantages of running a business activity according to a franchise model. A tried and tested recipe for business makes it easier not only to employ staff but also to define their career paths. By signing a franchise agreement, the franchisee gains confidence that he or she runs a business with minimised risk. The history of the operation of chain X perfectly fits into the development of

franchise networks across Poland. The X chain is well recognized among the customers of the X store. As the research has shown, as many as 87% of the respondents of the sample make purchases in its network. The assortment offered by the network is wide, diverse. It is characterized by high quality and affordable price. As many as 77% of respondents who shop in the X chain are satisfied with the products offered by the chain. The position of the chain, well-established in the consumer's consciousness, is the resultant of an appropriate selection of employees and their subsequent training. In the analysis of the results of data obtained from the questionnaire, the dependency between the age of store customers and the evaluation of the assortment or expectations regarding the offered products was not used. This issue will be the direction of further research by the author. The constant level of interest in the franchise format contributes not only to the growth of the Polish franchise market but also to qualitative changes in this market. By using the franchise format, the franchisee ensures itself tried channels of the distribution of goods, a wide range of customers and even market saturation with its products. Well-thought-out operations on the market result in enhanced reputation of the brand behind the franchising system. For markets to be competitive, they have to constantly retain low prices. This solution is highly advantageous, not only to customers - enterprises manufacture more goods if there is a demand for them. Of significant importance is also the quality of offered products. In order to stand out in such a varied market, it is necessary to manufacture goods offering high value for money. Only innovative enterprises are likely to enter the market and become part of it.

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REKRUTACJA PRACOWNIKÓW A ZADOWOLENIE KLIENTA W PRZEDSIĘBIORSTWIE PROWADZĄCYM DZIAŁALNOŚĆ W SYSTEMIE FRANCHISINGOWYM – STUDIUM PRZYPADKU

Streszczenie: Przedsiębiorca rozpoczynający działalność gospodarczą boryka się z wieloma problemami. Chcąc zapewnić sobie zyski na odpowiednim poziomie, musi prowadzić taki biznes, który idealnie wypełni braki rynkowe. Z pomocą przychodzi franchising. Działalność gospodarcza prowadzona pod szyldem znanej marki, z gotowym przepisem na sukces, wydaje się ofertą nie do odrzucenia.

Cel niniejszego opracowania stanowiła analiza personelu pracowniczego oraz zadowolenia konsumentów z usług oferowanych przez franchisingodawcę. Przedsiębiorstwo handlowo-usługowe X jest na rynku polskim liderem sprzedaży artykułów podlogowych. Z przeprowadzonych przez autorkę badań wynika, iż dobrze przemyślana strategia działalności przedsiębiorstwa X wpłynęła bezpośrednio na jego rozpoznawalność wśród klientów. Odpowiedni dobór pracowników, stabilność zatrudnienia i jasna ścieżka awansu znacząco wpłynęły na rozpoznawalność wśród konsumentów marki przedsiębiorstwa X.

Słowa kluczowe: franchising, organizacja, zasoby ludzkie, zarządzanie