

## Editorial

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### **Article:**

Greetings! I am honoured to be the guest editor for this special issue on international franchising. The issue leads off with a study by John Clarkin on overseas expansion of North American franchises and follows with a longitudinal study on the acceptance of the retail format of western convenience stores in Taiwan by Florence Chang and John Dawson, a case study of the Athlete's Foot franchise entering China by Ilan Alon, and two studies of franchising in Finland by Mika Tuunanen and Frank Hoy and Jenni Torikka, respectively. The first article focuses on the connection between franchising, entrepreneurship, and economic growth by citing the Finnish Entrepreneurship Policy Programme. The second article by Torikka looks at the expansion of franchising in Finland and the barriers to this expansion, namely, the lack of educated franchisees. This special issue illustrates the reach of franchising worldwide and how franchising issues differ from culture to culture.

Franchising is expanding its reach around the world. One out of every 12 businesses, internationally, is franchised. It is estimated that about 40% of all retail sales are in franchising, amounting to over a trillion US dollars annually. Internationalisation has caused growth in franchising. Indeed, the future of franchising is international – the US market is highly saturated. Canada and parts of Western Europe are also highly saturated. Currently, 60% of US franchisers have at least one outlet outside the USA, according to the International Franchise Association. Because of these opportunities in international franchising, Ilan Alon and I edited the first comprehensive volumes on international franchising that were published by CCH from 2001 to 2003. These four volumes including two on industrialised markets and two on emerging markets.

Franchising has been one of the fastest growing methods of doing business in the USA and abroad for the last half century. However, most opportunities for franchising are in emerging markets, as this issue exemplifies with the articles from Taiwan by Chang and Dawson and China by Alon. Only 15% of the world's population resides in developed market economy countries. Emerging markets contain 80% of the world's population, 60% of the world's natural resources, and the most dynamic potential for long-term growth to businesses and franchisers.

Challenges in emerging markets include lack of managerial and entrepreneurial talent, lack of capital for international franchising expansion, political instability and risk, regulatory uncertainty, and corruption, underdeveloped infrastructure, and lack of transportation and communication networks. Ilan Alon, in his article, 'Master international franchising in China: the case of The Athlete's Foot', discusses these challenges in full with a real example.

Franchising is a less expensive, less risky form of doing business than developing a start-up company. The article by Torikka concerning Finnish franchises is a good example of the need for education in this area. The franchiser, or founder, of the unique business format system, fits clearly into the definitions of entrepreneurship found in the literature. Franchising encompasses entrepreneurial characteristics such as the introduction of new products and services, innovative marketing, openness to change, outrunning the competition and fast growth. But the Finnish franchisers are having trouble getting the word out about these opportunities to the population. Indeed, Finland is considered to be one of the least entrepreneurial countries in the world.

Are franchisers entrepreneurs? What about franchisees, those that operate the franchise locations? Are they also entrepreneurs? Tuunanen and Hoy bring these questions to light in their article on Finnish entrepreneurs, franchisees, and public policy initiatives. While franchisees differ from the traditional entrepreneurs in that they are buying a license from an organisation that has a market tested concept and a structured set of operating procedures, usually decreasing their risk substantially relative to a traditional start up business, they are still business owners, which classify them as a particular type of entrepreneur.

I would like to address two urgent research needs that are opportunities for academics. First, there is a need for franchise education globally to improve the understanding of franchising in general, what opportunities are available in franchising, and to improve the effectiveness of franchised businesses now in operation. Second, there is a need for research on franchising around the globe. Furthering international research has long been a goal of many international academic organisations and journals. In fact, in the June 2005 issue of the *Academy of Management Journal*, the editors examine international management articles that have been published from 1970 to 2004 to find out if they truly have increased the international scope of the journal. The editors concluded that while there has been a dramatic increase in international management research in their journal, especially in the first half-decade of the 21st century, there is still more that needs to be done.

Research needs to be conducted to better understand the relationship between entrepreneurship and franchising worldwide; the international expansionary activities including motives and patterns of development and investment by franchisers into emerging and industrialised markets; unique expansion strategies; challenges to expansion; unique forms of franchising such as hybrid franchises; multi-generational family franchise expansion and other forms of franchise expansion; solutions and lessons as well as cultural implications that franchisees have learned as they expanded internationally; and the effect of trade policies, such as NAFTA, on franchise expansion and success. I wholeheartedly agree and applaud the editors of this journal for devoting an entire issue to the topic of international franchising.