



Strathmore
UNIVERSITY

Strathmore University
SU+ @ Strathmore
University Library

Electronic Theses and Dissertations

2016

Critical success factors for a restaurant franchise system entering the Kenyan market

Lucy Gikonyo
Centre for Tourism and Hospitality (CTH)
Strathmore University

Follow this and additional works at : <https://su-plus.strathmore.edu/handle/11071/4734>

Recommended Citation

Gikonyo, L. (2016). *Critical success factors for a restaurant franchise system entering the kenyan market* (Thesis).

Strathmore University. Retrieved from <https://su-plus.strathmore.edu/handle/11071/4734>

This Thesis - Open Access is brought to you for free and open access by DSpace @ Strathmore University. It has been accepted for inclusion in Electronic Theses and Dissertations by an authorized administrator of DSpace @ Strathmore University. For more information, please contact librarian@strathmore.edu

**Critical Success Factors for a Restaurant
Franchise System Entering the Kenyan
Market**

Lucy N. Gikonyo

**Submitted in total fulfilment of requirements for the
award of the Degree of Doctor of Philosophy in
Hospitality Management at Strathmore University**

**School of Management and Commerce
Centre for Tourism and Hospitality
Strathmore University
Nairobi, Kenya**

June 2015

**This thesis is available for Library use on the understanding that it is copyright material and
that no quotation from the thesis may be published without proper acknowledgement.**

DECLARATION

I declare that the, ideas, results analyses and conclusions reported in the study are entirely my own work and a result of my own efforts except where otherwise acknowledged. I also declare that this work is original and has not been previously presented as it is for any other award unless where otherwise acknowledged.

Name of candidate: Lucy Gikonyo

Signature of candidate

Date

Approval

The Thesis of Lucy N. Gikonyo was reviewed and approved by the following:

Supervisor 1 - Prof. Adele Berndt
Jönköping International Business School
Sweden

Signature of Supervisor 1

Date

Supervisor 2 - Dr Joseph Wadawi
Centre for Tourism and Research
School of Management and Commerce
Strathmore University

Signature Supervisor 2

Date

Dr Wangombe
Dean of School of Management and Commerce

Signature Dean of SMC

Date

Dean of Graduate studies
Strathmore University
Prof. Kiraka

Signature Dean of SGS

Date

ABSTRACT

In today's globalized world, businesses look to expand in order to have a global presence. Restaurant businesses have expanded internationally using franchising. This study sought to determine the critical success factors for a franchised restaurant system entering the Kenyan market. It sought to '*establish how franchisors and franchisees define, identify and evaluate success*'. It also sought '*to determine what makes a franchise successful from the customers' perspective*'. This study has provided a theoretical framework that helps to understand the background of why organizations seek to expand using franchising method and consequently the critical success factors for franchised restaurants entering the Kenyan market.

The study used qualitative methodology in establishing the views of franchisors and franchisees with the use of in-depth interviews. In keeping with research trends this study also used triangulation of methodology. We did an exploratory study using focus group discussions to explore the views of customers on franchised restaurants. Thereafter we carried out a survey to verify the hypotheses developed for the study in this way using triangulation of methodology and arriving at a better understanding of the issues under study. This was followed by analysis of the qualitative data and the quantitative data separately.

The results yielded critical success factors from the franchisors perspective, franchisees perspective and the customers' perspective. The critical success factors from the franchisors point of view included a clear concept, distance management, cultural appeal, excellent selection of franchisees, good site/location selection, and good relationship with the franchisees and reasonable franchise contractual terms. The critical success factors from the franchisees point of view were good relationship with the franchisor, good financial management, relationship marketing, good staff management, competent staff, and unique value proposition for the customer, attractive atmosphere, convenient location and speed of service. The customers' perspective included good and consistent products and product range (menu mix), competent staff who were clean, warm, courteous and welcoming, a pleasant and clean atmosphere, reasonable and stable prices and a convenient location with efficient

service. Finally the study proposed a prioritization of critical success factors from the customers' perspective.

These findings can be used by restaurant franchises that seek to establish successful businesses in the Kenyan market and other similar regional markets. The Africa franchise partners may also find useful information in setting up the Franchise Association of Kenya. Other franchise businesses may also benefit from some aspects of the study.

Keywords: Critical Success Factors, Franchising, Restaurants, Market, Kenya.

TABLE OF CONTENTS

DECLARATION.....	II
ABSTRACT	III
LIST OF FIGURES.....	XIV
LIST OF TABLES.....	XV
LIST OF ABBREVIATIONS	XVIII
ACKNOWLEDGEMENTS	II
DEDICATION.....	IV
CHAPTER 1 : INTRODUCTION	1
1.1 BACKGROUND.....	1
1.1.1 <i>Critical success factors</i>	2
1.1.2 <i>Franchise systems</i>	3
1.1.3 <i>Hospitality Industry - Restaurant industry</i>	4
1.2 BACKGROUND TO THE PROBLEM.....	6
1.3 PROBLEM STATEMENT	7
1.4 RESEARCH QUESTIONS	7
1.5 RESEARCH OBJECTIVES.....	8
1.6 HYPOTHESES.....	8
1.7 CONTRIBUTION OF THE STUDY	9
1.8 RESEARCH METHODOLOGY.....	11
1.9 SCOPE, DELIMITATION OF THE STUDY	12
1.10 ETHICAL CONSIDERATIONS.....	13
1.10.1 <i>Informed consent</i>	13
1.10.2 <i>Honesty and confidentiality</i>	13
1.11 CLARIFICATION OF TERMS AND DEFINITIONS	13
1.12 CHAPTER OUTLINE	14
<i>Chapter 2: Literature review: The research environment</i>	14
<i>Chapter 3: Literature review: Critical success factors, concept, practice and analysis</i>	15

<i>Chapter 4: Literature Review: Franchising theory and application in restaurant service</i>	<i>15</i>
<i>Chapter 5: Research design and procedure</i>	<i>15</i>
<i>Chapter 6: Results and interpretation of the qualitative research</i>	<i>15</i>
<i>Chapter 7: Results and interpretation of the quantitative research.....</i>	<i>15</i>
<i>Chapter 8: Conclusions, implications and recommendations for future research</i>	<i>16</i>
1.13 CONCLUSION.....	16
CHAPTER 2: LITERATURE REVIEW - BUSINESS ENVIRONMENT.....	17
2.1 INTRODUCTION	17
2.2 GEOGRAPHICAL SCOPE	17
2.3 THE KENYAN ECONOMY.....	18
2.3.1 Infrastructure	18
2.3.1.1 Energy.....	20
2.3.1.2 Water and sanitation.....	21
2.3.2 Trade.....	22
2.3.2.1 Growth domestic product.....	24
2.3.2.2 Macroeconomic framework	27
2.3.2.3 Inflation.....	28
2.3.2.3 Fiscal Performance.....	30
2.3.2.4. Balance of Payments.....	31
2.3.2.5 Financial Sector Developments	32
2.3.2.6 Banking sector	33
2.3.3 East Africa Integration	35
2.3.4 Growth projections.....	36
2.3.5 Main challenges	38
2.3.6 Business economic climate in Kenya	39
2.4 THE EFFECTS OF THE ECONOMY ON THE RESTAURANT INDUSTRY	42
2.5 CONCLUSION.....	46
CHAPTER 3: LITERATURE REVIEW - CRITICAL SUCCESS FACTORS: CONCEPTS AND APPLICATION	47

3.1 INTRODUCTION	47
3.2 CSF DEFINED	47
3.2.1 Adopted Definition	49
3.3 CSF SOURCES	51
3.3.1 Prominent CSF Sources	54
3.3.1.1 Industry based CSFs	54
3.3.1.2 Competitive-position or CSFs based on peer group.....	54
3.3.1.3 Environmental situations and CSFs	55
3.3.1.4 Temporal factors and CSFs	56
3.3.1.5 Management-Position based CSFs.....	57
3.3.2 Other Sources of CSFs from other authors	58
3.3.2.1 Stakeholders CSFs	58
3.3.2.2 Strategic (Enterprise) CSFs.....	58
3.3.2.4 Operational CSFs	59
3.3.2.5 Group CSFs	59
3.4 CRITICAL SUCCESS FACTORS: RELEVANCE, IDENTIFICATION AND PRIORITIZATION	61
3.4.1 Relevance.....	61
3.4.2 Identification of CSFs.....	61
3.4.3 Prioritization of CSFs	62
3.5 CRITICAL SUCCESS FACTORS (CSF) AND SUSTAINABLE COMPETITIVE ADVANTAGE (SCA).....	63
3.5.1 Use of Value Chain Approach in Exploring Critical Success Factors.....	66
3.5.2 Branding and SCA.....	69
3.6 CSF FOR HOSPITALITY AND RESTAURANT INDUSTRY	73
3.6.1 CSF for Hospitality Industry	73
3.6.2 CSF for the Restaurant Industry.....	76
3.6.2.1 Product mix.....	79
3.6.2.2 Convenience	80
3.6.2.3 Employee competence.....	81
3.6.2.4 Price.....	82

3.6.2.5 <i>Atmosphere</i>	82
3.6.2.6 <i>Managerial experience</i>	84
3.6.2.7 <i>Concept</i>	84
3.7 CONCLUSION	85
CHAPTER 4: LITERATURE REVIEW – FRANCHISING	86
4.1 INTRODUCTION	86
4.2 FRANCHISE SYSTEMS	86
4.3 FRANCHISING THEORIES	87
4.3.1 <i>Resource Scarcity Theory</i>	87
4.3.2 <i>Agency Theory</i>	88
4.3.3 <i>An Integrated View</i>	89
4.4 FRANCHISOR – FRANCHISEE RELATIONSHIP	90
4.5 ADVANTAGES AND DISADVANTAGES OF FRANCHISING	92
4.6 THE RISKS ASSOCIATED WITH FRANCHISING	93
4.7 RISKS IN INTERNATIONALIZATION OF FRANCHISING	94
4.7.1 <i>Administrative efficiency</i>	94
4.7.2 <i>Host country risk management</i>	96
4.8 RESTAURANT FRANCHISING AND CRITICAL SUCCESS FACTORS	96
4.8.1 <i>Critical success factors in restaurant industry: Franchisors perspective</i>	97
4.8.2 <i>Critical Success factors in restaurant industry: Franchisees perspective</i>	99
4.9 FAILURE OF FRANCHISED RESTAURANTS	100
4.9.1 <i>The Economic Perspective</i>	101
4.9.2 <i>The marketing perspective</i>	102
4.9.3 <i>The management perspective</i>	102
4.10 CONCLUSION	102
CHAPTER 5: METHODOLOGY	104
5.1 INTRODUCTION	104
5.2 RESEARCH PARADIGM	104
5.3 RESEARCH DESIGN	108
5.3.1 <i>PHASE 1: Qualitative research</i>	109

5.3.1.1	<i>Population and sampling</i>	109
5.3.1.2	<i>Population</i>	111
5.3.1.3	<i>Sampling for qualitative research</i>	113
5.3.1.4	<i>Sample size determination</i>	114
5.4	DATA COLLECTION	115
5.4.1	<i>Individual depth interviews</i>	115
5.4.2	<i>Focus Groups</i>	117
5.5	RESEARCH DATA ANALYSIS	120
5.5.1	<i>Qualitative research data analysis</i>	120
5.5.2	<i>Summary of qualitative research undertaken</i>	126
5.6	PHASE 2: QUANTITATIVE RESEARCH	126
5.6.1	<i>Survey population</i>	130
5.6.2	<i>Sampling process</i>	131
5.6.2.1	<i>Sample size determination</i>	133
5.6.3	<i>Methods of collecting quantitative data</i>	134
5.6.3.1	<i>Questionnaire design</i>	135
5.7	QUANTITATIVE RESEARCH ANALYSIS	142
5.9	CONCLUSION	149
CHAPTER 6:	RESULTS AND INTERPRETATION OF QUALITATIVE RESEARCH .	150
6.1	INTRODUCTION	150
6.2	QUALITATIVE RESULTS ON THE CRITICAL SUCCESS FACTORS FOR A RESTAURANT:	150
6.2.1	<i>Franchisor perspective</i>	150
6.3	EXPLANATIONS AND CONCLUSIONS ANALYSIS FOR INTERVIEWS WITH FRANCHISORS	
.....	159
6.4	FRANCHISEE PERSPECTIVE	166
6.5	EXPLANATIONS AND CONCLUSIONS ANALYSIS FOR FRANCHISEES	174
6.6	DATA ANALYSIS PHASE 1 OF RESEARCH: FOCUS GROUP DISCUSSIONS	177
6.6.1	<i>Summary of responses from the FGD</i>	178
6.6.2	<i>Descriptive text for individual FGD</i>	187
6.6.3	<i>Descriptive text across FGD</i>	189
6.7	RESULTS AND DISCUSSION	193

6.8 EXPLANATIONS AND CONCLUSIONS ANALYSIS ACROSS THE FGD AND HYPOTHESES DEVELOPMENT.....	196
6.9 CONCLUSION.....	200
CHAPTER 7: RESULTS AND INTERPRETATION OF QUANTITATIVE RESEARCH	
201	
7.1 INTRODUCTION	201
7.1.1 Response Rate	201
7.1.2 Reliability of pilot study data	201
7.1.2.1 Reliability for convenience	202
7.1.2.2 Reliability for price	202
7.1.2.3 Reliability for product.....	203
7.1.2.4 Reliability for Employee Competence.....	204
7.1.2.5 Reliability for atmosphere	205
7.1.2.6 Reliability for success of franchised restaurants.....	206
7.1.3 Reliability Results of main study	207
7.1.4 Factor Analysis Results of main study.....	208
7.2 RESPONDENTS CHARACTERISTICS	211
7.2.1 Gender of Respondents	211
7.2.2 Age Distribution of Respondents.....	211
7.2.3 Household Monthly Income	212
7.2.4 Number of times respondents visited a franchise restaurant.....	212
7.3 DESCRIPTIVE ANALYSIS.....	213
7.3.1 Success of Restaurants	213
7.3.2 Convenience	214
7.3.3 Price.....	215
7.3.4 Product	215
7.3.5 Employee Competence	216
7.3.6 Atmosphere.....	217
7.3.7 Continued Patronage	218
7.3.8 Discontinued patronage.....	219
7.4 HYPOTHESIS TESTING.....	219

7.4.1 <i>Critical success factors</i>	219
7.4.2 <i>Ranking of critical success factors from customers perspective</i>	222
7.4.3 <i>Summary of Hypotheses and Decisions</i>	224
7.5 INFLUENCE OF DEMOGRAPHIC FACTORS ON FREQUENCY OF VISITS TO A FRANCHISED RESTAURANT	224
7.5.1 <i>Chi square Cross Tabulation between the frequency of visits to a franchised restaurant and Gender</i>	225
7.5.2 <i>Cross Tabulation between the frequency of visiting a franchised restaurant and Age</i>	225
7.5.3 <i>Cross Tabulation between the frequency of visits to a franchised restaurant and income</i>	226
7.6 INFLUENCE OF DEMOGRAPHIC FACTORS ON THE SUCCESS OF A FRANCHISED RESTAURANT	227
7.6.1 <i>Influence of Gender on Franchised Restaurant Success</i>	227
7.6.2 <i>Influence of Age on franchised restaurant success</i>	228
7.7 CHAPTER SUMMARY	229
CHAPTER 8: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	230
8.1 INTRODUCTION	230
8.2 SUMMARY OF FINDINGS	230
8.2.1 <i>Research objective 1: To establish how franchisors define, identify and evaluate success.</i>	230
8.2.1.1 <i>Brand power/concept</i>	230
8.2.1.2 <i>Proper Contract management</i>	231
8.2.1.3 <i>Competitive environment</i>	231
8.2.1.4 <i>Government policies</i>	232
8.2.1.5 <i>Cultural appeal</i>	232
8.2.1.6 <i>Good relationship with the franchisee</i>	232
8.2.1.7 <i>Site selection or location</i>	233
8.2.1.8 <i>Excellent choice of franchisees</i>	233
8.2.1.9 <i>Distance Management</i>	234

8.2.2	<i>Research objective 2: To establish how franchisees define, identify and evaluate success.</i>	234
8.2.2.1	<i>Employee competence</i>	234
8.2.2.2	<i>Staff management</i>	234
8.2.2.3	<i>Brand identity</i>	235
8.2.2.4	<i>Good financial management</i>	235
8.2.2.5	<i>Management competence</i>	235
8.2.2.6	<i>Relationship marketing</i>	236
8.2.3	<i>Research objective 3: To determine what makes a franchise successful from the customers' perspective.</i>	236
8.2.3.1	<i>Convenience and Success of Franchised Restaurants</i>	236
8.2.3.2	<i>Product's Prices and Success of Franchised Restaurants</i>	237
8.2.3.3	<i>Product and Success of Franchised Restaurants</i>	237
8.2.3.4	<i>Employee Competence and Success of Franchised Restaurants</i>	237
8.2.3.5	<i>Atmosphere and Success of Franchised Restaurants</i>	238
8.2.3.6	<i>Ranking of the success factors from customers' perspective</i>	238
8.2.5	<i>Summary of CSFs</i>	239
8.3	SUMMARY OF CONCLUSIONS	244
8.4	CONTRIBUTION AND RECOMMENDATIONS OF THIS STUDY	246
8.4.1	<i>Proposed market entry framework for a franchised restaurant system entering the Kenyan market using CSF approach</i>	246
8.4.2	<i>Other contribution made by the study</i>	248
8.4.2.1	<i>Contribution to theory</i>	248
8.4.2.2	<i>Contribution to Policy</i>	248
8.4.2.3	<i>Contribution to practice</i>	249
8.5	LIMITATIONS OF THE RESEARCH	250
8.6	AREAS FOR FURTHER STUDIES	250
	LIST OF REFERENCES	252
	APPENDICES	271
	APPENDIX I: INTRODUCTORY LETTER FOR THE QUESTIONNAIRE	271

APPENDIX II: DRAFT COPY OF THE QUESTIONNAIRE	272
APPENDIX III: DRAFT COPY OF SEMI-STRUCTURED INTERVIEW GUIDE FOR FRANCHISORS AND FRANCHISEES OF RESTAURANTS.....	281
APPENDIX V: FOCUS GROUP DISCUSSION QUESTIONS	285
APPENDIX VI: RESTAURANT FRANCHISES IN KENYA.....	286
APPENDIX VII: FACTOR ANALYSIS RESULTS	287

LIST OF FIGURES

Figure 2.1: GDP growth rate.....	25
Figure 2.2: Inflation rate in Kenya.....	29
Figure 3.1: Definitions and sources of CSFs.....	51
Figure 3.2: Steps in CSF approach.....	60
Figure 3.3: Relationship between Critical Success Factors and Sustainable Competitive advantage.....	65
Figure 3.4: Value chain analysis.....	66
Figure 3.5: Relationship between categories of brand association and consumers Restaurant brand.....	70
Figure 3.6: Relationship between restaurant brand associations and brand preference.....	71
Figure 3.7: CSF creating value for customers influences SCA.....	72
Figure 3.8: Classification of CSF for Hospitality Industry.....	73
Figure 3.9: Critical success factors from a customer’s perspective.....	85
Figure 4.1: Franchising theories.....	90
Figure 4.2: Critical success factors for restaurant franchisors.....	99
Figure 4.3: Critical success factors for franchisees.....	100
Figure 5.1: The research process.....	108
Figure 5.2: Methodology.....	111
Figure 5.3: Components of data analysis: and interactive model.....	121
Figure 5.4: Questionnaire design.....	137
Figure 8.1: Proposed market entry framework for franchised restaurants systems entering the Kenyan market using CSF approach.....	247

LIST OF TABLES

Table 2.1: Where it is easy to start a business in Kenya and where it is not Easy.....	41
Table 3.1: “CSF” definitions.....	49
Table 2.2: CSF Sources.....	52
Table 3.3: Critical success factors in the hospitality industry in general.....	75
Table 3.4: Critical success factors in the restaurant industry in general.....	77
Table 3.5: Summary of restaurant CSF from customers’ perspective.....	79
Table 5.1: Summary of research questions and research methods to be used.....	107
Table 5.2: Design of semi structured interviews.....	116
Table 5.3: Relevance of Focus Group Discussion questions to objectives of the study.....	119
Table 5.4: Techniques for data collection and analysis for the qualitative phase of the research topic and research questions of this study.....	123
Table 5.5: Tactics for drawing conclusions for the analytical text.....	125
Table 5.6: Summary of qualitative research undertaken.....	126
Table 5.7: Questionnaire relating to research objectives or hypothesis and scale Type.....	140
Table 5.8: Summary of the way the questionnaire was administered.....	142
Table 5.9: Questionnaire response rate.....	143
Table 5.10: Summary of the quantitative research methods as discussed.....	147
Table 6.1: Summary of responses from franchisors.....	151
Table 6.2: Summary of interviews K3 franchisees.....	167
Table 6.3: Summary of responses of K2 franchisees.....	170
Table 6.4: Participants of focus group discussions.....	178
Table 6.5: Summary of the responses to questions in the FGD.....	179
Table 6.6: Summary of findings from focus group discussions.....	191
Table 7.1: Questionnaire response rate.....	201
Table 7.2: Reliability for convenience.....	202
Table 7.3: Reliability for price.....	203

Table 7.4: Reliability for product.....	204
Table 7.5: Reliability employee competence.....	205
Table 7.6: Reliability for atmosphere.....	206
Table 7.7: Reliability for success of franchised restaurants.....	207
Table 7.8: Summary Reliability for success of franchised restaurants.....	208
Table 7.9: KMO and Bartlett’s Test.....	208
Table 7.10: Communalities.....	209
Table 7.12: Age Distribution of Respondents.....	211
Table 7.13: Household Monthly Income Distribution of Respondents.....	212
Table 7.14: Distribution of number of times respondents visited a franchised restaurant.....	212
Table 7.15: Summary of responses and descriptive statistics on franchised restaurant success.....	213
Table 7.16: Summary of responses and descriptive statistics on convenience.....	214
Table 7.17: Summary of responses and descriptive statistics on price.....	215
Table 7.18: Summary of responses and descriptive statistics on product mix.....	216
Table 7.19: Summary of responses and descriptive statistics on employee Competence.....	217
Table 7.20: Summary of responses and descriptive statistics on Atmosphere.....	218
Table 7.21: Summary of responses and descriptive statistics on franchised restaurant patronage.....	218
Table 7.22: Summary of responses and descriptive statistics on stopping franchised restaurant patronage.....	219
Table 7.23: Correlation between product and success of franchised restaurants.....	220
Table 7.24: Correlation between convenience and success.....	220
Table 7.25: Correlation between price and success.....	221
Table 7.26: Correlation between employee competence and success of a franchised restaurant.....	221
Table 7.27: Correlation between atmosphere and success.....	222
Table 7.28: Ranking the order of importance of the five variables surveyed.....	223
Table 7.29: Summary of Hypotheses and Decisions.....	224

Table 7.30: Cross Tabulation between the frequency of visits to franchised restaurant and Gender.....	225
Table 7.31: Cross Tabulation between the frequency of visits to a franchised restaurant and Age.....	226
Table 7.32: Cross Tabulation between the frequency of visits to a franchised Restaurant and Income.....	227
Table 7.33: Influence of Gender on Restaurant Success.....	227
Table 7.34: Influence of Age on franchised restaurant success.....	228
Table 7.35: Influence of Household Income on franchised Restaurant success.....	229
Table 8.1: Summary of comparison between hypothesized and observed order of importance of factors (customers' perspective).....	239
Table 8.2: Comparison of CSFs.....	241
Table app. 1: Success of franchised restaurants.....	293
Table app. 2: Summary of responses and descriptive statistics on convenience.....	293
Table app. 3: Summary of responses and descriptive statistics on price.....	294
Table app. 4: Summary of responses and descriptive statistics on product mix.....	295

LIST OF ABBREVIATIONS

CSF	Critical Success Factors
KFC	Kentucky Fried Chicken
USA	United States of America
US\$	United States Dollar
UK	United Kingdom
IFC	International Franchising Corporation
EPZA	Export Processing Zone Authority
EPZ	Export Processing Zone
KNBS	Kenya National Bureau of Statistics
CBK	Central Bank of Kenya
LPG	Liquid petroleum gas
WSPs	Water Service Providers
EAC	East Africa Community
COMESA	Common Market of East and South Africa
AGOA	African Growth and Opportunity Act
GDP	Growth Domestic Product
SCA	Sustainable Competitive Advantage
VCA	Value Chain Analysis
NPL	Non Performing Loans
KTDC	Kenya Tourism Development Commission
DFI	Deposit taking Finance Institution
SACCO	Savings and Credit Cooperative Societies

ACKNOWLEDGEMENTS

I can hardly believe that I am writing this part of my thesis. It has been a long and an uphill task which I could never have accomplished on my own. I thank God from whom all graces come!

I wish to sincerely thank my supervisor Prof Berndt who patiently and promptly read through my work and helped me get to this point of my life. Prof Berndt, I will never be able to thank you enough. I have learnt a lot from you but most of all the seemingly never ending patience of reading draft after draft of my work. I just don't know how you did it. It must have been done through a great deal of selfless sacrifice on your part, receive my most sincere gratitude. Dr Wadawi my second supervisor was always encouraging even when the goal seemed so far and somewhat unreachable, he kept urging me on.

I would also like to thank Prof Odhiambo, the Vice Chancellor of Strathmore University, for the support that he gave me all through the study period. It was particularly amazing that he knew every step I made, despite the many things he must have had on his mind. My sincere gratitude to Prof Onyango who was the Dean of the Strathmore Graduate School when I registered as a PhD candidate, he always encouraged me to keep working.

I cannot forget to thank Bernadette Thiuri who pushed me to get started on my studies while we were working together. Bernadette made sure I was well on my way and did everything possible to get me going. Thank you for all the support you gave me, I owe a lot to you. Achieng, the one line joke you once cracked kept me laughing when I could have been crying; thank you for the humour. John you helped me with my data, which I could not have managed on my own I owe you a lot. Eunice you sacrificed your time and sleep to see me to the end, I am truly grateful.

Margaret Roche many thanks for editing my work at such short notice. What would I have done without your valuable help?

Finally I thank my family for all the emotional support they gave me throughout. I don't know how I could have managed without them. It is not possible to mention all the people who in any way helped me along, but a million thanks, it is done!

DEDICATION

To my God who is the reason I undertook this work,

Deo Omnis Gloria!

CHAPTER 1 : INTRODUCTION

1.1 Background

Globalization, an emerging trend towards a single integrated and interdependent global economy, has prompted some economists to think of the world as one market and to examine common needs within and across societies (Alon, 2004). With greater interconnections among countries there is greater homogeneity in buyer behaviour (Quinn, 1999). This view of some researchers suggests the adoption of more standardized marketing strategies globally. In standardizing marketing strategies, organizations would standardize the product, price, distribution and promotion programs (Alon, 2004). Another group of researchers views customers as central to the emergence of diversified marketing strategies, and recommend that these be tailored to each country. From these contrasting views, that is the standardization of marketing programs on the one hand and the adaptation to suit local conditions on the other (Sashi & Karuppur, 2002), hybrid strategies have emerged. These strategies are influenced by the nature of the product, the country characteristics and organizational factors. Sashi and Karuppur (2002) suggest that in certain situations, it may be more beneficial to standardize some aspects of the marketing strategy across the world, while accommodating local market differences by localizing other aspects. Vignali (2001) emphasised that when organizations looked to internationalization there was need for customizing marketing strategies for different regions in the world. This strategy has been termed glocal.

Franchising is one form of managing business enterprises and of expanding into global markets. It permits the adoption of a hybrid marketing mix strategy. The mix is the standardization of some elements and the localization of other elements specific to the country (Sashi & Karuppur, 2002). Under a flexible franchise agreement, the franchisor would standardize some elements of the marketing mix strategy while allowing the franchisee to modify other elements to suit the local market. Franchisors would develop product or service ideas and offer these to franchisees for marketing in specific geographical territories (Norton, 1988a). The business arrangement would require a franchisee to pay an initial fee and subsequently, royalties to the franchisor. Using a hybrid marketing strategy the

franchisor would provide the overall strategy for running the business but might leave aspects of the business to the franchisee to determine. For example the franchisee might handle local marketing programs, recruitment and routine operations (Sashi & Karuppur, 2002).

1.1.1 Critical success factors

Since the identification of ‘success factors’ first proposed by Daniel (1961) in an article on Management Information Crisis, other researchers went on and refined this concept. The most quoted is Rockart (1979:85) who used the term ‘Critical Success Factors’ (CSF) to mean: *“The limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance in an organization.”*

Other definitions include, Bruno and Leidecker (1984:24) who defined CSFs as *“those characteristics, conditions or variables that when properly managed, can have a significant impact on the success of an organization competing in a particular industry”*. Later, Pinto and Slevin (1987:22) regarded CSFs as *“factors which, if addressed, significantly improve project implementation chance.”*

Esteves (2004) among other researchers underlines that Rockart (1979) has so far been the most comprehensive. The later definitions failed to address the concept with the comprehensiveness that Rockart (1979) gave it. Rockart (1979) seeks to identify a link between the environmental conditions and the business characteristics for a particular company (Amberg, et al., 2005). Rockart (1979) identifies sources of CSFs as industry based, from environmental situations to geographical locations, temporal factors or strategic situations. This approach to CSFs focuses on information needs for purposes of management control and it seeks to identify data which can be used to monitor and improve existing areas of business (Amberg, et al., 2005).

Initially the CSF approach was applied in the field of Information Science. In time many academics have applied, the concept of CSFs generically in many fields to identify the “key areas” that must “go right” for a business to “succeed”. This can be seen in In-flight Catering

Services (Chang, et al., 1997), in Fashion Retailing (Wigley, et al., 2005), in Total Management Quality (Karuppasami & Gandhinathan, 2006), in Casual Dining Restaurant Industry (DiPierro, et al., 2007).

Botherton (2004) studied the critical success factors in UK budget hotel operations, Goldman & Eyster (1992) looked at the CSFs underlying restaurant success and Lee (1987) studied hotel food and beverage leases. Choo (2003) tried to determine the critical success factors of international franchising by studying cases of foreign franchisors in East Asia.

1.1.2 Franchise systems

A franchise system may be defined as a business relationship whereby a franchisor grants a right to a franchisee, to conduct business using the trademark of the franchisor through an agreement that stipulates the restrictions and requirements as well as the conditions of doing the business (Hoffman & Preble, 2004; IFC, 2004). The franchisor, through the business agreement, is bound to provide training, guidance in organization, running and marketing the business (Hoffman & Preble, 2004). A franchise system is a method of distribution used for both products and services, using a proven and tested business format. This form of business gives the franchisee a greater chance of success because of the support structure that the system provides (Luangsuwimol & Kleiner, 2004).

The franchise system in the United States, considered the home of franchising, has matured and plays a key role in the business activities that contribute significantly to the economy (Luangsuwimol & Kleiner, 2004). Franchising has become an important channel in retail marketing and growing business sectors. This includes restaurants, non-food retailing and miscellaneous services (Luangsuwimol & Kleiner, 2004; Eser, 2012).

The majority of research on franchising has concentrated on the domestic market of the United States (Doherty & Quinn, 1999). In practice however, for years, a number of retail businesses have used franchising as a mode of operation and expansion into international markets (Quinn & Alexander, 2002). Restaurants such as McDonald's, Burger King, KFC

and Pizza Hut have used franchising in their international operations (Hoffman & Preble, 2004).

1.1.3 Hospitality Industry - Restaurant industry

The term “hospitality industry” has been used to refer to providers of lodging, food service, leisure, conventions, travel and attraction on a large scale, usually for business (Ottenbacher et al., 2009; O’Gorman, 2009). Restaurants are the food service providers within the broader hospitality industry.

In the hypercompetitive marketplace of the World today, restaurants and other hospitality businesses have gone beyond product differentiation in their endeavour to retain or improve their marketplace positioning as well as to gain customer loyalty. The competition has therefore shifted from being hinged on offering unique products, to “delivering superior service” (Vargo & Lusch, 2004a). This involves the creation of experiences that make people feel at “home” away from home, as well as extraordinary experiences that act as incentives that encourage repeat business (Pizam & Shani; 2009). These experiences sometimes go beyond what a mother can offer at home to what some researchers have referred to as services given by an “idealised mother” (Sherman, 2007). The experiences range from friendly and courteous interaction to cosy ambiances where people can have their meals and or accommodation or entertainment or travel needs attended to. Alongside other hospitality services, provision of meals is the most common service. For this reason restaurants are generally found everywhere, in hotels, at tourist attractions, in office blocks, in airports, at railway stations etc. The majority of restaurants “stand alone”, that is, they exist without other hospitality services alongside them. Some restaurants are found within hotels. A hotel can have several restaurants of different types, fine dining, casual as well as quick service to cater for the tastes and preferences of different guests. Other restaurants are found alongside other hospitality businesses for example those that are located next to attractions, those at airports, railway stations, conventions and leisure facilities.

Researchers and industry practitioners generally consider that the restaurant industry is made up of two broad categories; full service restaurants and fast food or quick service restaurants

(Mueller & Kleiner, 2004). Among full service restaurants' are to be found buffets and family, fine dining restaurants and specialty or ethnic restaurants such as Chinese restaurants etc. (Agnelo & Vladimir, 2007). Under the fast food category fall all who sell food to customers for consumption on or off the premises. These include independent and chain restaurants that serve all types of foods for example, sandwich shops, pizza places, chicken grills, hamburger joints, fish and chips etc. (Dittmer, 2002). Casual dining restaurants have sometimes been categorized together with full service restaurants or quick service restaurants and occasionally on their own (Muller & Woods, 1994; DiPierro, et al., 2007). Among the casual dining restaurants include barbeque restaurants. In this study we shall consider the three as separate that is, full service restaurant, quick service restaurants and casual dining restaurants.

The restaurant industry has developed and expanded to gain a global presence in the last fifty years. This has been largely fuelled by the changing of lifestyles. Urban populations have grown throughout the world, mobility has increased and people spend a lot of time commuting to and from work (Schlosser, 2001). This has been compounded by the increased presence of women in the workplace which has resulted in less time available for them to prepare meals at home. These busier consumer lifestyles and dual-working families have led to the popularity of readymade meals (Atkins & Bowler, 2001).

Since the 1950's the restaurant industry has been associated with franchising (Lashley & Morrison, 2000; Sen, 1998). The fast food concept, with simple menus, quick product finishing and service times, lends itself to standardization of products and service delivery systems which are easy to franchise (Lashley & Morrison, 2000). The fast food giants for example: McDonald's, KFC, Burger King etc. have developed, expanded and internationalized their operations through franchising (Quinn & Alexander, 2002). Quinn and Alexander (2002) observe that the largest fast food companies are involved in franchising. The fast food concept seems to attract franchisees as compared to establishing independent fast food outlets because of its association with high viability of the business and the positive cash flow that comes faster from franchises than from independent businesses (Mendelsohn, 2004). This seems to boost the survival rates and to accelerate profitability, due to their

market recognition and the elimination of unnecessary start-up-costs (Mendelsohn, 2004). However, even with this perception of relatively easy success, the changing expectations of the customers seems to have shifted the paradigm from standardization to customization as variety becomes a trend (Gilbert, et al., 2004). This may contribute to what customers consider being a success or a failure in a franchised restaurant outlet.

Viewed from the customers' perspective, Anderson and Fornell (2000) assume that businesses exist and compete to satisfy the customers. They suggest that it is not possible to grow a business without at the same time increasing customer satisfaction. A satisfied customer will become a repeat customer, this could in turn grow a business. Following this general business imperative therefore, it means that a satisfied customer will have a critical effect on the long-term success of restaurant business. A satisfied restaurant customer will remain loyal to an outlet or restaurant business and continued patronage can follow a global pattern. On the other hand a customer dissatisfied with a restaurant will not only avoid all the franchise outlets but may also generate bad publicity and persuade many people to go elsewhere (Gilbert, et al., 2004). If franchise restaurant businesses are not only to survive but to thrive and compete effectively, they will need to provide consistent, timely and high quality products and services to satisfy customers across varied cultures and nations (Gilbert, et al., 2004). However, customer perceptions of service may differ across cultures and while internationalizing, service organizations need to take into account that cultural distance and apply adaptive measures to accommodate different cultural needs and tastes (Gilbert, et al., 2004).

1.2 Background to the Problem

In countries like the USA, the UK and other developed economies, franchised restaurants have captured a well-defined market (Sen, 1998). In Kenya, franchised restaurants have not done well (Anon., 2008). Kentucky Fried Chicken (KFC) made an entry into the Kenyan market in the 1980's, had closed down operations by the end of the decade had returned to the market in 2011. At the time of writing KFC was expanding in the market albeit cautiously. When Nando's entered the Kenyan market from Zimbabwe in 1998, it had an ambitious plan to spread quickly to major towns, but the target to reach sixteen outlets

(Kaiza, 1998) was never achieved. In 2007 Nandos withdrew its franchise from Innscor Kenya Limited which then had all its outlets taken over by Galitos (Waithaka, 2007). Steers, with its sister franchise Debonair Pizza, a franchise of Famous Brands Limited of South Africa, entered the Kenyan market in 1998 (Anon., 2008). The franchise had six outlets by 1999. After a rapid expansion in the first two years of operations, Steers went through a loss-making period and had very few good years (Anon., 2008) and started to close down outlets. By 2008 Steers had only a total of eight outlets left (Rima, 2008). Wimpy had been in the market for many years. It seemed to weather the storms even though it was neither thriving nor growing. After trying different locations over the years it finally closed down all its outlets in late 2013. Kengeles, a Kenyan brand, entered the market in 2007 initially with great success. However by the end of 2009 it had closed all except one of the franchised restaurants (Bell, 2009). At the time of writing it was operating only one franchisor owned restaurant.

The 'eating out' trend among Kenyan urban population has been on the increase (Gachenge, 2007) with Ranalo, a 'would be' franchise restaurant of local cuisine specialty seeming to be popular. Until 2003, Ranalo was the only would be franchise in downtown Nairobi where the menu was largely Kenyan dishes. Today it appears to have influenced the demand for local cuisine which has seen an increase in the number of restaurants capturing the African tastes (Gachenge, 2007). The initial exit of KFC from Kenya in the 1980's, the winding up of the Nandos franchise, the slowing down of the Steers chain, the closing of Kengeles franchise in 2009 and Wimpy in 2013 seemed to be indicators that a study of franchising in Kenya's restaurant market needed to be undertaken.

1.3 Problem Statement

In Kenya international and local restaurant franchise systems enter the market but after a number of years they exit or close down operations. There is a need to determine the critical success factors of a restaurant franchise system entering the Kenyan market.

1.4 Research Questions

This study answers the following main research question:

What are the critical success factors for a restaurant franchise system entering the Kenyan market? This was further delineated to the following research questions:

- How do franchisors define, identify and evaluate success?
- How do franchisees define, identify and evaluate success?
- What makes a franchise successful from the customers' perspective?

1.5 Research objectives

According to Cooper & Schindler (2008), research objectives address the purpose of the planned research. They highlight the specific, concrete and achievable goals for which the research is undertaken (Kent , 2007). They guide the process of the research and are used to verify the consistency of the proposal in the final report section (Cooper & Schindler, 2008). Research objectives serve to narrow the focus generally stated in the research problem (Burns & Groves, 2004), often bridging the gap between the problem stated in abstract terms, with the study design and plan for data collection and analysis.

A primary or general objective is stated in more general terms or more abstract terms. It points the overall goal or aim of the research, and is the first step in narrowing the research focus. Some researchers use research objectives, purpose, questions and hypothesis interchangeably (Creswell, 2003; Burns & Groves, 2004).

The primary objective of the study is to determine the critical success factors for a restaurant franchise system entering the Kenyan market.

The secondary objectives of this research are to:

- establish how franchisors define, identify and evaluate success
- establish how franchisees define, identify and evaluate success
- determine what makes a franchise successful from the customers' perspective

1.6 Hypotheses

For the purposes of hypothesis testing, the study did not formulate hypotheses related to the first and second objective. This is because the type of data for meeting these objectives was qualitative in nature and could not be tested through hypothesis testing. Therefore, hypotheses were only formulated for the third objective. These were:

H1a: **Product mix** is a critical factor for the success of a franchised restaurant from a customer's perspective.

H1b: **Product mix** is the most important critical factor for the success of a franchised restaurant from the customers' perspective.

H2a: **Convenience** is a critical factor for the success of a franchised restaurant from a customer's perspective.

H2b: **Convenience** is less important than product mix as a critical factor for the success of a franchises restaurant from the customers' perspective.

H3a: **Employee competence** a critical factor for the success of a franchised restaurant from a customer's perspective.

H3b: **Employee competence** is less important than convenience as a critical success factor for the success of a franchised restaurant from the customers' perspective.

H4a: **Price** is a critical factor for the success of a franchised restaurant from a customer's perspective.

H4b: **Price** is less important than employee competence as is a critical factor for the success of a franchised restaurant from the customers' perspective.

H5a: **The atmosphere** of a restaurant is a critical factor for the success of a franchised restaurant from a customer's perspective.

H5b: **The atmosphere** is less important than price as a critical factor for the success of a franchised restaurant from the customers' perspective.

1.7 Contribution of the Study

This study endeavours to determine the critical success factors for restaurant franchise systems entering the Kenyan market. The exploratory part of the study was carried out among the restaurant franchise outlets in the cities of Nairobi and Mombasa. The study makes the following contributions:

- It contributes to literature on the Kenyan restaurant market scene and provides the much needed research foundation for developing the country franchise association which is only at the initial stages of setting up (Bell, 2009). There exists published data on the franchise environment for most countries where franchising is well established. The franchising landscape and information on franchising in these countries would usually be gathered through the franchise association of that country. There are very few publications on the franchising landscape in Kenya and we have not found any scientific publications. A few surveys comparing a number of African countries including Kenya, have focused on franchising. These were carried out by the World Bank and International Finance Corporation (World Bank & IFC, 2010). The Franchising Association established by Bell (2009), ‘African Franchise Partners’ is the first of its kind in Kenya. It could have been a good source of information on franchising in Kenya. However African Franchise Partners being at the stage of inception did not have any organized data regarding franchising and on the franchise landscape in Kenya. This fact therefore makes this study in a sense among the first of its kind in the country and therefore exploratory. Hence we endeavoured to fill this gap in literature by providing organized data on restaurant franchising in Kenya.
- It provides a research foundation for international and local franchises that may be eager to exploit the growing opportunities in the Kenyan restaurant market and other similar regional markets. The study identifies the challenges that need to be addressed in this specific market regarding franchising. In practice franchised restaurants especially the global chains seem to have the criteria for entering a market. These criteria could be related to the critical success factors of entering a certain market. However the criteria have not been found in published academic studies.
- The study could inform policy in the establishment of franchising legal framework in Kenya. The law governing franchising in Kenya is very weak. According to Bell (2009), even the intellectual property protection in the country is almost non-existent.

This lack of policy and legal infrastructure in this area remains one of the obstacles for franchise systems to take root in the Kenyan market.

- It fills a gap of knowledge in the Kenyan restaurant industry regarding critical success factors. There exists some research that identifies critical success factors or key success factors in the Restaurant Industry in general as in Parsa, et al. (2005), Bergin (2002), Bergin (2003) etc. However we did not find any published research on the prioritization of critical success factors according to their relevance or importance in impacting on the success of restaurants.
- It has established critical success factors for restaurants in the African context. As research has suggested, CSF's could be influenced by geographical locations and environmental situations among other things (Rockart & Christine, 1981). The unique geographical location, the socio-political and environmental conditions found in Africa could mean that the CSF's identified in this region may not be identical to those found in other regions. Neither would they have the same relevance.
- It captures critical success factors for franchised restaurants from three points of view; the franchisors, franchisees and the customers. The study enriches literature through the use of triangulation of research methods in an attempt to be more comprehensive in examining CSF from the customer's perspective. We did not find published academic studies examining critical success factors of franchised restaurants viewed from three different perspectives, from the franchisors point of view, the franchisees point of view and from the customers' point of view.

1.8 Research Methodology

A research design is a framework for conducting research. It outlines the procedures needed for obtaining information necessary to address an identified problem (Malhotra & Birks, 2007). It constitutes the blueprint for the collecting, measuring and analysing of data (Cooper & Schindler, 2008). We undertook an exploratory and descriptive research design.

We carried out qualitative research through the use of in-depth interviews to determine how restaurant franchisors and franchisees define, identify and evaluate success. We also made use of exploratory research to clarify the nature of the problem: the critical success factors for a restaurant franchise system entering the Kenyan market from the customers' perspective. For this we used focus group discussions. It was followed by a cross-sectional descriptive research using a survey.

1.9 Scope, delimitation of the study

This study has been carried out in Kenya. It focused mainly on franchised restaurants. The study examined the critical success factors that are necessary to succeed in the franchised restaurants business. The research was conducted mainly in the major cities of Nairobi and Mombasa where there is a concentration of franchised restaurants. Other cities and towns were considered if they had at least five franchised restaurants or were seen to be of particular importance to the study.

The research has been carried out among stand-alone restaurants that are franchised or likely to become franchises. Restaurants are a major part of hospitality services as discussed in section 1.1.3. This research did not include other hospitality services. The research has been carried out only in Kenya and the results may therefore not be generalized to a wider context unless the circumstances are similar.

This Study did not look at other types of franchised businesses but was limited to restaurant franchises only. In the Kenyan Market, franchise businesses exist mainly in the line of petroleum, retail clothing, beauty and cosmetics products (Bell, 2009). These franchises are fairly easy to operate successfully as they distribute products that come readymade from the franchisors and there is hardly any need for additional specific knowledge or value. According to Hoover et al. (2003), franchise businesses work well where operations are simple and repetitive. The franchised restaurant business however is more complex as it deals mainly with products and services that are produced on site where they are consumed. This requires specific knowledge to replicate the business model of the franchisor and it involves elaborate operating procedures, thorough training of staff and very good

management etc. to succeed (Parsa et al., 2005). It was for these reasons that the study focused on franchised restaurants as an area worthy of research. Besides this, the hotel and restaurant sector is among the key drivers of the Kenyan economy. The combined sector contributes significantly to the Country's foreign earnings. Therefore the study of franchised restaurants could have a greater contribution to policy and practice than other franchised businesses. This is discussed in more detail in section 2.4.

1.10 Ethical considerations

There are a number of ethical issues with regard to research that we considered namely informed consent, honesty and confidentiality.

1.10.1 Informed consent

According to Miles and Huberman (1994), it is important to disclose the full information regarding the project to the interviewees. The nature of the project should be clarified; the objective of the research outlined and the benefits that will accrue to the researcher if there are any. This was done through writing in an introductory letter and orally as part of the introduction to the interviews and questionnaires.

1.10.2 Honesty and confidentiality

It is important for researchers to maintain the privacy and confidentiality of the respondents. Honesty should also be maintained in collecting data to ensure that high standards are kept, data are accurate and the analysis is objective. The anonymity of respondents and companies should be maintained. This was communicated in writing to the respondents and verbally during the introduction to the interview sessions. We assumed that the respondents would provide truthful and accurate information. However this aspect is not entirely in the control of the researchers and it cannot be guaranteed.

1.11 Clarification of terms and definitions

In the previous sections some terms have been used that can be understood in different ways. We hereby include a clarification of the key terms.

Critical success factors: The limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance in an organization. Rockart 1979:85.

Franchisor: A license owner of a trademark or brand of a business system (Norback & Norback, 1982).

Franchisee: A legal user of a trademark or brand who markets a product or service under the brand name in accordance with the franchisor's system (Norback & Norback, 1982).

Franchise system: The granting of rights by the franchisor for a franchisee to operate their business system using a common brand and common format for promoting, managing and administering the business (IFA, 2004).

Restaurant Industry: All operations that sell food and drink to customers for consumption on or off the premises. These include independent and chain restaurants that serve all types of foods (Mueller & Kleiner, 2004).

1.12 Chapter outline

The current chapter includes a background to the study, a background and statement of the problem, research questions, research objectives, hypotheses, the contribution of the study, the scope and delimitation of the study, the research methodology used, the ethical considerations and definitions of the key terms used in the study. The rest of the thesis will be divided in the following chapters:

Chapter 2: Literature review: The research environment

This chapter outlines the multicultural environment mainly of Kenya where the research will be carried out. It will bring out the characteristics of the population and the business environment in Kenya.

Chapter 3: Literature review: Critical success factors, concept, practice and analysis

This chapter includes a discussion development and evolution of critical success factors, and issues surrounding this approach. It also includes a discussion on CSF of the restaurant industry service.

Chapter 4: Literature Review: Franchising theory and application in restaurant service

This chapter includes the theories and concepts that underlie franchising; the internationalization of franchising, the successes and challenges. In it is also discussed the application of critical success factors in franchising application in the hospitality industry and restaurant business.

Chapter 5: Research design and procedure

The research methodology is discussed and the following areas are detailed:

- Population
- Sample
- Measuring instruments
- Qualification of variables
- Proposed statistical analysis

Chapter 6: Results and interpretation of the qualitative research

This chapter presents the findings of the qualitative part of the research. The results are broken down to:

- Focus group discussions
- Franchisees view point
- Franchisors view point

Chapter 7: Results and interpretation of the quantitative research

This chapter presents findings of the empirical research: the customers viewpoints were captured and analysed.

Chapter 8: Conclusions, implications and recommendations for future research

In this chapter the major findings are discussed, the limitations of the study were identified and recommended areas for further research were suggested.

1.13 Conclusion

In chapter one, the background setting of the topic “Critical Success Factors for a restaurant franchise system entering the Kenyan Market” was discussed briefly. The problem statement, research questions and objectives of the study were stated. The contribution to new knowledge was outlined. This was followed by the scope and delimitation of the study. The ethical considerations were outlined followed by a section on clarification of terms and definitions and finally the chapter outlines of the study were given. Chapter two is a study on the research environment, the geographical scope of the project. It includes the business environment and aspects of this environment that allow franchise restaurants to grow and thrive in the specific market. It further explores the status of the restaurant industry in the Kenyan economy and the interaction of this industry with the economy.

CHAPTER 2: LITERATURE REVIEW - BUSINESS ENVIRONMENT

2.1 Introduction

The previous chapter gave an overview of the research project, the statement of the problem, the purpose of the research, the research objectives and the significance of the study. This chapter reviews the necessary literature regarding the business environment of the research project. The review begins with the geographical setting, various aspects of the Kenyan economy; infrastructure, trade, regional integration. It moves on to broadly review the macroeconomics and microeconomics of the Country. Finally we look at the effects of the economy on the restaurant industry.

2.2 Geographical scope

Kenya is located in East Africa and lies on the equator. It borders Somalia in the East, Uganda in the West, Ethiopia and Sudan in the North, and Tanzania in the South. It has a coastline on the Indian Ocean to the south east (Kenya Government, 2005). In size, Kenya is approximately 592,000 square Kilometres and has a population of about 39 million by the 2009 census (KNBS, 2010).

Kenya has been politically stable most of the time since independence from the British rule in 1963. It experienced a peaceful transition of power in 2002 from President Moi to President Mwai Kibaki (Kenya Government, 2005). However after the 2007 general elections there was violence provoked by disputed elections which resulted in political instability for a number of months. This affected investor confidence in the Kenyan economy, and consequently the economic growth declined from 7.1 percent in 2007 to 1.7 percent in 2008 (KNBS, 2009). In August 2010, Kenyans voted in a peaceful national referendum in which 67 percent of the population approved the adoption of a new constitution. The reform to this document which has been in use since independence from the British in 1963 has been seen as an important step for the country's future political stability. The peaceful voting process during the referendum, the calm post-referendum period of implementation and the successful and peaceful voting process during the 2013 general

elections gave positive signals to markets and increased investors' confidence (World Bank & IFC, 2010; Anon., 2010; CBK, 2013).

Franchisors are investors and as such would be looking to invest in a strategic location with growth or expansion potential. The geographical location of Kenya, the demographics and the political stability all contribute to making it an attractive investment destination.

2.3 The Kenyan economy

For purposes of investment a location that has basic infrastructure would be more attractive than one that does not. Franchisors would be more attracted to expand their businesses into markets that have good transport systems, readily available and affordable energy sources, reliable and sufficient water supply, basic sanitary infrastructure and clear and friendly trade policies. In this section we shall deal with these aspects of the Kenyan economy.

Kenya's economy is fairly diversified. Its main foreign exchange earners are tourism services, tea, coffee and horticulture. Agriculture (tea and coffee) has been leading for many years but horticulture has assumed prominence in recent years, with the exportation of fresh fruits, vegetables and cut flowers mainly to Europe, the Middle East and Asia (Kenya Government, 2005; Kenya Government, 2010). Tourism overtook agriculture to become the second major foreign exchange earner for Kenya in 2010 (Wahome, 2010). It experienced a decline due to security threats and a number of terrorism actions in 2013 and 2014 (KNBS, 2014). Alongside tourism, the hotel and restaurant industry has also developed to become a major employer. The government has chosen tourism, agriculture, retail trade, manufacturing, business process outsourcing and financial services as promising areas and will channel resources and investment accordingly (Kenya Government, 2007).

2.3.1 Infrastructure

Kenya has reasonably good international airports and air transport facilities in Nairobi, Mombasa, Eldoret and Kisumu. Over thirty international airlines have daily flights throughout Africa, Europe, the Middle East and Asia (Kenya Government, 2005; Kenya Government, 2010). Kenya also has flexible labour regulations and investment laws, which

allow foreign investors to receive similar treatment to local investors (Anon., 2010). Strategically placed, with a major seaport, Mombasa is one of the most modern ports in Africa with connections to many parts of the world. Mombasa serves many landlocked neighbouring countries notably Uganda, Sudan, Ethiopia and the Democratic Republic of Congo. Due to the demand from the region another major seaport will be constructed in Lamu and should be operational in the near future. It is an important project of the Vision 2030 (Kenya Government, 2007). It is hoped that this port will be connected to a major link road and railway line to serve mainly Sudan and Ethiopia (Kenya Government, 2005; Kenya Government, 2007). The rail transport is undergoing major repairs, expansion and modernization. It is also part of the projects of the Vision 2030 (Kenya Government, 2007). Kenya has a good road network connecting the major commercial centres with all-weather roads. The roads handle the majority of freight around the country and to the region (Kenya Government, 2005; Kenya Government, 2010). Currently the roads are under major rehabilitation and expansion. This includes tarmacking on roads in the rural and urban areas (Kenya Government, 2007). With the improved infrastructure and well-developed financial markets Kenya has the potential of becoming a regional services hub in banking, information and transportation (Kenya Government, 2005; World Bank & IFC, 2010).

Kenya is served by a postal system that has been restructured to become jointly owned by the state and the private sector. This restructuring is meant to improve the efficiency of services through modernization and checking of corruption. Mobile telephony is well established with several providers. Stiff competition has made the cost to the consumer in mobile telephony use cheaper. Internet providers are many, and the use of internet is growing among the Kenyan population (Kenya Government, 2005; World Bank & IFC, 2010).

Researchers have found that internationalization or operating in global markets has suited franchising arrangements due to the flexibility possible in a franchise agreement. Therefore for businesses that look to expand to international markets, going the franchising way may be one of the better options. A franchise agreement has flexibility which has been seen to contribute to the effective absorption of risks and uncertainties to be found in the global market place (Sashi & Karuppur, 2002). Franchisees can react quickly to adapt to changes in

their local market environment when it would take rather longer for the franchisor, situated in a remote location to capture the local situation and make the necessary adjustments in good time. Managing the challenges arising from the physical distance between the franchisor and franchisee brings with it not only risks and uncertainties, but it also raises the cost of monitoring for the franchisor (Norton, 1988b). However since in a franchise agreement the franchisee invests into the business, being better placed to read the changes in the business environment in which they operate, they will be keen to do everything possible to make a success of their franchise operation.

2.3.1.1 Energy

Energy is a major resource input in all businesses. For businesses to thrive and grow, being able to count on a constant energy supply is of great importance. The energy or fuel should be not only readily available but also affordable to make the cost of doing business worth the while. This applies to franchises as to all other types of businesses.

Commercial and industrial energy in Kenya is mainly from petroleum and electricity. Kenya imports crude oil for processing at home as well as refined products mainly for use in transportation (Kenya Government, 2010). From the year 2012 the results of oil exploration in the Northern part of Kenya gave hope of domestic crude oil production which could greatly improve the energy security of the country and take the economy to a higher level (KNBS, 2012; World Bank, 2012). When local oil production begins the country would see a lowering on the cost of energy and consequently lowering the cost of doing business in Kenya (KNBS, 2012). Kenya generates most of its own electric power mainly using water and geothermal plants. It imports some power from Uganda and Ethiopia. It has well established companies that generate, transmit and distribute power around the country (Kenya Government, 2005; Kenya Government, 2007). The urban areas are well supplied with power and the government embarked on an ambitious rural electrification plan which aimed at seeing a higher percentage of the Kenyan population supplied with electric lighting from 4 percent in 2007 up to 12 percent by the year 2012 (Kenya Government, 2005; Kenya Government, 2007). The Kenya Government has been exploring the possibility of increasing electric power through the use of wind and from the production of sugar through Public

Private Partnership (Kenya Government, 2007). The Government undertook reforms through the Energy Sector Recovery Project which was intended to rehabilitate and reinforce the transmission and distribution network in order to enhance the quality and reliability of supply, reduce system losses and increase access to electricity services (Kenya Government, 2007; Kenya Government, 2003). The Energy sector implemented policy, legal, regulatory and institutional reforms. An Energy Policy, Session Paper No. 4 of 2004 on Energy was put in place and a new sector legal framework, the Energy Act 2006, enacted to operationalize the policy framework. The Energy Regulatory Commission was established as a single sector regulator for the energy sector and an Energy Tribunal set up to arbitrate disputes in the sector (Kenya Government, 2003; Kenya Government, 2007).

The relatively high cost of power compared to the neighbouring countries is one of the obstacles to the growth of industries in the Kenyan economy and investors have continued to raise their concerns over the high cost of doing business in Kenya (Kenya Government, 2007). The other challenges facing the power sub-sector include a weak power transmission and distribution infrastructure; low per capita power consumption in the country and low countrywide electricity access which stood at 15 percent in 2007. The petroleum industry is inhibited by limited supply facilities for fuels including LPG (liquid petroleum gas). The domestic production of motor fuels is not yet up to international quality standards. Distribution of infrastructure is insufficient especially in the rural parts of the country adding to the high product prices there. The proliferation of poor quality fuel dispensing facilities, under-dispensing of products including adulteration of motor fuels and dumping of export products all add to the challenges in the energy sector (Kenya Government, 2007).

2.3.1.2 Water and sanitation

For industrial and domestic purposes, water is supplied by local authorities along with other licensed suppliers. Local authorities in major towns in Kenya provide sewerage and drainage systems for residential and business use (Kenya Government, 2005). In view of the growing demand, the various local authorities have undertaken major investment for the supply of water. The Kenyan Government aims at ensuring that all Kenyans have access to safe drinking water. The water policy is focused on providing an enabling environment and

regulatory framework for all stakeholders in the water sector (Kenya Government, 2005). In 2003, the Water Act 2002 was operationalized through the formation of the 13 stipulated water institutions. About 120 Water Service Providers (WSPs) were contracted throughout the country. In Eldoret, Garissa and Nyeri, water and sewerage schemes were completed, while in Kisumu, phase one of the project was commissioned (Kenya Government, 2007). In the industrial sector, efficient water and sewerage services are important as water is a requirement for wet processes. Under the Kenya Vision 2030, all the main projects in the economic and social pillar will require additional water. There is a need to increase per capita water storage and the Kenya Government appears committed to achieve adequate water supply for domestic and industrial purposes for the Millennium Development Goals (Kenya Government, 2007).

The challenges in water supply continue as some of the arid and semi-arid regions continue to depend solely on rains. The failure to receive adequate rainfall always results in hunger and death, and the cycle is repeated time and again. The Kenya Government needs to show a commitment to resolve this problem in a permanent way instead of having recourse to aid when the crisis occurs (World Bank & IFC, 2010).

2.3.2 Trade

Kenya is an important player in East Africa and is East Africa's most developed economy. Membership to the East Africa Community (EAC) together with Tanzania, Uganda, Rwanda and Burundi means that a total population of more than 126 million can be accessed as an internal market (Johannesson, 2010). In July 2010, Kenya and the four East African neighbours signed the protocol on the East African Customs Union. This created a common external tariff to be applied to goods imported from outside the region and also harmonized the tariff rates between them. This is one of the three steps towards an eventual political union of the five East African countries (Kenya Government, 2010; Anon., 2010; World Bank & IFC, 2010). The removal of tariff barriers through the EAC integration gives hope of increased trade within the region. Kenya is a major exporter of manufactured goods to the East Africa region, though the export engine still needs to improve (Kenya Government, 2005; World Bank & IFC, 2010).

Kenya is also a member of the Common Market for Eastern and Southern Africa (COMESA) and this makes it an attractive base for foreign investors and companies looking to access the East and Southern African market of nineteen member states. Through Kenya, an investor can access the COMESA market with over 430 million people (Kenya Government, 2005; Anon., 2010).

Kenya established the Export Processing Zones (EPZs) program in 1990 as part of the Export Development Program (EDP), that was undertaken by the Government to transform the economy from import substitution to a path of export led growth. EPZs were designed to further integrate Kenya into the global supply chain and attract export-oriented investments in the designated zones. In this way it is expected to achieve its economic objectives of job creation, diversification and expansion of exports; to increase in productive investments, technology transfer and creation of backward linkages between the EPZ zones and the domestic economy (Kenya Government, 2010).

Exports from Kenya have enjoyed preferential access to both the United States and the European Union during the last two decades. The Kenyan government has made an effort to take advantage of opportunities offered by the African Growth and Opportunity Act (AGOA) to penetrate the US market (Kenya Government, 2005; Kenya Government, 2010). Over 70 percent of EPZ output is exported to the USA under AGOA. Analysts say AGOA has facilitated over \$125 million of new investments in Kenya and the creation of over 40,000 new jobs (Kenya Government, 2010; KNBS, 2012). Major Kenyan products that qualify for duty-free access under AGOA include textile, leather and processed agricultural products. Indeed, textile and apparel products have in the recent past been Kenya's dominant export category to the United States, and more than tripled to US\$188 million in 2003 from US\$64 million in 2001 (Kenya Government, 2005; Kenya Government, 2010). The Kenyan Government is working towards the extension of the period for preferential access to the Western markets beyond the 2015 deadline (KNBS, 2012).

EPZs have continued to provide investors with a predictable, attractive and efficient business environment for tackling regional and global markets for goods and services. These include attractive tax incentives, with a tax holiday for the first ten years of operation, a facilitating operating environment; good physical infrastructure and day-to-day support by EPZA staff. This has resulted in over 80 organizations from all over the world taking up opportunities in running EPZs in Kenya and employing close to 40,000 local staff. Other attractive incentives include freedom to repatriate profits and to employ some staff from outside Kenya. Many investors have made additional investments and expanded their operations, as a manifestation of their initial success (Kenya Government, 2005; Kenya Government, 2010).

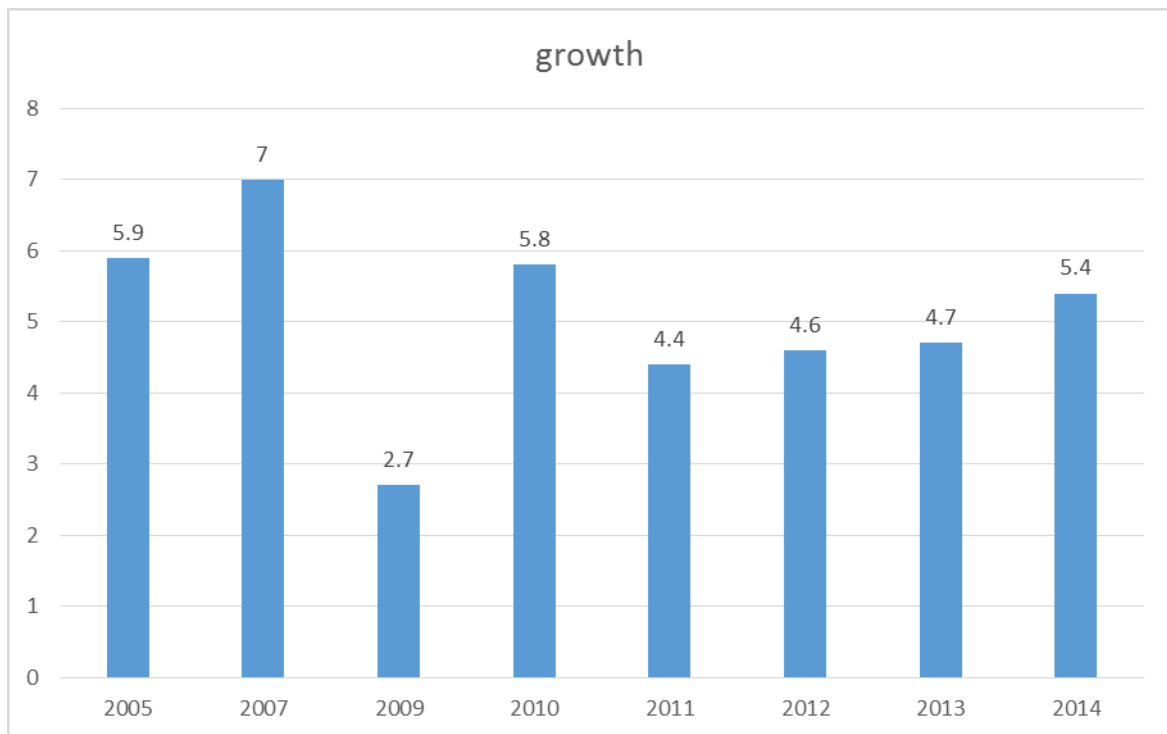
The program has contributed significantly to achieving the Kenyan Government objectives with over 40 zones established, not only by employing many workers but also contributing about 10.7 percent of national exports. However in the last years the EPZs have experienced increased competition in the US market from the Asian economies that have flooded the market with cheaper products. The backward linkages between the EPZ zones and the domestic economy have also suffered from the importation of cheaper raw materials from Asia (Kenya Government, 2010; Wahome, 2010). This has seen the market for the products of EPZs shrink and efforts have been made to maintain the East African and the COMESA markets (Wahome, 2010). However the EPZ zones were positively impacted by the slight global economy recovery in 2010 and consequently attracted additional investment of over USD\$ 15 million (KNBS, 2011).

2.3.2.1 Growth domestic product

Kenya experienced remarkable sustained economic growth for the period 2003 – 2007 with the GDP growth rate reaching 7 percent in 2007, the highest growth rate over the period (KNBS, 2009). Following the post-election violence in 2008 the GDP rate decreased to 1.7 percent for the year 2008 and it reached 2.7 percent in 2009 (KNBS, 2010). It was expected to reach between 4.9 and 5.3 percent in 2010 according to World Bank, (2010) but it actually recorded a 5.8 percent growth in 2010 (KNBS, 2011). The World Bank (2010) had predicted that the GDP growth rate would reach 6 percent by 2011 but what was actually achieved was 4.4 percent and in 2012 the GDP growth rate was recorded at 4.6 percent (KNBS, 2012). It

grew by 4.7 percent in 2013 and 5.4 percent in 2014 (CBK, 2014). It is expected to reach between 6 and 7 percent in 2015 (World Bank, 2014). The GDP growth is depicted in figure 2.1. The continued improvement in GDP has been attributed to the promulgation of the new constitution, telecommunications development, and improvement in infrastructure, in particular improved roads and energy sector thus reducing the cost of doing business. The East African community integration and strong macroeconomic management have also had a positive influence (World Bank & IFC, 2010). The new constitution it is hoped, will address governance issues and thus improve the business environment. Despite this, tourism, manufacturing and investment have predominated in the Kenyan economy over the last four decades giving Kenya a prized position within Africa (World Bank & IFC, 2010). Kenya planned to increase the manufactured goods market share from 7 percent in 2007 to 15 percent by 2012 (Kenya Government, 2007).

Figure 2.1: GDP growth rate



Source: adapted from Kenya National Bureau of Statistics (KNBS), 2015

Some of the other factors that give hope for a sustained economic growth for the next decade include, an increasingly urban and educated population and a dynamic private sector. This

has shown resilience in crisis as well as producing global innovations like the mobile money platform. The improved economic policies have demonstrated the capability of managing external shocks well (World Bank & IFC, 2010). The World Bank & IFC (2010) report also noted that inflation rates had declined and debt remained at manageable levels. The balance of payments has shown a surplus and contributed to higher reserves (World Bank & IFC, 2010).

What started in 2007/2008 as a financial crisis deteriorated into a global economic and employment crisis, creating major challenges for governments around the World. Focused attention has concentrated on the stabilization of the financial sector, and fiscal stimulus to check pressures on recession (World Bank & IFC, 2009). But as governments look to support recovery, the businesses regulatory environment is one of the areas that are critical. It affects how well organizations can cope with the recession, capitalize on new opportunities and create employment to support recovery (World Bank & IFC, 2009). Kenya has made a remarkable recovery overcoming the post-election violence of 2008, to show a positive growth in most sectors. Agriculture grew by 4 percent in 2010, industry by 7.6 percent and services by 4 percent in the same period, a strong rebound after two weak years (World Bank & IFC, 2010; CBK, 2010b; KNBS, 2010). The financial sector had the highest growth of 10 percent, driven by growth in ICT. As unemployment and public debt rose, it became even more important for governments to create the conditions that would encourage businesses to grow, create productive jobs in the formal sector and stimulate incomes and potential tax revenues. While the crisis originated in the financial sector, it brought to light the need for sound and effective regulation in all areas of the economy (World Bank & IFC, 2010).

Tourism, along with the hotel and restaurant sector plays an important role in the Kenyan economy. This is evidenced by the contribution to GDP that the combined sector produces. A GDP of over 30 percent has been reported even in times of turbulent economic moments in Kenya's economy (KNBS, 2008; KNBS, 2013). The sector has been considered as one of the main pillars of the Kenyan economy (Vision 2030, 2007). It is therefore in the interest of the Kenyan government to encourage the growth of the sector. Restaurant franchises would find these facts as an encouragement to invest in the country.

2.3.2.2 Macroeconomic framework

An important element of Kenya's recent growth momentum is the government's commitment to improving the business environment, with its willingness to run fiscal deficits to finance development projects (Anon., 2010). The Kenyan government has maintained strong credentials in macroeconomic management. The broad economic expansion recorded in 2003-2007 was achieved due to stable macroeconomic conditions (Kenya Government, 2007) and the impact of the ambitious stimulus program contributed to the strong recovery in 2010 (World Bank & IFC, 2010). Public expenditure as part of GDP has been high but it is declining (CBK, 2010b; CBK, 2013). As a reflection of high expenditure Kenya has a high level of tax revenues compared to other sub Saharan African countries. Revenues like expenditure have been declining as a percentage of GDP as the government depends less on external financing for public expenditure. Recurrent expenditure dominates the spending and development expenditure has been low (Kenya Government, 2005; Kenya Government, 2007).

The World Bank (2010) predicted that Kenya's economic growth would continue at a similar pace in the medium term, owing to the reduced government debt to sustainable levels which has consequently created space for a fiscal expansion. The Monetary Policy of the Central Bank has maintained the value of the Kenyan currency in the economy. This has kept liquidity in check, influencing the level of interest rates in line with the price objectives set by the Government. This has also influenced the value of the currency relative to other currencies maintaining a fairly stable exchange rate over the last five years (CBK, 2010a; CBK, 2012). The uncertainties around the 2013 election period did not impact the exchange rate in a significant manner (CBK, 2013).

Interest rates have been stable, the financial sector has been on a sound footing and conditions have been right for a monetary stimulus. Consequently, the government has been able to finance a large budget deficit from the domestic market and has depended less on external borrowing (Kenya Government, 2005; World Bank & IFC, 2010; Kenya Government, 2007; CBK, 2012). Credit to government grew by 50 percent, with public

sector borrowing an equivalent of 4.1 percent of GDP in the first half of 2010, with a proportionate increase in the stock of domestic debt (World Bank & IFC, 2010).

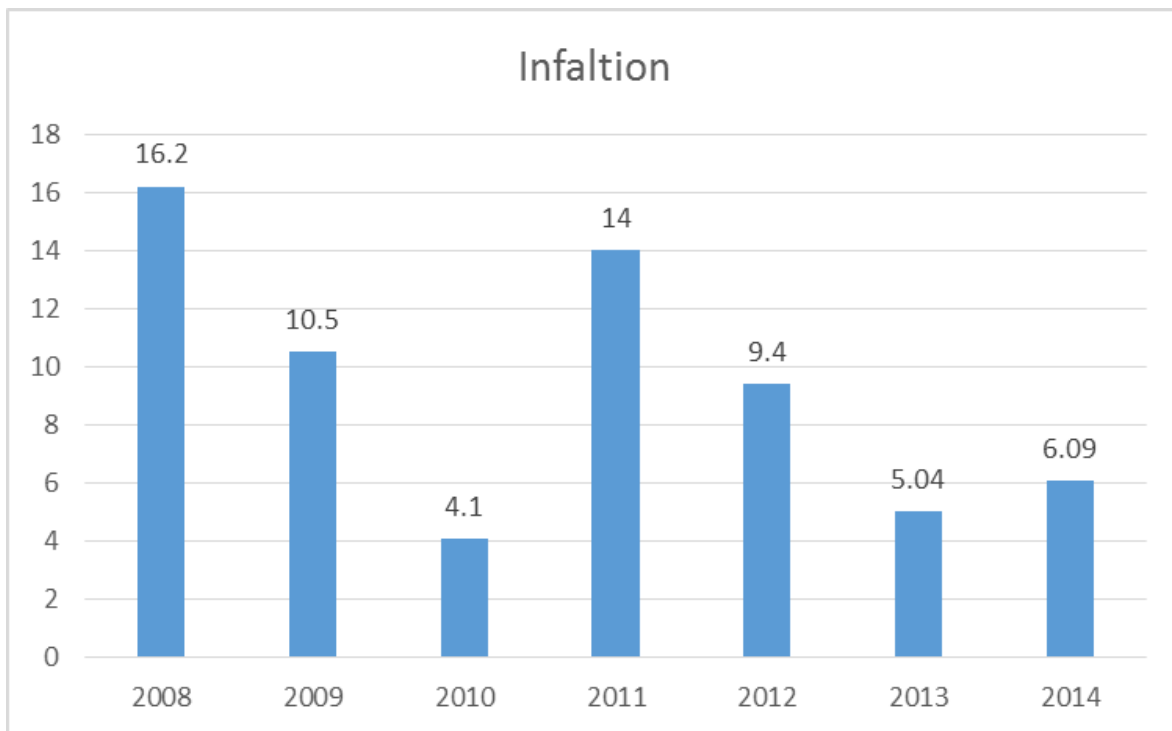
2.3.2.3 Inflation

Macroeconomic fundamentals have remained broadly stable. The Central Bank of Kenya (CBK) Monetary Policy Committee has maintained price stability in the market based economy which in turn has promoted long term investment and stability in the economy (CBK, 2010a; CBK, 2012). The CBK has maintained low and stable inflation which after a long time was brought under control in 2010. Inflation declined to below 4 percent in 2010 which is below the target of 5 percent for the same period. This is the lowest average rate since 2002 (World Bank & IFC, 2010; CBK, 2010a). It has consequently promoted sustainable growth and employment in the Kenyan economy (CBK, 2010a). The year 2011 and 2012 were characterized by high inflation which stood at 14 percent recorded in 2011 but declined to 9.4 percent in 2012. This was occasioned by improved weather conditions in the intervening period (CBK, 2013). In addition, the Nairobi Stock Exchange continued the rebound beginning 2009, outperforming the Dow Jones in 2010 (World Bank & IFC, 2010). Monetary policy has remained broadly neutral and high liquidity in the market has dampened the upward pressure on interest rates which showed decline (World Bank & IFC, 2010). CBK reduced the Central Bank Rate by 200 basis points to 11 percent in November 2012, and a further 150 points to 9.50 percent in January 2013. This was sustained through to March 2013 (CBK, 2013).

Government bonds issued in the local currency market and targeted for infrastructure financing attracted funding from investors, and could lead to crowding out credit to the private sector. However, excess liquidity in the market suggests that this did not happen in 2010. During that period credit to the private sector grew by 17 percent in the first half of the year (equivalent to 1.5 percent of GDP). Credit to households took the highest share of credit to private sector indicating a recovery in the growth of consumption which has been the key driver of growth in Kenya (World Bank & IFC, 2010; CBK, 2010b). After contracting in 2009, credit to households recovered and expanded by 30 percent in the first half of 2010,

becoming again one of the main sub-sectors getting loans. Inflation rate is depicted in figure 2.2.

Figure 1.2: Inflation rate in Kenya



Source: Kenya National Bureau of Statistics (KNBS), 2015

Kenya was affected by the fluctuations in global currencies, but overall the Kenya Shilling remained broadly stable in 2010 when exchange rates were compared to a basket of the major international currencies (World Bank & IFC, 2010; CBK, 2010b; CBK, 2013). In the first half of 2010, the debt crisis in the euro area was transmitted to the Kenyan economy visibly through a weakening of the shilling against the dollar. This crisis in the euro area, which started in Greece, weakened the euro and saw an appreciation of the dollar in the global market. The US dollar appreciated by about 20 percent against the euro between November 2009 and June 2010 (World Bank & IFC, 2010; CBK, 2010b). The Kenya shilling exchange rate mimicked these movements and depreciated by 14 percent against the dollar, however it appreciated against the euro. The real exchange rate, which is a good indicator of Kenya's competitiveness, remained broadly stable during the onset of the global recession (World Bank & IFC, 2010; CBK, 2010b). The Central Bank of Kenya maintained a stable and favourable domestic macroeconomic environment owing to improved weather conditions

in 2012 and 2013 along with stable international oil prices. This environment is reflected in a low inflation rate, around the Government target of 5 percent and stable foreign exchange rate in 2012 and 2013. However the persistent instability of the Eurozone continues to offer risks to the Kenyan currency exchange rate (CBK, 2013; KNBS, 2015).

For the franchising business, fluctuation of foreign exchange presents an element of risk for the franchisor. Regular movement of products or equipment from the home country may expose the franchisor to added risk, at the mercy of the foreign exchange swings (Huszagh, et al., 1992). However franchising enables organizations to expand operations globally without committing their own financial resources. This reduces the risk associated with foreign exchange fluctuations, political instability and the erratic economic conditions that prevail in the international markets (Sashi & Karuppur, 2002). The fact that the Kenyan Central Bank has good monetary policies that have managed to maintain a stable local currency, albeit the slight movements, is a positive signal to would be investors. It promises a return on investments added to the advantage of being enabled to repatriate the profits they would generate from the business.

2.3.2.3 Fiscal Performance

The government's fiscal deficit reached 7 percent in the fiscal year 2009/2010, higher than projected by World Bank & IFC (2009). This is explained by an acceleration of the implementation of the fiscal stimulus. The stimulus, which was extended into 2011, would increase government spending as a share of GDP to 33.1 percent and generate revenues equivalent to 24.9 percent of GDP in the fiscal year 2010/11. The deficit which includes grants, at 6.8 percent of GDP, would be financed through domestic and external borrowing which would increase the total debt stock to 47 percent of GDP by the end of 2010. Revenue was targeted to record a growth of 20 percent in 2010/2011 fiscal year. In the first quarter (July-September 2010) revenue collected amounted to KES 140.4 billion, representing a growth of 13.2 percent compared to the same period in the previous year. However, by December 2010 the revenue collection had fallen behind by KES 16 billion (Wahome, 2010). As revenue collection continued to fall, the Government reduced its expenditure from 33.6 percent of GDP to 30.3 percent in 2011/2012 budget (World Bank, 2012). On the other hand

Value Added Tax revenue registered only a 2.5 percent growth indication of expected slowing in the growth in consumption. In the fiscal year 2009/10, the government's revenues stayed 2 percent below target despite a notable increase of 10 percent compared to the previous year. Lower than expected revenues along with accelerated expenditures in the first half of 2010, led to a relatively high budget deficit of 7 percent. In 2009/10 the fiscal deficit which was met through increased domestic borrowing at 4.8 percent of GDP compared to a 3.0 percent target, with the balance coming from external financing. Even though the stimulus could be credited to increased economic activity in 2010 and 2011, there were concerns about the increase in government debt, particularly when contingent liabilities like pensions are included. In the medium term, fiscal consolidation would be essential for the government to reduce and maintain the debt to GDP ratio at the targeted range of 45 percent (World Bank & IFC, 2010; World Bank, 2012). Kenya has a debt management approach in place and a good monetary and fiscal discipline. It is one of the few African countries that have established a debt management strategy with clear medium-term and long-term debt targets. Debt levels have grown in Kenya but not as much as in other countries. Besides this, debt restructuring has been undertaken to reduce the cost of the debt and increase the maturity profile (World Bank & IFC, 2010; World Bank, 2012).

2.3.2.4. Balance of Payments

The overall balance of payments position was positive. It improved from a surplus of 21.8 billion in 2011 to 123.2 billion in 2012 (KNBS, 2013). This is due to the increased international reserves attributed to the purchase of foreign currency reserves by the Central Bank of Kenya from the domestic market, and by disbursement of IMF (International Monetary Fund) loans under the Extended Credit Facility arrangement (KNBS, 2013; KNBS, 2015). The strong performance of the service account would dampen the pressure on the external account. However the structural current account deficit would remain in the range of 5 to 6 percent of GDP as imports of goods could outpace the growth of exports. The current account deficit was financed by strong inflows in the capital and financial account with a positive overall balance. Consequently, the Central Bank has rebuilt and increased its reserves, now equivalent to 3.9 months of import cover (World Bank & IFC, 2010; CBK, 2010b; KNBS, 2013).

International remittances to Kenya exceeded aid and Foreign Direct Investment (FDI) combined. FDI showed a strong performance in 2008, but decreased in 2009-10, however the remittances have continued to be a constant and reliable source of foreign exchange. From a miscellaneous trade accounting item, remittances are a widely recognized flow of foreign financing and they have important implications for development (World Bank & IFC, 2010; CBK, 2013). A World Bank-CBK survey indicated that 14 percent of Kenyan adults regularly receive an average of US\$ 735 in remittances from abroad. While this resource flow represents a significant share of GDP, the effective role that remittances can play in dealing with economic shocks, in providing general access to financial resources and indirectly helping to reduce poverty, cannot be underestimated. Most Kenyans who receive remittances rely on this money to cover at least some of their daily domestic needs (World Bank & IFC, 2010; CBK, 2013).

2.3.2.5 Financial Sector Developments

Financial services will play a critical role in the next phase of the development of Kenya by providing better intermediation between savings and investments than it has done in the past. This will not only assist in the mobilization of resources that are required to implement the projects of Vision 2030, but also lead Kenya to become the leading financial centre in Eastern and Southern Africa (Kenya Government, 2007). The financial sector in Kenya is made up of banking, insurance, capital markets and pension funds. Other parts of the sector include quasi-banking institutions and services provided by savings credit cooperative organizations (SACCOs), micro-finance services, building societies, development finance institutions (DFIs) and informal financial services (Kenya Government, 2007). By 2007, the sector contributed about 4 per cent to GDP and provided assets equivalent to about 40 percent of GDP. On the whole, the sector is characterized by low penetration and limited supply of long-term finance (Kenya Government, 2007). The introduction of agency banking in 2009, together with the licensing of deposit taking micro finance institutions, are expected to increase access to financial services and improve efficiency in the sector. In addition, branchless banking regulations enacted in 2010 will enable banks to expand outreach and reduce costs without investing in brick and mortar infrastructure (World Bank & IFC, 2010).

Non-performing loans have continued to decline and banks may soon relax their provisioning buffers as the Kenyan economy continues to grow and as banks expand and diversify their credit portfolios. Efficiency gains from investments in monitoring and evaluating credit risk, as well as improvements in the external environment brought about by the introduction of credit reference bureaus, land registries, and more aggressive enforcement of creditor rights by the judicial system, may also reduce the need for provisions and bring down spreads in the medium-term (World Bank & IFC, 2010; CBK, 2010c). However, there is considerable potential to improve the depth and breadth of the sector to make Kenya a globally competitive financial hub, serving a large part of the East Africa region of the continent. This will involve developing a vibrant and stable financial system to mobilize savings, and to allocate these resources more efficiently in the economy (Kenya Government, 2007).

A stable and sound financial sector would mean that there is a good flow of money enabling a good level of consumption. This would be necessary for any business to settle and thrive in any market and this would therefore be a factor that would attract franchisors to establish their businesses in such a market.

2.3.2.6 Banking sector

By international standards, the percentage of Kenyans owning bank accounts is still low. As of 30th June 2005, only 7.3 percent of the entire population had bank accounts. Despite remarkable progress in three years that followed, access to financial services outside the main cities still remained limited. However this situation changed with the introduction of mobile money. By 2010 about 90 percent of the adult Kenyan population owned a mobile telephone. Mobile money, first introduced by Safaricom mobile telephone Company as M-PESA, has revolutionized the lives of many Kenyans by facilitating financial access. Banks working with the Safaricom Company have added banking services to the M-PESA platform to come up with products such as M-KESHO and M-SHWARI which take the place of holding a traditional bank account (World Bank & IFC, 2010; World Bank, 2012). Besides more coverage by regular banks, addressing the issue of access would require strengthening alternative financial service providers such as micro-finance institutions, SACCOs and DFIs, in addition to improving investors' access to term finance. Kenya also needs to put

legislation in place to govern the emerging mobile money transactions and to enhance the use of pensions, insurance, capital and securities markets in realizing the investment goals set for Vision 2030 (World Bank & IFC, 2010; Kenya Government, 2007).

According to the World Bank and the IFC (2010), one of the constraints that will have to be overcome is to lower the interest rate spread between lending and deposit rates to between 5 and 6 percent from about 8.6 percent, registered in 2007. This spread was considered too high for the purposes of mobilizing savings and credit expansion. Institutional reforms are needed in several related segments, including: the commercial justice system; transparency and efficiency in the registration of collateral; improvements in land registration and the registry of companies and the expansion of private credit reference bureaus. Completing these reforms will make the financial system more competitive regionally. It is hoped that the implementation of the new constitution will take care of these governance issues to create a more efficient business environment (World Bank & IFC, 2010; Kenya Government, 2007).

Another concern is the high level of non-performing loans (NPLs) in the overall banking sector, even though this has improved considerably since 2003. In 2005, NPLs were at 19.3 per cent down from 46 per cent in 1998. While the supervision of banks by the Central Bank of Kenya broadly conforms to international norms, there are still challenges that need to be addressed. These include inadequate protection against losses incurred from bad loans, weak internal controls, insufficient auditing and lack of adequate anti-money laundering legislation. Despite this, Kenya's financial institutions have continued to offer services within Eastern and Central Africa. Kenyan banks have opened branches in Tanzania, Uganda, Rwanda and Southern Sudan, a trend that may continue as these economies grow (Kenya Government, 2007).

Kenya has 40 banks, out of which four or five are large and dominate the sector, and account for the bulk of deposits. The rest of the banks are small and have limited outreach. This has diminished competition and resulted in high credit costs. In view of this, there are many opportunities in the economy to expand banking services to parts of the population that do

not hold bank accounts, particularly in rural areas. This could provide a greater pool of savings to finance the productive investments development (Kenya Government, 2007).

Kenyan banks are well-capitalized. The soundness indicators of the banking system are above the statutory minimum. The total capital to total risk-weighted assets ratio stood at 20 percent, still well above the statutory minimum of 12 percent in 2010. Kenyan banks are also on track in implementing the CBK's requirement to have a minimum core capital of KES 1 billion by 2012 (World, Bank, 2010; CBK, 2010c). As of September 2010, 27 banks had reported core capital in excess of the KES 1 billion, which was well in advance of the deadline. Also, the ratio of non-performing loans (net) to gross loans declined further by 200 basis points, from 9.4 to 7.4 percent during the first half of 2010. Liquidity levels remained in excess of 40 percent, well above the CBK statutory requirement of 20 percent (World Bank & IFC, 2010; CBK, 2010c). Overall the financial sector of the Kenyan Economy grew by 7.8 percent in 2011 but declined slightly in 2012 to 6.5 percent (KNBS, 2013).

If a good section of the population has access to credit and uses a variety of financial services especially savings, it is a good indicator of the availability of disposable income. This could influence lifestyles and encourage consumption. Availability of disposable income among a good section of the population of a given market could be an incentive for restaurant franchises to enter that market, as eating out has been viewed as an option rather than a need by most people.

Availability of credit would also mean that people interested to join a franchise business can access loans easily to be able to do so. Franchises require capital to be able to expand. Restaurant franchises would normally count on local franchisees that have access to credit or capital to grow the franchise. This financial stability of the Kenyan economy gives positive signals to investors who look to enter the market.

2.3.3 East Africa Integration

In July 2010, the EAC (East Africa Community) adopted a common market protocol creating a free market of more than 130 million people with a combined GDP of US\$ 72 billion. Within the EAC, Kenya has the strongest economy and contributes 40 percent to EAC's total

GDP. Overall, the EAC region has been a dynamic economy since 2005 with an average of 5 percent growth. Kenya has East Africa's highest standard of living with a per capita income of US\$ 757. Tanzania, Uganda, and Rwanda have very similar income levels of some US\$ 500 per capita, about two thirds of Kenya's income levels. Burundi has by far the lowest levels of income. With a per capita income of US\$ 159 per capita the average Burundian only earns 20 percent of the average Kenyan (World Bank & IFC, 2010). Kenya remains the leading economy in the region. The growth momentum could be enhanced by the removal of non-tariff barriers in the movement of goods and services (World Bank, 2012).

Kenya's economy is more diversified than the other EAC countries, with manufacturing and services accounting for more than two thirds of GDP. However, the entire EAC region performs poorly in export capacity, though Kenya has the highest index of exports per capita at US\$ 200. Kenya's current fiscal position remains broadly sustainable which can be attributed to the Government continuous fiscal stimulus program (World Bank & IFC, 2010).

Kenya enjoys a strategic position economically and geographically in the region and it could be a very attractive launch platform for franchises that may be looking to enter the East African market. International franchising research in restaurant industry area has suggested that expansion into foreign markets, which are geographically close to the host country e.g. Canada from the USA (Walker & Etzel, 1973; Hackett, 1976; Hopkins, 1996) were more attractive and were considered friendly to franchising.

The future integration of the East African states could bring with it attractive tax incentives across the region, this fact would be an encouragement to restaurant franchises that would like to operate in various parts of the region.

2.3.4 Growth projections

The highest growth of 7.1 percent that Kenya has so far attained was in 2007. Kenya is expected to grow above 6.2 percent in 2015 (CBK, 2015). The higher growth will generate expectations that Kenya may have reached a point of economic development where growth is sustained. In the last three decades, Kenya experienced only two periods of relatively high

growth for three years or more: from 1986-1988 the economy expanded to above 5 percent and during 2004-2007 Kenya achieved an average growth rate of 5.8 percent. These periods were characterized by political stability, a better investment climate, and a favourable global economic environment (World Bank & IFC, 2010).

Assuming that the factors favouring growth remain constant, World Bank (2010) predicted the outlook for 2011 and 2012 as promising. Following the peaceful and broadly successful elections in 2013, the economic indicators point to a full recovery and possible take off in the medium term (KNBS, 2013). Successful and timely implementation of the constitutional reforms and the peaceful period of election have sent positive signals to the private sector and to investors and increased business confidence (KNBS, 2013). Under this high case scenario, the economy achieved a growth of 4.7 percent in 2013, and reached 5.4 percent in 2014 It is expected to reach 6.2 percent in 2015. (KNBS, 2015; World Bank, 2014).

In the medium term, growth should be driven by investment. Public Investment was expected to continue growing in line with planned capital spending. However, spikes in public investment, notably in infrastructure projects under the government's stimulus program, moderated as government reverted to more stringent fiscal policies in an effort to maintain debt at sustainable levels. The great majority of investments to address the infrastructure gap were expected to come from private sources. The setting up of the Public Private Partnership secretariat (effective since February 2010), housed at the Ministry of Finance, was expected to enhance Kenya's ability to finance investment in infrastructure (World Bank & IFC, 2010; Kenya Government, 2007).

Growth in private consumption seemed to remain stable between 2011 and 2014. Within the EAC, Kenya's overall growth was projected to be less than its neighbours, but closely matching Sub Saharan Africa's average. The impact of infrastructure investment was expected to pay off, resulting in a strong performance for industry, especially manufacturing. The EAC common market was expected to boost trade within the region. However non-tariff barriers to trade would constrain the rapid growth that would otherwise be achieved. Stable prices of primary commodities could serve to boost Kenya's overall trade performance,

though if the recovery of the North American and European economies from the economic crisis is sluggish, it may affect a rapid increase of exports to these markets. Overall, exports and imports are expected to expand at the same pace, and the current account deficit will remain in the range of 5 to 6 percent of GDP (World Bank & IFC, 2012; World Bank, 2014).

2.3.5 Main challenges

It would appear that the economic crises in Europe and America has not affected the East African region in a significant way. The Kenyan economy has continued to recover strongly from post-election violence (CBK, 2010a). Most of the economic sectors have grown with tourism showing the biggest growth in 2009 of 42.8 percent. However, the horticulture sector that depends on the European market has been somewhat slow to recover due to the economic crises in Europe (CBK, 2010a). Even with the improved economic growth momentum, there remains a number of expected risks that could dampen it. The cycle of drought or shortage of rain could interfere with growth as well as the cycle of violence around the election periods if they are not managed well to avert a repeat of past violence break out which could dampen the confidence of investors (World Bank & IFC, 2010; World Bank, 2014).

As in previous years, heavy dependence on rain puts the agricultural sector in a vulnerable position as the drought cycle recurs. The weather forecast for the end of 2014 and beginning of 2015 showed that there would be a dry spell. A spill over from agriculture to industry through an increase in the cost of commodities and utilities could have a negative impact on the economy. The effects of a drought generally slow down consumption growth and crowd out fiscal space for crucial investments, as the Government responds to drought-related emergencies (World Bank & IFC, 2010; World Bank, 2012 CBK 2014).

The election periods are characterized by uncertainties and risks for investors. In the past, national elections have been associated with lower growth and often with major negative shocks. A case in point can be seen in 2008 following the post-election violence. However, the successful campaign and largely peaceful elections in 2013 offer hope that the election cycle will follow the same path. Investors look for signs of political stability. When they

materialize, and external markets remain favourable, it minimizes risks to Kenya's economic outlook (World Bank & IFC, 2010; KNBS, 2013). Incidences of insecurity in 2013 and 2014 have mainly affected the Tourism industry. Visitor arrivals dropped and hotels' occupancy particularly at the Coast have been poor. (KNBS 2014).

2.3.6 Business economic climate in Kenya

The Kenya government has taken various steps to create an enabling environment in order to encourage both foreign and domestic investment. This is in line with the Economic Recovery Strategy paper (2003), which is based on the twin concepts of democracy and empowerment: The Theme of the Minister's Speech was "Overcoming today's challenges for a better Kenya tomorrow" (Kenya Government, 2009). The objective of the year 2009 budget was to stimulate growth and protect jobs, reduce poverty, enhance food security and protect the poor. The Minister said that he would be guided by 5 underlying principles:-

- *'Maintaining a stable macroeconomic environment and creating an enabling environment for business;*
- *Developing key infrastructure facilities and public works across the country in order to stimulate growth create employment and reduce poverty;*
- *Promoting equitable regional and social development for stability;*
- *Investing in the environment and food security and;*
- *Strengthening governance, as a means to enhance public service delivery.'*(Kenya Government, 2009).

Using standards developed in Britain and in use around the world in measuring economic indicators in various countries, the World Bank & IFC (2009) made an assessment of the economic climate of Kenya to determine how easy it is to do business. These microeconomic indicators help to understand and improve how governments create a business friendly environment, through regulatory frameworks that encourage rather than hinder business. The analysis gives quantitative measures in starting a business: obtaining construction permits, registering property and enforcing contracts for small and medium enterprises (World Bank & IFC, 2009). An attractive economic climate requires regulations that can protect the rights of investors from abuse, make the cost of resolving disputes affordable and clarify property

rights. It would also ensure that the economic interactions are predictable (World Bank & IFC, 2009). In recent years, the Kenyan Government has undertaken reforms to improve the business climate. One way has been to facilitate a business entry by reducing the number of permits required in 2006, by half the time it took by 2009. The Ministry of Housing has also reformed and shortened the time it takes to obtain a construction permit by half between 2006 and 2009. A commercial dispute in Nairobi before 2009 took about fifteen months, an inefficiency derived from a backlog of cases that clog the court system (World Bank & IFC, 2009).

Table 2.1 shows a simple average of ease of starting a business in different localities in Kenya. The rankings are derived from the number of procedures, the associated time and cost required to start a business (World Bank & IFC, 2009).

Table 2.3: Where it is easy to start a business in Kenya and where it is not easy

Municipality	Rank
Nairobi (easiest)	1
Thika	2
Mombasa	3
Isiolo	4
Eldoret	5
Nyeri	5
Kilifi	7
Kisumu	7
Narok	9
Malaba	10
Garissa (most difficult)	11

Source: World Bank, 2009

Kenya has had a centralized government which has made it difficult and more costly to start businesses outside the capital. The implementation of the new constitution has brought in a devolved system of government (KNBS, 2013) which should eventually make things easier for investors, as administrative units are moved to the county levels (World Bank, 2012). The

regulatory framework for business registration in different locations is similar, but there are significant differences in time and cost in different towns. Nairobi is the easiest place to set up a business, whereas Garissa is the most difficult town in which to start a business in as shown in table 1. The Registrar of Companies has had only one office in the whole country, which is located in Nairobi. Entrepreneurs across Kenya need to travel to Nairobi to be able to incorporate their companies. The Registrar of Companies approves the company name (procedure 1) and files the incorporation deed, the stamped memorandum, articles of association and the statement of nominal capital (procedure 5). The intervening steps for obtaining the approval of the company name, that is, stamping the memorandum, articles of association, a statement of the nominal capital, paying stamp duty at an authorized bank and signing the declaration of compliance before a Commissioner for Oaths, could be done in any locality. However the entrepreneur would still have to go back to Nairobi to file the documents with the Registrar of Companies. It is therefore common practice to get all five procedures completed in Nairobi directly, rather than travelling back and forth from other towns. This significantly increases cost of starting a business which includes transportation costs. For example, if an entrepreneur comes from Isiolo, he/she needs to travel for 9 hours by bus in order to get to Nairobi and has to pay KES 3,000 (US\$ 37) fare for an entire trip. The rest of the incorporation procedures would have to be solved in Meru town, the county headquarters, which requires a one bus trip costing KES 800 (US\$ 10) for the round bus trip. Opening a business currently takes 34 days in Nairobi compared with 2½ times longer in Narok town (81 days).

The cost of opening up a business varies greatly across localities. In Nairobi and Thika, it takes less than 40 percent of income per capita to start a business. For those in Malaba, Kilifi, or Isiolo the cost is above 55 percent. The most difficult part of the business in Garissa is to file the deed with the Registrar of Companies in Nairobi. Incorporation documents from companies based in Nairobi are given priority and are processed faster than those from out-of-town companies. Filing the deed would take 29 days for a company operating in Garissa, as compared to 10 days for a company operating in Nairobi. Stamping the memorandum, articles of association and a statement of the nominal capital (procedure 2) is still the main cause of long delays in Garissa and all other localities across Kenya, despite government

efforts to make this process more efficient. On average, the process took 20 days across Kenya in 2009, down from 54 days in 2005. The third longest procedure is getting a business permit which is issued locally by the County Council in each town. The time needed varies between 5 and 8 days across localities. It takes 8 days in Garissa which is 3 days longer than in Nairobi. Ideally, a company registration certificate should be sufficient as a license to start any business not subject to separate licensing requirements for reasons of public safety or environmental concerns. The business permit also accounts for the largest component of the business start-up costs that is 30 percent on average. The cost is calculated by each county government following the “Single Business Permit Fee Schedule”. This schedule establishes the range of fees that County Governments can charge an entrepreneur looking to do business in a certain locality and categorizes traders as medium, or small. The County fees vary between KES 2,500 (US\$ 31) to KES 12,000 (US\$ 149) depending upon the locality (World Bank & IFC, 2009). Kenya ranks second after Rwanda in the region on the ease of doing business but it is ahead of other African countries like South Africa (World Bank, 2012).

The ease and the cost of setting up a business in Kenya would be one of the considerations that Franchisors would make before embarking on expansion to this location. Clear Government policies and straightforward procedures for obtaining relevant documentation, can form a good basis for attracting investors to the country. Restaurant franchises would need to establish business in various locations in the country. Clear and consistent laws and regulation in the different counties would facilitate the growth of this type of investment.

2.4 The effects of the economy on the Restaurant Industry

The Tourism sector along with the Hotels and Restaurants sector, emerged from an unstable position through the years 1997 to 2003, to an impressive recovery between 2004 and 2006. This was attributed to the successful implementation of Tourism Market Recovery Programme, carried out by the Kenya Tourism Trust Fund, with the support of the Government of Kenya. The recovered Tourism Sector has made a significant contribution to the Kenyan Economy. Kenya registered over 1 million visitors and in classified hotels,

recorded a bed capacity of 73,000 in 2003; the sector employed 11% of the workforce in Kenya at the time (KNBS, 2009).

The sector maintained an upward trend in 2007 showing an increase of 16.4% over 2006 in the country's earnings, making it not only a socio-economic driver but one of the largest categories of international trade. This growth in tourism has driven the growth in accommodations, hotels and restaurants by 16.3% in 2007 over the previous year. However the fourth quarter of 2007 experienced a moderate growth of 4.3% which has been attributed to the uncertainty associated with the December 2007 elections (Economic Survey, 2008). This continued in 2008, owing to the post-election skirmishes. Tourism rebounded and from 2009 to 2011 it continued to grow (KNBS, 2013). In 2011 the foreign exchange earnings from Tourism were KES 97.9 billion. It declined slightly in 2012 to KES 96.0 billion partly due to negative travel advisories issued by Western countries over security concerns. However the passing of a new constitution in August 2010 and the peaceful election period in 2013 have renewed investor confidence and with more inflow of capital the Kenya Government expects to raise the economic growth above 5 percent (CBK, 2013).

The role of Tourism in the Kenyan Economy has been set out in the National Tourism Policy of May 2006. Kenya tourism shall be dedicated to providing high quality facilities and services mainly hotels and restaurants for the enjoyment of its citizens and visitors alike, while being at the same time an instrument for improving the economy and the quality of life for Kenyans, earning foreign exchange, encouraging investment and sharing benefits with the local communities. The Kenya Government has identified Tourism as one of the most promising and potential sectors in driving the country's economic growth projected until 2030 (Kenya Government, 2007).

The specific goals for the Tourism and Hospitality sector to be achieved by 2013 include; raising the GDP contribution of the sector to over KES 80 billion, increasing the visitor arrivals from the highest ever achieved number of 1.8 million to 3 million, and increasing hotel and bed capacity from the current 40,000 to 65,000, combined with emphasis on high quality service (Kenya Government, 2007). The increased volume of visitors in the country

would need the growth of support facilities of hotels and restaurants. International restaurant franchises would probably attract more foreign visitors as they would be familiar with the brands from their home countries. The growth in tourism therefore creates investment opportunities for restaurant franchises in the Kenyan market.

The economic momentum seen from 2003 was restrained by the post-election violence in the first quarter of 2008, as mentioned earlier, and the global financial crises which began in 2007. These factors led to slow economic growth from 7.1 percent on 2007 to 1.7 percent in 2008. Consequently the Hotels and Restaurants sector declined in growth sharply by 36.1 percent. It was among the sectors that was worst hit by both the internal and external factors. This decline was occasioned immediately by the cancellation of reservations of scheduled holidays, unemployment and declining incomes which led to lower private consumption expenditure (KNBS, 2009). However in 2009 the economy grew by 2.6 percent which was attributed mainly to the improvement in the Tourism sector, the Construction Industry and the Transport and communications sector. The Hotel and Restaurants improved from negative 36.1 percent in 2008 to 42.8 percent in 2009 (KNBS, 2010). It shrank 14.6 percent in 2013 from 2012 due to insecurity incidents (KNBS, 2014).

While the factors leading to the global economic downturn were not unique to Kenya, the instability of the political climate had a big role to play in dampening investor confidence. The whole scenario led to a slower business turnover in many sectors of the economy in the short term. However, the peaceful elections in 2013 have given an optimistic outlook to investors (CBK, 2013). Both local and international investors may be encouraged to put their resources in an environment that is predictable and politically stable in the long term. It is more difficult for a foreign investor to take the risk in an unpredictable environment.

Franchising is one of the preferred methods of expansion in the hospitality business (Hoover, et al., 2003). The foreign expansion of organizations favours the franchising option. This is partly due to the cost of monitoring foreign outlets, as well as to the difficulty of gaining important information about the local conditions overseas (Minkler, 1990). Franchising as a market entry mode would require less risk for an international investor since the risk could be

shared with franchisees who would be local investors. Both administrative efficiency and host country risk management, could be taken care of by a local franchisee (Choo, 2003; (Sashi & Karuppur, 2002)

Researchers have observed that chain or franchised restaurants cope better with sudden changes and the economies of scale, shield them from failure, associated with financial constraints. The experience that franchisees bring to the franchise gives it greater ability to read the market environment and monitor competition (Choo, 2003). According to other researchers, the external environment can change so quickly that companies may not have the ability to adapt to the change accordingly (Zacharakis, et al., 1999). But Parsa, et al. (2005) found that restaurant failure was more from internal factors such as leadership and management of the organization than from external factors, such as political, economic or competitive climate, although both do apply. However it appears that in the Kenyan market the external business climate does seem to have had noticeable effects on the success or failure of restaurants. This is reflected in the performance of the Hotels and Restaurants sector which dropped to negative 36.1 percent in the year of political instability 2008. When this changed the sector showed an immediate rebound by growing 42.8 percent in 2009 (KNBS, 2010).

Kenya is the one of Africa's more affluent nations and is seen as a business hub for East Africa. However, the country's economy has been hampered by corruption and political upheavals, and has seen growth in spurts. Kenya has also been affected by the global economic downturn and in 2008 saw a 7 percent drop in its GDP growth from the previous year.

With relatively stable macroeconomics management, the growth and improvement in infrastructure and better governance, Kenya now seems to be a more attractive country for foreign and local investment provided the political situation is good. The rapid urbanization, growth and expansion of cities undoubtedly create an opportunity for growth for the restaurant industry. Kenya being the leading economy in the region, could be considered the gateway for many foreign companies that are contemplating taking their business to this

region. The East African community is particularly attractive as entry to any of the countries could provide access to the other four member countries of the Community more easily. One of the things that would encourage investors to exploit the emerging opportunities regarding the restaurant industry would be to establish the critical success factors for restaurant franchise system entering the Kenyan market.

2.5 Conclusion

In this chapter we have discussed the Kenyan economy broadly, then moved on to specifically look at the macroeconomic frameworks, before tackling the microeconomic indicators for creating a friendly business environment. We saw how these affect franchising and more specifically restaurant franchise business. In the next chapter we shall explore the critical success factors, concept development and approach in general and then narrow down to the restaurant industry specifically.

CHAPTER 3: LITERATURE REVIEW - CRITICAL SUCCESS FACTORS: CONCEPTS AND APPLICATION

3.1 Introduction

The previous chapter dwelt on background, giving the context and business environment of the research. It tackled the macroeconomic and the microeconomic factors in the Kenyan economy and examined the conditions necessary for businesses, including franchise restaurant businesses, to start and grow. This chapter starts with a discussion on the different definitions of critical success factors, after which we move to the evolution and sources of critical success factors. We then look at identification, prioritization and relevance of critical success factors before we examine the relationship between critical success factors and sustainable competitive advantage. We summarize the critical success factors of the hospitality industry in general and the restaurants in particular. From here we move to a discussion on the main variables of the study.

3.2 CSF defined

The identification of ‘success factors’ was first proposed by Daniel (1961) in an article on Management Information Crisis. It was later refined by Rockart (1979:85) who used the term ‘Critical Success Factors’ (CSF) to mean: *“The limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance in an organization”*. In this definition Rockart (1979) emphasizes that these areas of activity are “key”. By “key” Rockart (1979) seems to mean the most important areas that are of vital importance, critical factors, to an organization’s current activities as well as pertaining to its future. These must “go right”. The CSFs therefore should be carefully managed by the company to ensure success. The critical success factors will point to those areas that impact success and that also affect the level of competitiveness of the organization’s performance in the market place. The management should provide a constant focus on these key areas and avail the necessary resources in maintaining the focus until success is achieved. If any of the CSFs are missing it would then make a difference between successful competitive performance of an organization and a waste of resources, time, effort and money resulting in failure.

Competitive performance would require achieving an optimum balance between the environmental conditions and the business characteristics for a particular company (Amberg et al., 2005).

Bruno and Leidecker (1984:24) view CSFs as “*those characteristics, conditions or variables that when properly managed, can have a significant impact on the success of an organization competing in a particular industry*”. The critical success factors here are valued for the significant impact they result in, when due attention is paid to them. The definition does not seem to indicate that the level of success achieved should necessarily be outstanding or lead to competitive positioning of the organization in the industry in which it operates. The implied measure of success is not indicated, or it may not be particularly important in this definition. However, this definition adds to Rockart’s (1979), the reference of operating in a particular industry.

Pinto and Slevin (1987:22) regarded CSFs as “*factors which, if addressed, significantly improve project implementation chance*”. This particular definition seems to be limited to the implementation stage of a project, thus limiting the scope of the CSFs, implying the meaning of the term “success” as the completion of a project probably based on time and budget. As long as the project is complete, it is successful. This is the definition of success often given by project implementation teams (Remus & Wiener, 2008). The definition has no reference to competitiveness as there are no other players so to speak. Pinto and Slevin’s definition would be difficult to apply to a business that seeks to achieve not only significant improvements but a competitive and sustainable positioning in the business environment within which it operates (Remus & Wiener, 2008). In a way it is a narrow definition, limited in the scope of application to project implementation and lacks the preciseness and completeness of Rockart’s (1979) definition.

The rest of the existing definitions of CSFs gravitate around these three main ones, differing only slightly one from the other; for example Dickson, Ferguson and Sircar (1984a) define CSFs as ‘*events, conditions circumstances or activities that due to their significance require special attention*’; this is similar to Bruno and Leidecker’s (1984) definition. In a criticism of

the above definitions of CSFs, Esteves (2004) underlines that, the later definitions failed to address the concept with the comprehensiveness that Rockart (1979) gave it. The summary of these definitions is depicted in table 2.

Table 3.1: “CSF” definitions

<p>What is common in these definitions</p>	<ul style="list-style-type: none"> • The critical factors need to be few and the trivial factors are many • Special focus is required on anything that is regarded as a CSF as they are regarded as significant • The CSFs affect outcomes (could be competitive performance, or the successful completion of a project) • The nature of success is also influenced
<p>What is different in these definitions</p>	<ul style="list-style-type: none"> • Different authors use different terms though they seem to refer to the same reality. Terms used include characteristics, areas, variables, conditions, events, circumstances and activities.
<p>Reasons for choosing Rockart (1979:85) ; Bruno and Leidecker’s (1984:24) ; Pinto and Slevin (1987:22) Dickson, Ferguson and Sircar (1984a) as a basis for defining the term ‘critical success factors’</p>	<ul style="list-style-type: none"> • They are the most widely cited (a Google scholar search indicates that Rockart (1979:85), Bruno and Leidecker’s (1984:24) ; Pinto and Slevin (1987:22) ; Dickson, Ferguson and Sircar (1984a) definition appears in the first 10/pdf/web documents

Developed for this study

3.2.1 Adopted Definition

This study will use the term critical success factors, as Rockart (1979:85) defined it: *“The limited number of areas in which results, if they are satisfactory, will ensure successful*

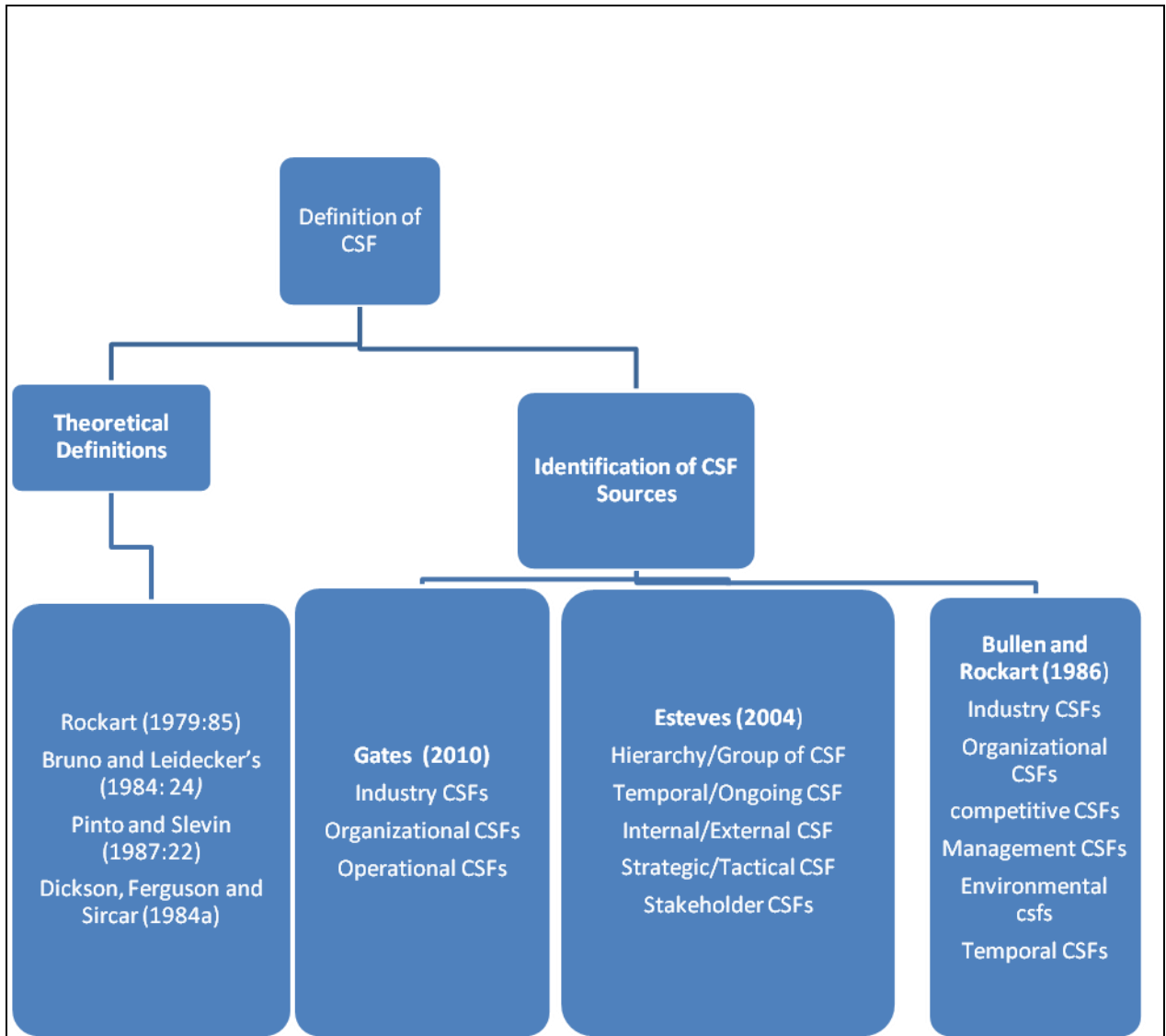
competitive performance in an organization” and add part of Bruno & Leidecker’s (1984:24) definition “*operating in a particular industry*” to this definition.

The motives behind adopting the above definition of what “CSF” means are threefold:

- Firstly, this study is not interested in exhausting all possible factors in general, but rather a “limited set of factors”. An organisation may be unable to profit from thousands of CSFs. Steven et al. (2004), suggest that it would be more beneficial for an organisation to identify a limited number of CSFs. The limited set of factors shall inform the conceptualization of our independent variables.
- Secondly, the definition mentions “competitive performance” and this shall inform our dependent variable.
- Thirdly, the mention of the term “organization” and “operating in a particular industry” informs the contextualization of the study. The study shall therefore attempt to link “critical success factors” to “competitive performance” for “organizations operating in a particular industry”. The previous chapter deals with the context of the study. The context of the study as has been identified is to be the franchised restaurants operating in Kenya.
-

In an attempt to further define the term critical success factors, it is important to identify the sources of CSFs (Esteves, 2004; Gates 2010) more extensive definition of the term ‘critical success factors’ therefore includes a theoretical definition and a discussion of sources of CSFs. The different sources of CSF and the definitions are depicted in figure 3.1.

Figure 2.1: Definitions and sources of CSFs



Source: Adapted from Esteves, 2004; Gates, 2010; Bullen & Rockart (1986)

3.3 CSF Sources

The classification of CSFs was motivated by Rockart (1979) who found that though the organizations belonged to the same industry, they had different CSFs, and so he identified the reasons for these differences to have been influenced by geographical location, strategic situations, environmental situations and temporal factors. Gates (2010) asserts that although CSFs may remain fairly constant over time, at least in the sense of a strategic planning

period, CSFs may change if the industry’s environment changes, if the company’s position within an industry changes, or if particular organizational problems or opportunities arise. A summary of the different sources of CSFs is given in table 3.2.

Table 4.2: CSF Sources

Study	Sources of CSFs	Reflections
Gates (2010)	Industry CSFs	<ul style="list-style-type: none"> • These factors are common to an industry, when they are well managed, sustained and maintained, and give a particular organization competitive advantage in that particular industry
	Organizational CSFs	<ul style="list-style-type: none"> • The organization (enterprise) CSFs would give a strategic direction to the organization based on the economy, current business climate and geo-political issues, derived from an overall blend of sources and dimensions
	Operational CSFs	<ul style="list-style-type: none"> • Though closely linked to the enterprise CSFs, the operational CSFs tend to be less influenced by the organization’s industry climate and more directed to the contributions necessary to support the specific organization’s strategic goals and mission.
Esteves (2004)	Hierarchy/Group CSF	<ul style="list-style-type: none"> • The hierarchical approach has been extended to cluster CSFs into groups. These groups could be varied, they could be groups of organizations belonging to the same industry (industry-based CSF), they could be groups of the same level of management through different organizations for example chief executives, human resource managers etc. (occupational CSF)
	Temporal/Ongoing CSF	<ul style="list-style-type: none"> • Areas that the company needs to carefully manage for a time to ensure the continued ability of the organization to accomplish its mission (Temporary situations or temporary environmental factors such as those caused by war or extreme weather conditions, drought, floods etc.)
	Internal/External CSF	<ul style="list-style-type: none"> • CSFs derived from environmental situations refer to factors over which an organization has very little control or ability to manage actively (external CSF) and those it has control over (internal CSF)
	Stakeholder CSFs	<ul style="list-style-type: none"> • Factors that note that widespread consultation is seen as

		strengthening the CSF approach because it was viewed that success of an organization does not depend only on managers. Some research considers deriving CSFs from different stakeholders as important
	Strategic/Tactical CSF	<ul style="list-style-type: none"> The strategic (enterprise) CSFs would give a strategic direction to the organization based on the economy, current business climate and geo-political issues, derived from an overall blend of sources and dimensions
Bullen and Rockart (1986)	Industry CSFs	<ul style="list-style-type: none"> Factors concerned with the industry in which the organization competes or operates
	Organizational CSFs	<ul style="list-style-type: none"> The organization (enterprise) CSFs would give a strategic direction to the organization based on the economy, current business climate and geo-political issues, derived from an overall blend of sources and dimensions
	Competitive-position CSFs or CSFs based on Peer group	<ul style="list-style-type: none"> Factors concerned with an understanding of the organizations that form the peer group
	Environmental situations CSFs	<ul style="list-style-type: none"> Factors concerned with the general business environment or climate in which the organization operates
	Temporal CSFs	<ul style="list-style-type: none"> Factors concerned with problems, barriers and challenges the organization faces
	Management-Position based CSFs	<ul style="list-style-type: none"> Factors concerned with the different layers or levels of management

Source: Adapted from Gates (2010); Esteves (2004); Bullen & Rockart (1986) and Rockart & Christine (1981)

This study will attempt to explain the grouping of CSF sources by Rockart & Christine (1981) with the observation that it is the most comprehensive and most cited among CSF studies, and add other CSF that we may consider important for the study.

3.3.1 Prominent CSF Sources

3.3.1.1 Industry based CSFs

Rockart (1979) noted that one of the sources of CSFs was the industry itself. While Bruno & Leidecker (1984) emphasized that these factors are common to an industry, when they are well managed, sustained and maintained, give a particular organization competitive advantage in that particular industry. The identification of industry critical success factors could help management to specify the information that is important to making critical decisions in an enterprise (Rockart, 1979).

The hospitality industry considers customer satisfaction as a critical success factor (Bergin, 2002). In addition, the industry also considers employee motivation as critical success factor (Brotherton, 2004a). This therefore explains the tendency of hotels to insist on having customer satisfaction surveys as well as employee satisfaction surveys.

Flanagan (2005), Louvieris, et al. (2003) and Parsa et al. (2005) confirmed some of the key success factors in the restaurant industry as being: effective leadership, management of human relations with emphasis on 'soft skills' as opposed to the hard, technical skills, the use of standard operating procedures, sound financial management and multi-unit strategic planning.

Where franchising is used in an industry it may be important to consider the maintenance of franchise standards of that industry as industry critical success factors Louvieris et al. (2003). The management of a franchised restaurant would therefore be concerned about maintaining franchise standards as an industry critical success factor.

3.3.1.2 Competitive-position or CSFs based on peer group

CSFs derived from the peer group are a further delineation of industry based CSFs (Rockart & Christine, 1981). They refer to those CSFs that are specific to the organization and its unique position in relation to its peer group in the industry. It may be a leadership position, in which case CSFs that are aimed at maintaining or increasing its market share against other peer organizations may be important, whereas if it is a laggard, the organization may need to

make CSFs that help it look at improving its competitive position in the industry (Stevens, et al., 2004).

Porter's (1985) generic strategies of cost leadership, differentiation and focus may be used by an organization to improve on its competitive position. If an organization chooses cost leadership as a strategy, then efficiency becomes a critical success factor. Therefore, information on costs becomes necessary. An organization that chooses differentiation may not have cost as a critical success factor. However, product quality (perceived or real) may be a critical success factor. Therefore, information on research and development activities towards improving quality becomes critical.

Mukewa (2010) conducted a study on the differentiation used by classified hotels in major cities in Kenya and concluded that hotels such as The Hilton, The Serena and Ole Sereni may attempt to differentiate their products in order to be ahead of the competition. This would imply that quality of food and excellent customer service would be critical success factors. Maringa (2011) conducted a case study of 2-5 star rated hotels in Kenya on 'gaining competitive advantage through application of information and communication technology' and concluded that franchised hotels such as Intercontinental Groups of Hotels (IHG) may also compete with their peers in the hotel business through ICT delivered services. Franchised restaurants such as Chicken Inn, KFC, Steers and Kula Korner may also wish to compete on differentiation and may therefore find that one of the critical success factor to do so is quality and the offer of new dishes such as "halal food" etc.

3.3.1.3 Environmental situations and CSFs

For long term survival and success, an organization needs to be attentive to the macro environment in which it operates (Stevens, et al., 2004). CSFs derived from environmental situations refer to factors over which an organization has very little control or ability to manage actively (Rockart, 1979). These include conditions related to prevailing socio-political climate, the industry's regulatory environment issues to do with seasonality and global economic influences.

For example many industries and sectors may have been affected by the global economic crisis which began in 2008. The restaurant industry which depends on discretionary expenditure of households declined with the economic recession and with the rise in unemployment in the USA (Zwolak, 2010). Terrorist activities influenced the airline industry following the September 2001 bombings in the USA (Stevens, et al., 2004). The situations arising from these events can only be managed passively rather than controlled since they originate from causes beyond the influence of the organization's management.

Organizations may not adequately predict the occurrence of environmental forces. Therefore it may be critical to build resilience to such factors and put in place disaster management programs and in some cases business recovery and contingency measures. The existence of well laid out disaster management plans and business recovery and contingency plans may serve as critical success factors for business to weather related environmental factors. For instance, franchised restaurant businesses need contingency plans and disaster recovery programs to safeguard themselves against macroeconomic factor such political chaos, as happened in Kenya after the 2007 general elections. Other disasters may include terrorism, technological sabotage or natural disasters such as hurricanes.

3.3.1.4 Temporal factors and CSFs

CSFs are closely related to the long term strategic plan of an organization, which remains more or less constant, and is adjusted only when major changes occur (Stevens, et al., 2004). However over time, every organization encounters conditions or situations that are temporary and need to be managed for a specific period of time (Ferguson & Khandewal, 1999), while at the same time maintaining its performance in all other key areas. This can give rise to temporary CSFs, areas that the company needs to carefully manage for a time to ensure the continued ability of the organization to accomplish its mission (Stevens, et al., 2004). These temporary situations could be temporary environmental factors such as those caused by war or extreme weather conditions, drought, floods etc., or could arise from lawsuits or legal action against the organization that needs to be managed until normal conditions return. Ferguson and Khandewal (1999) suggest that CSF could be either temporary or on-going in nature. A factor is temporary when it is regarded as critical only for a certain period of time.

An on-going CSF influences an organization throughout its entire lifecycle (Ferguson & Khandewal, 1999). In this context Ferguson and Khandewal (1999) further state that all CSFs could be defined in a manner that makes them temporary, though they may differ from each other depending on their time-frame.

For example, an organisation may be sued by its client over a breach of contract. For the organization to manage such a legal suit, it has to identify a critical success factor such as managing public relations. It may therefore need to call for a press conference. In addition, the selection of competent legal officers to manage the suit may also be a critical success factor. The reason why this is temporal and not on-going is because the legal suit is assumed to run for a stipulated period (may be one year) and the dates of the hearing are also categorically stated.

Restaurants in general and franchised restaurants in particular may also be faced by legal suits which need to be managed urgently. Law suits could arise from intellectual property rights abuses as would be the case of “copycat” restaurants emerging in an environment where a brand sets up. A franchisee could breach the franchise agreement and the franchisor may need to have recourse to a legal settlement. In an environment where franchising is a recent concept, the inadequate understanding of how franchises work could lead to a number of problems some of which could be considered as critical factors for the success of a temporal nature until franchising is well established and understood in that business environment.

3.3.1.5 Management-Position based CSFs

Rockart (1979), Esteves (2004) and Gates (2010), state that every layer of management has a different perspective and focuses on different priorities in the organization. In line with this approach, an organization may have CSFs following the hierarchical structure. Rockart (1979) initially identified a specific hierarchy of CSF following the different management levels cascading through the different layers in an organization. Higher level CSFs seem to influence those derived from lower levels. Rockart’s (1979) approach to CSFs focuses on information needs for purposes of management control and seeks to identify data which can

be used to monitor and improve existing areas of business (Amberg, et al., 2005). On the other hand, Davis (1980) notes that this emphasis of deriving CSF from management has been criticized as it has been seen as an approach which relies only on the opinions of managers. Munro & Wheeler (1980) suggested that middle managers views should be incorporated while Baynton & Zmud (1984) proposed that a cross-section of managers' views should be incorporated as well as opinions of other stakeholders in the organization. This would imply that another source of CSF could be stakeholders of an organization (customers, suppliers, investors, employees and civil rights groups). However, this new source of CSF is discussed separately in another section of this study. The specific section is titled 'Other Sources of CSFs from other authors' later in this chapter'.

An example of management-position based CSF could be as follows: the junior level managers in a franchised restaurant would identify critical success factors for the day to day running of the operations of the restaurant. Middle level managers may concern themselves with critical success factors for managerial operations such as human resource recruitments, monthly and quarterly departmental results and general performance management for the department. Meanwhile, the senior/executive management of franchised restaurants may be concerned about critical success factors for strategic performance.

3.3.2 Other Sources of CSFs from other authors

3.3.2.1 Stakeholders CSFs

Stevens et al. (2004) notes that widespread consultation is seen as strengthening the CSF approach because it was viewed that success of an organization does not depend only on managers. Some research considers deriving CSFs from different stakeholders as important (Sedera, et al., 2004). This translates to CSFs that reflect the different levels of management in an organization, executive, middle level, and operational level in addition to customers, suppliers, investors, employees and civil rights groups (Stevens, et al., 2004).

3.3.2.2 Strategic (Enterprise) CSFs

The strategic (enterprise) CSFs would give a strategic direction to the organization based on the economy, current business climate and geo-political issues, derived from an overall blend

of sources and dimensions. Enterprise CSFs would be derived from the top level or executive management level, since they represent and give the strategic direction to the whole organization (Stevens, et al., 2004). The CSFs derived in this way could reflect all the different sources and dimensions and comprise a harmonious blend of what is truly critical for an organization at a given time. Top level management has the ability to respond to changes in the state of the economy, the prevailing business climate and other geo-political issues. They can therefore align CSF with the temporary and the long term strategy of the organization (Stevens, et al., 2004; Sedera, et al., 2004).

3.3.2.4 Operational CSFs

Though closely linked to the enterprise CSFs, the operational CSFs tend to be less influenced by the organization's industry climate and more directed to the contributions necessary to support the specific organization's strategic goals and mission according to (Stevens, et al., 2004).

3.3.2.5 Group CSFs

The hierarchical approach has been extended to cluster CSFs into groups. These groups could be varied, they could be groups of organizations belonging to the same industry (industry-based CSF), they could be groups of the same level of management through different organizations for example chief executives, human resource managers etc. (occupational CSF). In this way, generic CSFs for these particular groups are derived (Esteves, 2004).

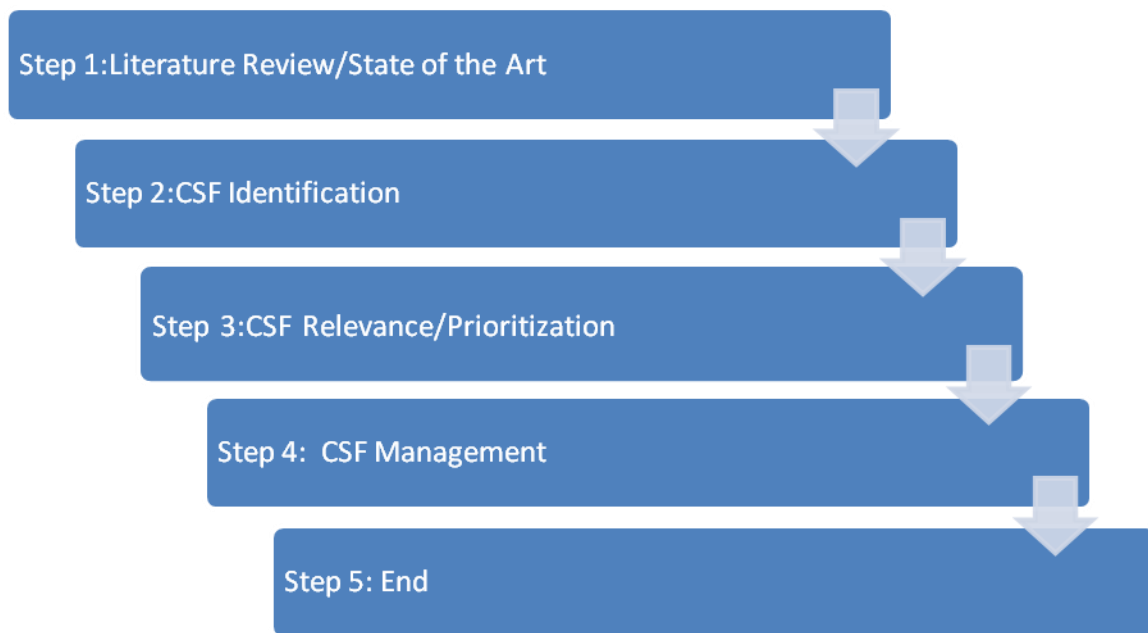
3.3.7 Summary on Sources of CSFs

The numerous sources could give rise to a broad array of CSFs, the sheer number of which would make their practicability impossible. An organization may be unable to align its goals with hundreds or thousands of CSFs and the attempt to do so could derail them from achieving their mission (Stevens, et al., 2004). So it may be more beneficial for an organization to identify a limited number of CSFs (about ten to twelve areas) from all CSF sources that are really critical to the accomplishing of their mission. These CSFs can be

considered as the overall CSFs. They would be aligned to the organization's strategic plan and therefore represent what is most important for an organization.

The next section describes the important steps in carrying out a CSF approach. These important steps are; Literature Review/State of the Art; CSF Identification, CSF Relevance/Prioritization and CSF Management (Esteves, 2004; Gates, 2010): An illustration is shown in Figure 3.2.

Figure 3.2 Steps in the CSF approach



Source: Developed for the study

The review step reviews current and past literature concerning what other authors have said about what critical success factors are in an organization(Stevens, et al., 2004). This study discusses the second and third step in depth. However, it ignores the fourth step as it is beyond the scope of this study.

3.4 Critical Success Factors: Relevance, Identification and Prioritization

3.4.1 Relevance

Though the CSF approach has been largely used in Information Science literature, the CSF concept has also been applied in many other fields. In the recent times, studies on CSFs have been valuable in helping to make sense of problems, where many potential factors are to be found that influence the outcome, and where researchers hope to identify the key influential factors and make practical recommendations (Lam, 2005).

There is an on-going discussion among researchers on the practical contribution of CSFs research. Questions remain unanswered as to whether the objective knowledge of CSFs can be applied directly to solve problems in the real world (Remus & Wiener, 2008). However, according to Remus & Wiener (2008), research on CSFs still remains very conceptual and there seems to unfold a dialogue between research and practice informing different courses of action. Nevertheless, as Hassell (2007) states, knowledge can only be understood if it is considered as situated, embodied and linked to experience in the life world, to culture and to power. This linkage of knowledge to life situations contextualizes CSFs analysis and consequently implications for management situations can be derived (Remus & Wiener, 2008). These implications usually take the form of suggestions rather than objective norms or guidelines for action.

3.4.2 Identification of CSFs

Rockart (1979) notes that rather than being created, CSFs are identified. The identification and management of CSFs is an approach that has been in existence and in use over the last 30 years (Esteves, 2004). Esteves (2004) states that the identification of CSFs has been done using various methods by different researchers; Esteves and Pastor (2000) used literature review; Khandewal and Miller (1992) carried out group interviews; Attirawong and McCathy (2001) used the Delphi technique. However, according to Shah and Siddique (2002) the most frequently used method to identify CSFs has been through a questionnaire.

In the hospitality industry, Parsa et al. (2005) used mixed methods for stage one where a survey was done and in stage two where they interviewed restaurant owners to identify the factors that were essential to success. Camillo et al. (2008) used case studies in their identification of critical success factors for independent restaurants in California. Hua et al. (2009) used interviews and a questionnaire to establish critical success factors and customer expectation in the budget hotel segment in China. Melia (2011) used focus group discussion and in-depth interviews with managers and owners of small and medium sized independently owned hotels to identify CSFs.

This study will use in-depth interviews to franchisors or would be franchisors of restaurants. The interviews hope to identify enterprise CSFs from this topmost layer of management/owners. The interview will facilitate the identification of the critical success factors that originate from the industry, as well as those that may originate from the external and internal environment of the organization. Critical success factors from the customers' perspective will be carried out using mixed methods research. This method involves the use of both qualitative and quantitative data which serve to counterbalance the weaknesses inherent in the different methods (Ceswell & Plano Clark, 2007). This triangulation of methodologies will then lead to more robust findings as those critical success factors from the first stage will be verified in the second quantitative stage (Ceswell & Plano Clark, 2007). Once identification of critical success factors are done, it may be important to investigate the relative importance (prioritization) of each factor to the different processes embodied in the production of goods or in the delivery of services.

3.4.3 Prioritization of CSFs

Following the identification of CSFs, recent research has tended to move to the stage of prioritizing of the CSFs (Stevens et al., 2004; Amberg et al., 2005; Remus & Wiener, 2008). In quality management, there are studies (Aaker, 2001; Karuppusami & Gandinathan, 2006) that have been done using Pareto Analysis for the prioritization of critical success factors. Using this tool, the data frequencies are classified in descending order from the highest frequency occurrences to the lowest frequency occurrences. This classification, using statistical frequencies, distinguishes between the “useful many” and the “vital few” success

factors. The vital few occupy the top eighty percent of cumulative frequency while the useful many occupy about twenty percent of the occurrences. This has consequently identified the vital few with the critical success factors. Aaker (2001), states that there is a need to analyse the external environment and the competitive market place, in order to make strategic market selections and competitive positioning decisions. He categorizes these into strategic necessities and strategic strengths, effectively grouping CSFs according to their significance in impacting success. Strategic necessities are vital and their absence may weaken an organization's position in the market, whereas the strategic strengths, are useful but do not influence the market positioning in any significant manner (Aaker, 2001).

The production process and the service delivery process in a franchised restaurant consist of various steps. The consideration of critical factors along these production processes is crucial as it informs the prioritization of factors along those dimensions (Kassa, et al., 2011; Ariyawardana, 2013). The identification and prioritization of CSFs play an important role in the achievement of the key performance indicators or outcomes. Some of these key performance outcomes include; financial performance, non-financial performance and sustainable competitive advantage. The current study concerns itself with sustainable competitive advantage as one of the key performance indicators which can be influenced by critical success factors.

3.5 Critical success factors (CSF) and sustainable competitive advantage (SCA)

Though CSFs have been widely applied, they seem to have a generic essence (Brotherton & Shaw, 1996). According to research, CSFs may be derived from the organization's internal or external environment and could be products, processes, people and competencies that are critical for the creation of competitive advantage (Berry, et al., 1997; Duchessi, et al., 1989; Van der Meer & Calori, 1989) CSF have a focused specialization in areas which give the organization the greatest competitive advantage, and which therefore become key and receive priority in resources allocation and effort.

Therefore allied to the CSFs is the need to examine a sustainable competitive advantage. Porter (1980: 1985) using the value chain approach, postulates that an organization's

competitive advantage can be achieved through generic competitive strategies consisting of cost leadership, differentiation and focus. Barney (1991: 102) states that “*an organization is said to have sustained competitive advantage (SCA) when it is implementing a value creating strategy, not simultaneously being implemented by any current or potential competitors and when other organizations are unable to duplicate the benefits of this strategy.*” Hunt (1999) sees strategy as enhancing competitive advantage when it is consistent with and furthers the on-going process that consists of the constant struggle among organizations for comparative advantage in resources that yield marketplace positions, and thereby superior financial performance. Day (1994) and Day (1999) proposed a marketing strategy approach to competitive advantage. He suggests that an organisation’s competitive advantage comes from two sources. These are assets or resource endowments (image, quality perception, brand equity) which the organization acquires over time, and distinct capabilities which are the glue that holds these assets together. Day (1994) further proposes that a market driven organisation will have a superior ability to understand, attract and keep valuable customers.

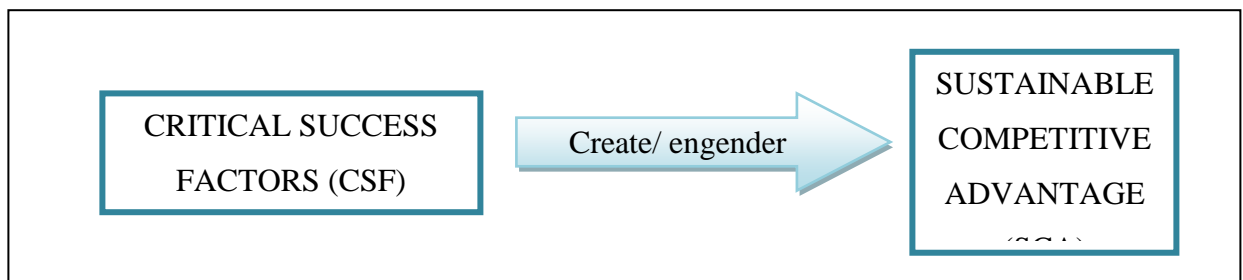
The above strategy encompasses SCA which are a set of goals and targets that the organization should achieve in a specified timeframe. This setting of goals and developing plans to achieve them is only the first step (Stevens, et al., 2004). The organization must also perform well in certain key areas, those that are unique to its mission and industry within which it operates. Aaker (1989) sees strategic management as depending on the ability to develop and maintain meaningful assets and skills and on the selection of competitive strategies and arenas. This forms the task of strategy management (Aaker, 1989). These important management tasks enable the above assets to form sustainable competitive advantages, which in turn should be created in view of critical success factors.

Critical success factors therefore define the key areas where performance is essential for the organization to accomplish its mission. When these key areas are identified and made explicit, they serve as a point of reference for the whole organization (Stevens, et al., 2004). Care should be taken to ensure consistent high performance in these areas. CSFs are general and not specified in measurable or observable terms (Stevens, et al., 2004). They appear to be broader and more generic and should result in competitive advantage which can be measured

in market positioning and superior or successful financial performance. The link between the two concepts critical success factors (CSFs) and sustained competitive advantage (SCA) is somewhat implied in Rockart's (1979) definition of critical success factors.

Therefore the strategic imperative of an organization has been viewed as ensuring that an organization sustains superior financial performance through sustained competitive advantage in the marketplace (Day, 1994; Porter, 1985; Aaker, 1995). A fit between competitive advantages and critical success factors in an organisation may form a strong foundation for successful performance (Auruskeviciene, et al., 2006). However the concept of sustained competitive advantage seems to be what an organisation needs to retain or improve a market position in a specific industry as well as have a superior or successful financial performance. Researchers such as Day (1984), Porter (1985); Aaker (1995) suggest that it can do so for as long as it has unique value creating strategy while CSFs need not necessarily be unique for a specific organization. In fact CSFs could be the same for organizations in the same industry. What would make the distinction is the focus they are given in terms of resource allocation and how they are managed. If the CSFs are well managed they result in or create sustained competitive advantage (Auruskeviciene, et al., 2006). Sustained competitive advantage is indicated by successful financial performance. Therefore from this observation it seems that CSFs are the sources of SCA and the latter are measured through financial performance as illustrated in figure 3.3.

Figure 3.3: Relationship between Critical Success Factors and Sustainable Competitive Advantage



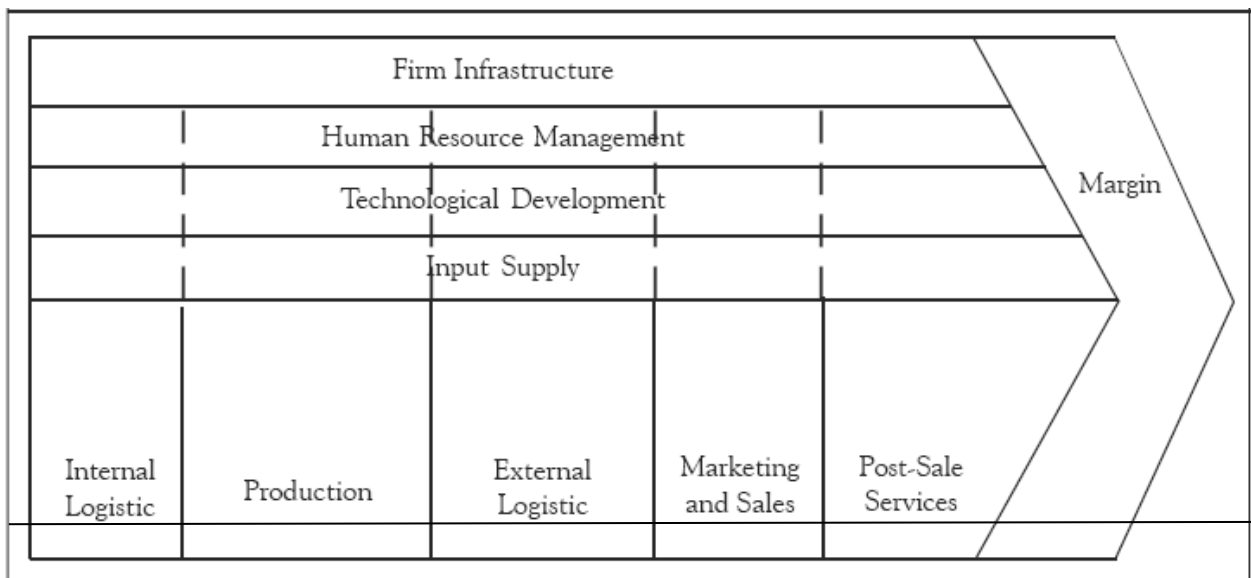
Source: adapted from Ariyawardana (2013)

3.5.1 Use of Value Chain Approach in Exploring Critical Success Factors

The preceding discussion illustrates that critical success factors may have a significant influence on competitive advantage. However, it does not answer the question of how this occurs. The answer to the question of ‘how’ can be arrived at when one considers the concepts of value and value addition. Since the final good or service is developed in stages or chains, then it may be useful to consider the role of creating value at each stage or chain; hence the need to use value chain analysis as a theoretical concept, to illustrate how critical success factors affect sustainable competitive advantage (Ariyawardana, 2013).

The use of value chain analysis to explore the concept of value as a critical success factors is best demonstrated by the works of Porter (1980) and Porter (1985). Value chain analysis (VCA) is attributed to Porter (1985) and has been used mainly in manufacturing in the evaluation of production through to distribution with specific emphasis on delivery times and quality corresponding to the price. Day & Bulte (2002) considered the concept of value as being vital to successful marketing as value is alleged to be essential to consumer decision making. The VCA as proposed by Porter (1985) is illustrated in figure 3.4.

Figure 3.4: Value chain analysis



Source: Porter (1985)

From this approach, according to Slater (1997), organizations should commit to the proposition that organizations exist to create value for customers. Though the VCA has been used to assess the financial performance of organizations (Porter, 1985), recent discussions have proposed value creation as being more customer centred. The use of value chain analysis spans many sectors. Barrientos, Dolan & Tallontire (2003), applied it to agriculture in understanding the code of conduct covering employment conditions in South Africa, Kenya and Zambia; Moodley (2002) used it to investigate how e-business to business applications can enhance the value creation process in the apparel industry in South Africa, while Sharma & Christie (2010) did a performance assessment using VCA in Mozambique. This last study is among applications of value chain analysis to the hospitality industry, essentially a service oriented industry. Other studies in the hospitality industry include Brathwaite (1992) who proposed a value chain model for hospitality and tourism services.

For the creation of sustainable competitive advantage through value addition, the management has to consider the critical success factors of each chain be it internal logistic, production, external logistic or marketing and sales and post sales services (Kaplinsky & Morris, 2002). It may be that the critical success factors for the internal logistics stages, differ from those in production, external logistics, marketing and sales and post sales services. The difference in stages informs the need to prioritize the success factors, as some are highly relevant to one stage but not so to other stages (Fasse et al., 2009). Product related factors such as food quality, menu variety, facilities and atmosphere refer to the critical success factors in the production stage. The production department in a franchised restaurant should therefore pay particular attention to these factors (Sharma & Christie, 2010).

The aim of the value chain model was to evaluate each successful component of the value chain, identifying the factors that would be linked to an increase in the customer's service satisfaction (Kaplinsky & Morris, 2002). It has been noted that numerous factors might influence the way an organization operates both internally and externally (Fasse, et al., and 2009). The internal environment is made up of the organizations internal operations and the various activities it engages in. The process of production and service, were categorized as 'operational factors'. The external environment identified, included the competition,

prevailing economic, political, socio-cultural, technological and ecological conditions. These were categorized as ‘market factors’ (Olsen, et al., 2008).

Nooteboom (2007) outlined the challenges of adapting the VCA strictly from the flow of goods through the value chain to less tangible services such as information and customers.

These include:

- Translating the flows and transformation of physical goods as in manufacturing into flows of data or physical and mental characteristics of individuals that correspond typically to service contexts.
- Function and forms utilities of goods translated to forms and functions of utilities of time, capabilities, attributes both physical and mental, speed, environment.
- Knowledge management, funds and risks.
- Translating the effects of scale, scope, and experience to service industry context: Scale, representing sales, cost and volume measures of efficiency while scope refers to the range of activities offered. Experience refers to the total effect of the entire production through time.
- In the hospitality industry, value creation activity belongs to more than one stage of production and this would therefore need to be incorporated.
- In services the processes rather than being ongoing, tend to be more ‘episodic’, so there is need for adaptation in this too.
-

In their application of VCA to hospitality, Sharma & Christie (2010) found that there were production inefficiencies that could be traced to poorly trained employees. This consequently resulted in poor quality of services. Tied to this was wastage of material resources, among other things, which contributed to a rise in operational costs. Among the market inefficiencies noted were the high cost of licenses and insurance which resulted in the high cost of doing business in Mozambique. From these findings one can see that in creating value for the customer there are factors that are critical and these factors affect the pricing of services and products offered by restaurants and hotels. The pricing in turn affects the competitiveness of the organization as well as its profitability (Webber & Labaste, 2009; (Kassa, et al., 2011).

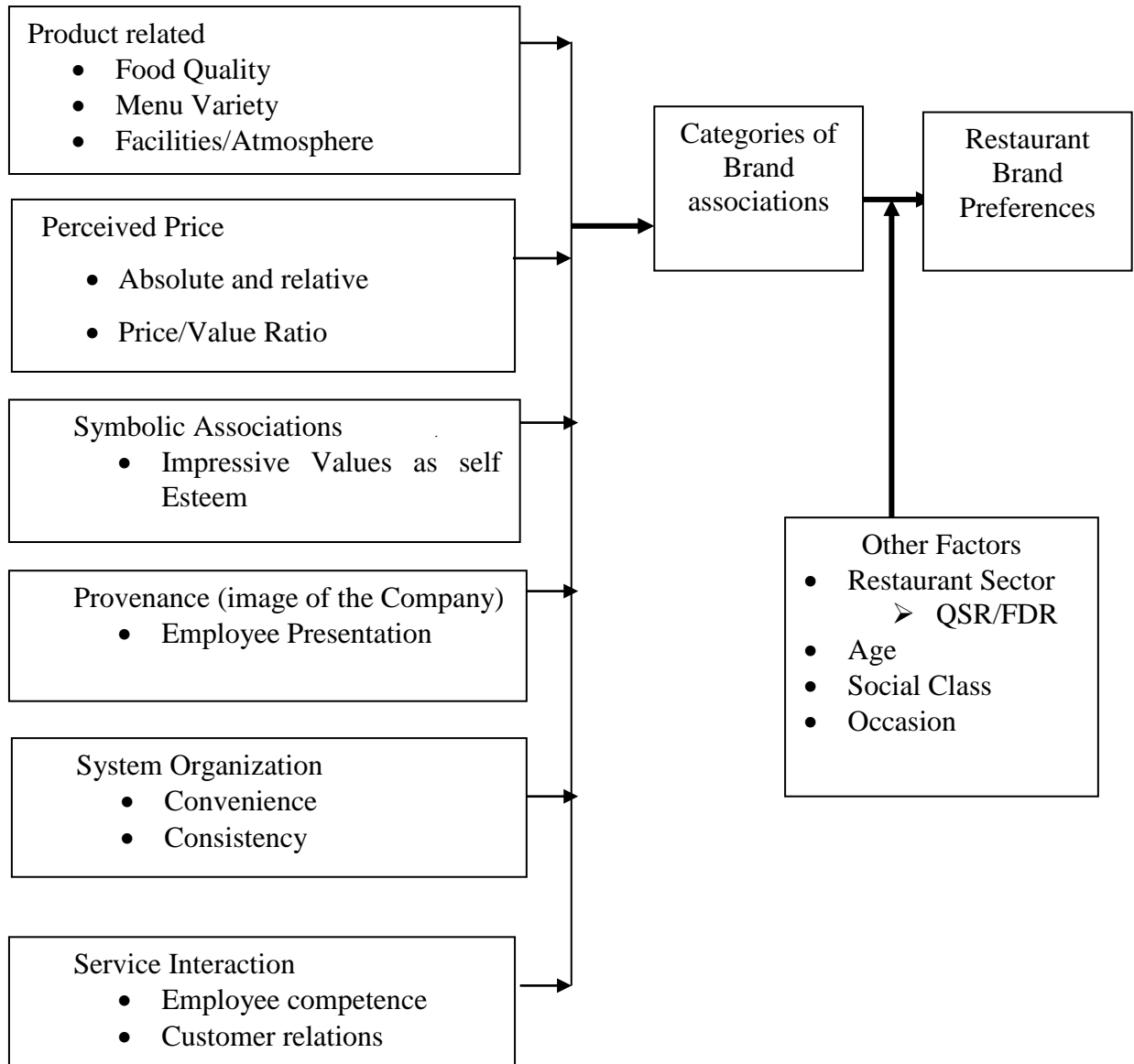
The importance of value and satisfaction are intricately linked and they are both alleged to influence a customer's choice in continuing to use a particular product or service (Ariyawardana, 2013). But for customers to be satisfied, value has to be created first (Kassa, et al., 2011). Once customers are satisfied by value added services or products, they are able to associate the brand with value added service. This is exemplified by brand recognition and awareness which are elements of brand equity (Webber & Labaste, 2009).

3.5.2 Branding and SCA

The restaurant sector depends heavily on brand equity as this is an important determinant on whether customers will visit the franchised restaurant for the first time and whether customers continue visiting that restaurant (Sharma & Christie, 2010; Hoeffel & Keller, 2002). It is therefore important to discuss brand equity as an important resource, or critical success factor for generating sustainable competitive advantage.

Njite (2005) noted that brand preferences are derived from brand associations that consumers develop which are in turn derived from specific attributes or characteristics that make up the dining experience when they visited a restaurant. He identified categories of consumer brand associations in the restaurant sector and the characteristics from which these brand associations are derived in figure 3.5.

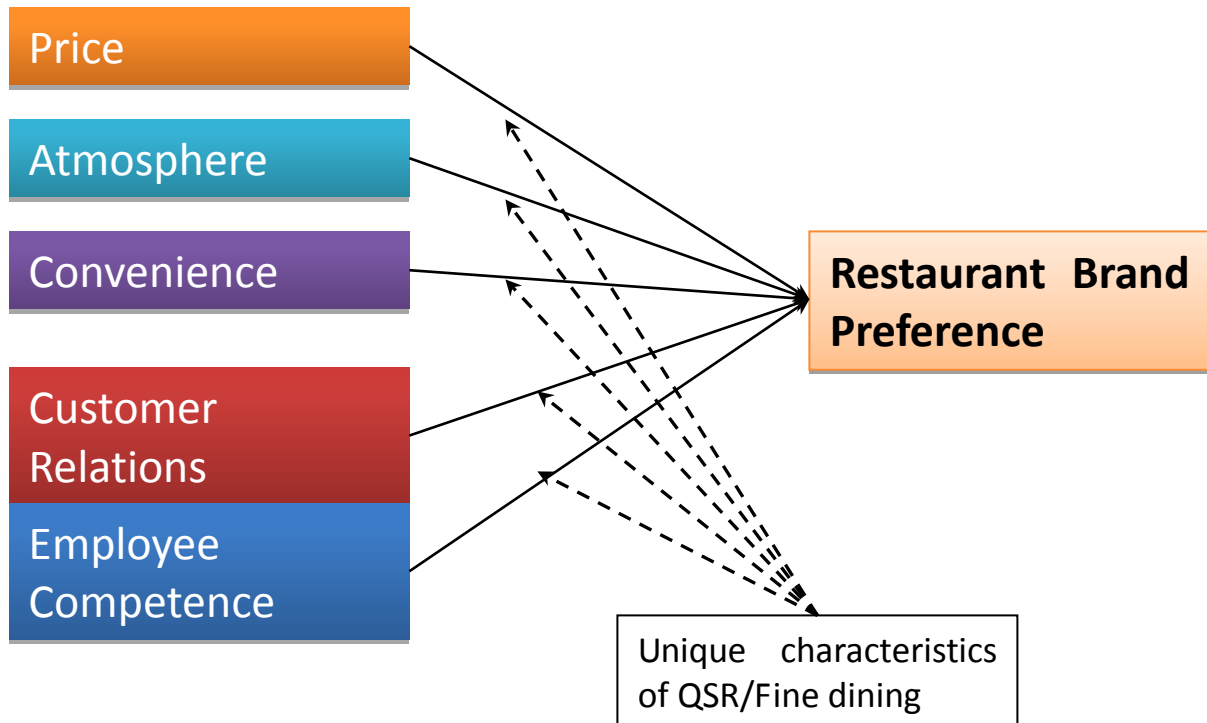
Figure 3.5: Relationship between categories of brand association and consumers restaurant brand



Source: Njite (2005)

These characteristics seem to constitute factors which customers of restaurants view as critical for them to be loyal to a specific restaurant or brand of restaurant. Njite (2005) refined these restaurant brand preferences and came up with five clear factors that are derived from this brand preferences depicted in figure 3.6.

Figure 3.6: Relationship between restaurant brand associations and brand preference.

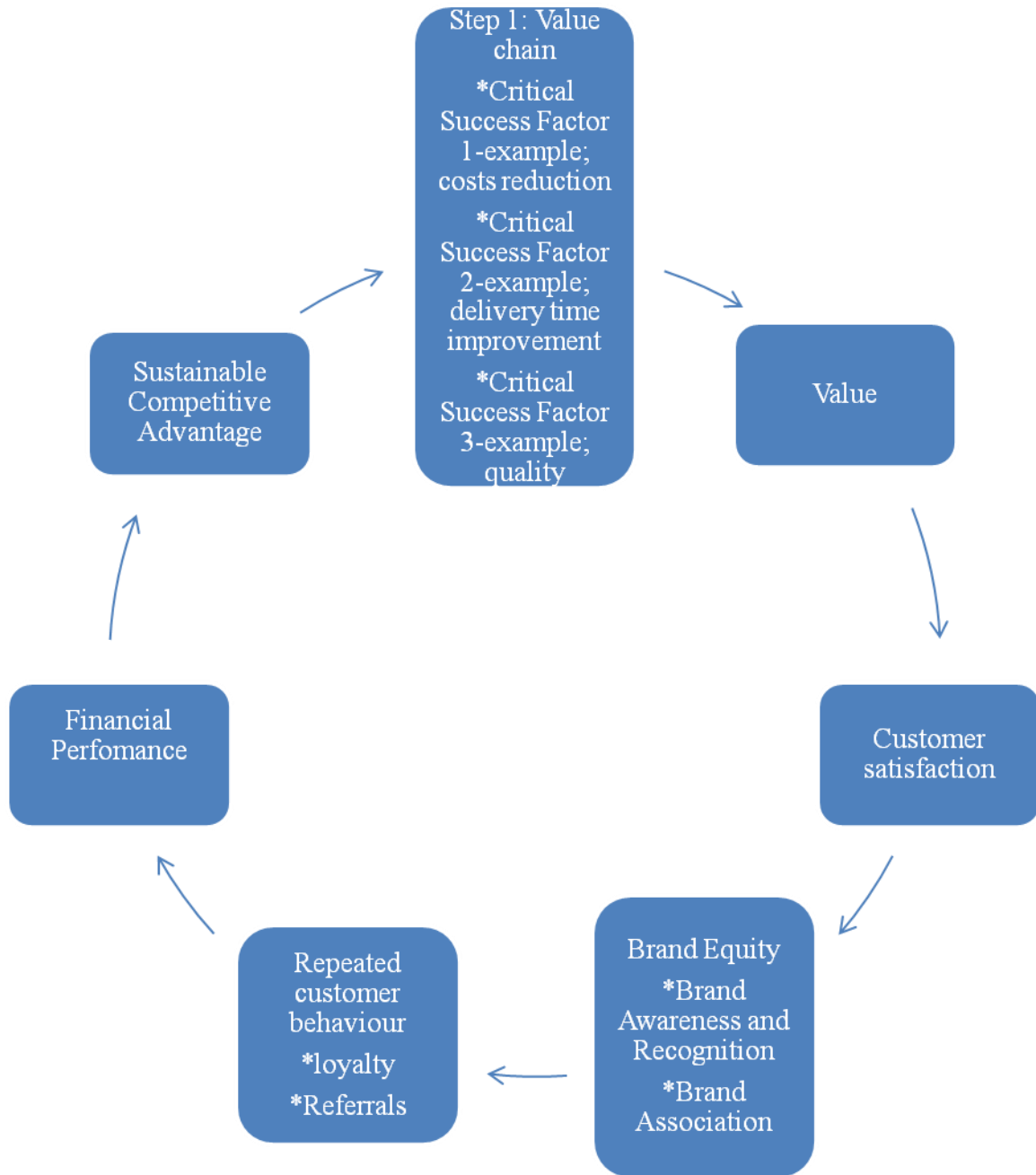


Source Njite (2005)

According to Njite (2005) customers perceive certain elements of the restaurant from the brand signs and these lead to them having certain expectations from the restaurant. An attractive brand affects the choice of restaurant. These elements have been identified by authors in hospitality literature as some of the critical success factors for successful restaurants (Parsa, et al., 2005; Camillo, et al., 2008)

The brand equity created is responsible for customer repeat purchases and also customer referrals as to the organization (Sturgeon, 2008). The influence of customer choice and repetitive buying behaviour may create superior financial performance and finally sustainable competitive advantage (Ariyawardana, 2013). This is illustrated in figure 3.7.

Figure 3.7: CSF creating value for customers influences SCA



Source: Adapted from Ariyawardana (2013)

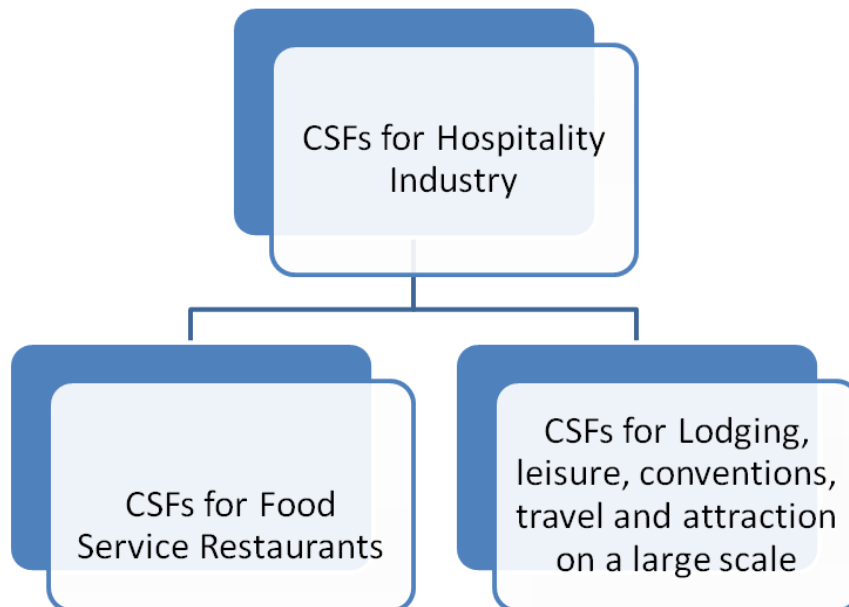
This has consequently led to the frequently used management approach of value propositions tied to the selling price. The concept of 'value' as interpreted by Woodall (2003) stands for

exchange value, the direct value for the customer or consumer. It relates to financial return on investment as well as the prices charged to customer for products or services.

3.6 CSF for Hospitality and Restaurant Industry

The term “hospitality Industry” as discussed in section 1.1.3 refers to a broad group of service providers. Due to the lack of clear demarcation between the CSFs for hospitality industry and restaurant sub industry, an attempt was made to lump together CSFs for food service or restaurants, hotels and general hospitality industry under the genre “hospitality industry CSFs”.

Figure 3.8: Classification of CSFs for Hospitality Industry



Source: Ottenbacher et al., 2009; O’Gorman, 2009

A review of literature reveals that hotels which are a subset of the hospitality industry were the most researched on as far as CSFs were concerned. For this reason, literature for both hotels and hospitality industry CSFs will be grouped together without an attempt to give fair treatment to other subsectors of the hospitality industry.

3.6.1 CSF for Hospitality Industry

A number of authors have identified critical success factors in the context of the hospitality industry and some have proposed models for success in specific areas of the industry.

Brotherton (2004a) and Brotherton (2004b) wrote on critical success factors in the UK budget hotel operations and the UK corporate hotels. He suggested critical success factors as front office, conferencing and banqueting, human resource management, food and beverage service, hold/increase market share, food and beverage production, back-of-the house, accounting and control. Flanagan (2005) investigated the performance measurement practices of Irish hotel groups. In the process he identified some critical success factors such as growth strategy, management of costs, customer loyalty, monitoring competition, product quality, service quality, staff efficiency, staff welfare, staff development and staff management. Louvieris et al. (2003) suggested some critical success factors in their balanced scorecards for performance measurement in SME's as service quality, profitability, budget monitoring, customer relationship management and staff management. Oslen et al. (2005) in their 'branding: myth or reality in the hotel industry', identified some critical success factors as being location, marketing, brand management and human resource management. O'Donoghue & Luby (2006) in their 'Management Accounting for Hospitality Tourism and Retail Sectors' identified some critical success factors namely; customer loyalty, profitability and efficiency. Kandampully (2006) in the new customer centred business model for the hospitality industry, suggests some critical success factors as: customer relationship management, efficient use of technology, competitive advantage derived from core capabilities, increased service contributions. In a hotel case study Kobjoll (2007) identifies some critical success factors in maximizing networks to develop the enterprise as human resource management and market positioning. Hua et al. (2009) suggested critical success factors for budget hotels in China as: physical product, service quality, price, promotion and location. Table 3.3 summarizes these critical success factors for hospitality factors.

Table 3.3: Critical success factors in the hospitality industry in general

Study – authors (year)	Country	Specific aspects of their study	CSFs identified in the study
Brotherton (2004a, 2004b)	United Kingdom	Budget Hotels; Corporate hotel Operations	Front office, conference and banqueting, human resource management, food and beverage service, hold/increase market share, food and beverage production, back-of-the house operations, accounting and control
Flanagan (2005)	Ireland	Hotel Industry	Growth strategy, management of costs, customer loyalty, monitoring competition, product quality, service quality, staff efficiency, staff welfare, staff development, staff management
Louvieris Philips, Warr & Bowmen (2003)	UK	International Hotel sector	Service quality, profitability, budget monitoring, customer relationship management, staff management
Olsen, Chung, Graf, Lee & Madanoglu (2005)	USA	International Hospitality Industry	Location, marketing, brand management, human resource management
O'Donoghue & Luby (2006)	Ireland	Hospitality Industry	Customer loyalty, profitability, efficiency
Kandampully (2006)	USA	International Hospitality Industry	Customer relationship management, efficient use of technology, competitive advantage derived from core capabilities, increased service contributions
Kobjoll (2007)	Ireland	International Hospitality Industry	Human resource management, market positioning
Hua, Chan & Mao (2009)	China	Budget Hotels	Physical product, service quality, price, promotion, location

Source: Brotherton (2004a), Brotherton (2004b), Flanagan (2005) etc.

The restaurant industry, as a part of the larger hospitality industry has some CSF in common as suggested by different authors. These CSF include: management of costs, customer loyalty, monitoring competition, market positioning, product quality, service quality, staff efficiency, customer loyalty, profitability, price and location. However as the hospitality industry is much broader and therefore has other CSFs that have little to do specifically with the restaurant industry, we shall look at the CSF of the restaurant industry separately.

3.6.2 CSF for the Restaurant Industry

As indicated earlier in section 1.1.3, there are three broad categories of restaurants. Some researchers have studied restaurants in general; others have looked at specific types of restaurants that fall under the broad categories for example Xu (2012) looked at Chinese restaurants which fall under full service restaurant category; while others have tackled one or other of the categories as DiPietro, Murphy, Rivera and Muller (2007), who looked at the casual dining category of restaurants where as Mason, Jones, Benefield, Walton (2012) researched on quick service restaurants and Griffin (2013) studied fast food restaurants. These last two are one and the same category of restaurants.

In the following section we shall discuss CSFs for Restaurant Industry. However, those CSFs that apply specifically to franchised restaurants will be dealt with in Chapter 4.

Bergin (2002: 2003) looked at critical success factors and critical success inhibitors on Irish restaurants. These were personal involvement, staff training and welfare, food quality, service quality, value for money, marketing and benchmarked best practices. Camillo et al. (2008) proposed a model with critical success factors for independent restaurants suggesting personal qualities, resource allocation, clear visible concept, distinct positioning in the marketplace, convenient location, sufficient demand generators, competent employees, good financial management, food quality, and service quality as among them. Parsa et al. (2005) proposed a model with critical success factors in their 'why restaurants fail', these were marketing, product quality, managers personal qualities, staff efficiency and training, well defined concept, location, customer relationship management. Mamalis (2009) suggested critical success factors for the food service industry and specifically restaurants as adaptation

to locality, service, facilities place to be and sales incentive program. Table 3.4 summarizes the CSF in the restaurant industry.

Table 3.4: Critical success factors in the restaurant industry in general

Study – authors (year)	Country	Specific aspects of their study	CSFs identified in the study
Bergin (2002; 2003)	Ireland	Restaurant Industry	Personal Involvement, staff training and welfare, food quality, service quality, value for money, marketing and benchmarked best practices
Parsa, Self, Njite & King (2005)	USA	Restaurant industry	Marketing, product quality, Managers personal qualities, staff efficiency and training, well defined concept, location, customer relationship management
Camillo, Connolly & Kim (2009)	USA	Restaurant Industry	Personal qualities, resource allocation, clear visible concept, distinct positioning in the marketplace, convenient location, sufficient demand generators, competent employees, good financial management, food quality, service quality
Mamalis (2009)	Greece	Food Service/restaurant Industry	Adaptation to locality, service, facilities, food quality, place to be, Sales incentive program
Wilson and Dover(2009)	Canada	Restaurant Industry	Location, Quality Food and Service, Realistic Financial Formula, Menus Engineered to Yield Optimum Gross Margin, Maximum Buying Leverage, Labour Balanced to Demand, Effective Capitalization, Market Effectively and According to Your Restaurant’s Demand Drivers, Experience, Participative management

Samuels (2013)		Restaurant Industry	Food Costs versus sales management, Marketing management , Unique Brand Creation , Legalities, cash flow management
Enz (2004)		Restaurant Industry	Effective training programs and employee competence as well as employee turnover
Farrish (2010)	Ireland	Barbeque Restaurants	Barbecue quality, convenience, side dishes, pork, alcoholic beverages, and tea
Griffin (2013)		Fast Food Restaurant	Location, Menu selection, Advertising, Value, Operating systems.
Mason, Jones, Benefield, Walton (2012)		Quick Service Restaurant	Price, speed of service, location, quality of food, and cleanliness.
DiPietro, Murphy, Rivera, Muller (2007)	USA	casual dining restaurant industry	single unit operations, standard operating procedures, multi-unit strategic planning, interpersonal and social responsibilities, travel and visiting units, human relations, effective leadership, and unit level finances
Xu (2012)	China	Chinese restaurant	efficient demand and capacity management, close relationships with customers, tasty food and reasonable prices

Sources: Bergin (2002, 2003); Parsa et al. (2005); Camillo, et al. (2009); Mamalis (2009) etc.

The literature reviewed shows that a good number of critical success factors have been identified for the hospitality industry and also specifically for restaurants. However there is a lack of consistency in the factors identified and emphasis has been focused on a variety of areas by the different authors. No clear set of critical success factors has been drawn for the hospitality industry neither specifically for restaurants. The critical success factors found in research that apply specifically to restaurants namely convenience, atmosphere, price, product, employee competence, management perspective and competence, location and concept were discussed next. The factors were identified from the various authors who have researched on restaurants. They reflect the customers' perspective. Table 3.5 summarizes the frequencies.

Table 3.5: Summary of restaurant CSF from customers' perspective

CSFs from customers perspective	Frequency	Authors
Convenience, (locational proximity, speed of service)	8	Parsa, Self, Njite & King (2005); Camillo, Connolly & Kim (2009); Mamalis (2009); Wilson & Dover (2009); Griffin (2013); Mason, Jones, Benefield, Walton (2012); Farrish (2010).
Product mix, (food selection, food quality product quality, tasty food)	9	Parsa, Self, Njite & King (2005); Bergin (2002, 2003); Camillo, Connolly & Kim (2009); Mamalis (2009); Wilson & Dover (2009); Griffin (2013); Mason, Jones, Benefield, Walton (2012); Xu (2012); Farrish (2010).
Atmosphere (place to be, cleanliness, facilities)	3	Mamalis (2009); Mason, Jones, Benefield, Walton (2012);
Price (value, value for money, reasonable prices)	4	Griffin (2013); Mason, Jones, Benefield, Walton (2012); Bergin (2002, 2003); Xu (2012)
Employee competence (service quality, staff efficiency)	6	Parsa, Self, Njite & King (2005); Bergin (2002, 2003); Camillo, Connolly & Kim (2009); Mamalis (2009); Wilson & Dover(2009); Enz (2004)
	N=12	

Source: developed for this study

In the following section we shall now deal with each of these factors in a little more depth.

3.6.2.1 Product mix

Research has indicated that even a good location cannot overcome a bad product mix in terms of making a restaurant a success or a failure (Parsa, et al., 2005). In the wake of health foods and fast foods, consumer expectations are changing. Consumers now demand the use of fresh produce, chemical free ingredients etc. (Richardson & Aguir, 2004). There seems to be a growing demand for a broader menu selection, inclusion of vegetarian items as well as the use of Kosher/Hallal ingredients (Richardson & Aguir, 2004). Successful operations have been found to have operators who are responsive to the evolving customer needs, while

maintaining the central concept of a specific restaurant. For example in the United Kingdom, McDonalds served “new healthy options” of pasta salad, fruit bags and corn-on-the cob alongside traditional burger and chicken meals (Schroder & McEachern, 2005). It helped to modify the menu by removing items that were unpopular with customers and introduce some new “trendy” ones. From the literature, as summarized in table 6, product mix has been cited by most authors as determining the choice of customers to visit a restaurant. Hence we proposed the following hypotheses for verification and confirmation:

- ❖ H1a: Product mix is a critical factor for the success of a franchised restaurant from the customers’ perspective.
- ❖ H1b: Product mix is the most important critical factor for the success of a franchised restaurant from the customers’ perspective.

3.6.2.2 Convenience

According to Parsa et al. (2005), the physical location of a restaurant is an important factor that influences its success or failure. In their research, Parsa et al. (2005) noted that the density of restaurants in a location, did to a certain extent, have an influence on the success or failure of a restaurant. This has a strong relationship with competition, as a restaurant in a densely populated area may have lots of competition, consequently the market share for each restaurant would shrink, eventually causing some restaurants to shut down. The accessibility and visibility of a restaurant are factors that are related to both convenience and location. For example an upstairs location for a restaurant may not be as successful as one that is at the ground level. At ground level, many walk-in customers may have the feeling that they spend less time than if they had to take flights of stairs or take a lift to get to the outlet (Parsa, et al., 2005).

Technological advances and the changing consumer needs have contributed to the use of disposable serving, eating and packaging materials. This has increased the convenience of using restaurant products for the consumer (Schlosser, 2001). Researchers have noted the interest customers have in conserving time and effort when it comes to meals and therefore convenience is viewed to be an increasingly important factor (Liu & Chen, 2000). It is an

important characteristic that defines the quick service restaurant. Many researchers associate convenience with locational proximity, hours of operation and speed of service, though it may vary with the operation in question (Ball, 1999). Convenience has been seen as a motivating factor for making purchase decisions (Anderson & Shugan, 1991). The quick service restaurants offer convenience as their competitive advantage in the food service industry. Customers are able to select their products from a hanging menu and often receive their order as soon as they have made their payment at the point of sale. From the literature review as summarized in table 6, convenience is viewed as less important than product mix as a factor in restaurant business; therefore we proposed the following hypotheses for verification and confirmation:

- ❖ H2a: Convenience is a critical factor for the success of a franchised restaurant from the customers' perspective.
- ❖ H2b: Convenience is less important than product as a critical factor for the success of a franchised restaurant from the customers' perspective

3.6.2.3 Employee competence

Another critical factor established by Parsa et al. (2005), Bergin (2002), Bergin (2003) and others included employees' competence. This seems to be derived from training as well as personality, relationship with customers and diversity of the staff. The restaurant industry by its nature is labour intensive and the interaction of customers and employees is inevitable. Despite the limited interaction between customers and employees in some of the restaurant businesses, customers expect to be handled by employees with a positive attitude who assist readily (Njite, 2005). These relationships remain a significant part of business success. The customers will partly base their selection of an outlet on the experience during the brief interactions with employees. Extant literature mentions employee competence as an important component of the service experience in a restaurant. The ability to relate to customers in a friendly, organized and efficient manner communicates a positive service encounter to the customer (Ziethaml, et al., 2009). According to Berry (2000), it is important for marketers to pay attention to the customer perception of a brand. The customer experience and the way a service is delivered by an employee, determines the perception of

the customer on the restaurant brand. Service competence should be a significant characteristic especially where interaction is brief. From literature as summarized in table 6 employee competence is less important than convenience as an important factor in restaurant business, therefore we proposed the following hypotheses for verification and confirmation:

- ❖ H3a: Employee competence is a critical factor for the success of a franchised restaurant from the customers' perspective.
- ❖ H3b: Employee competence is less important than convenience as a critical factor for the success of a franchised restaurant from the customers' perspective

3.6.2.4 Price

Customers do not usually know the exact price of the different brands, but they would generally have an idea if a brand is more expensive or cheaper than its competition (Frazen & Bouwman, 2001). The perceived price seems to be an important characteristic that influences purchase decisions as well as reasons for patronizing a restaurant. Richardson & Aguir (2004) suggest that consumers are no longer satisfied with the attributes of taste, cleanliness and cost in their choices and patterns of eating out, but they may be willing to spend more on what they perceive contains quality ingredient. From literature as summarized in table 6, price is less important than employee competence as a factor in restaurant business, therefore we proposed the following hypotheses for verification and confirmation:

- ❖ H4a: Price is a critical factor for the success of a franchised restaurant from the customers' perspective.
- ❖ H4b: Price is less important than employee competence as a critical factor for the success of a franchised restaurant from the customers' perspective.

3.6.2.5 Atmosphere

Because of the little time customers spend in a restaurant the atmosphere, though important, appears to have the least significance when customers make choices of the outlets to use (Njite, 2005). However, the cleanliness of an outlet and the physical appearance of the outlet,

colours, and branding arrangement will be factors that initially attract a customer to a restaurant. If these are maintained they contribute in earning the loyalty of the customers to that particular facility. Njite (2005) found that customers were not willing to accept poorly maintained restaurant environments. They considered this sub-standard and would go to competition that had a more appealing environment. Marketing researchers have identified that if the physical stimuli experienced by customers at the point of purchase do influence their buying patterns and their decision to return to the outlet, then the practice of creating and maintaining influential atmospheres should be an important marketing strategy (Ziethaml, et al., 2009). The effect of the environment in the service industry is particularly important because services are produced and consumed simultaneously; this aspect of the restaurant product makes atmospherics an important variable. Bitner(1990), notes that atmospheric planning can make the difference between a business success and failure. From literature as summarized in table 6 atmosphere less important than price as factor in restaurant business, therefore we proposed the following hypotheses for verification and confirmation:

- ❖ H5a: The atmosphere of a franchised restaurant is a critical factor for the success of a franchised restaurant from the customers' perspective.
- ❖ H5b: The atmosphere is less important than price a critical factor for the success of a franchised restaurant from the customers' perspective.

Thus the hypothesized order of importance of the critical factors for the success of a restaurant from the customers' perspective was:

Atmosphere < price < employee competence < convenience < Product mix

This would be confirmed or disconfirmed after the second phase of the research when a survey was carried out.

3.6.2.6 Managerial experience

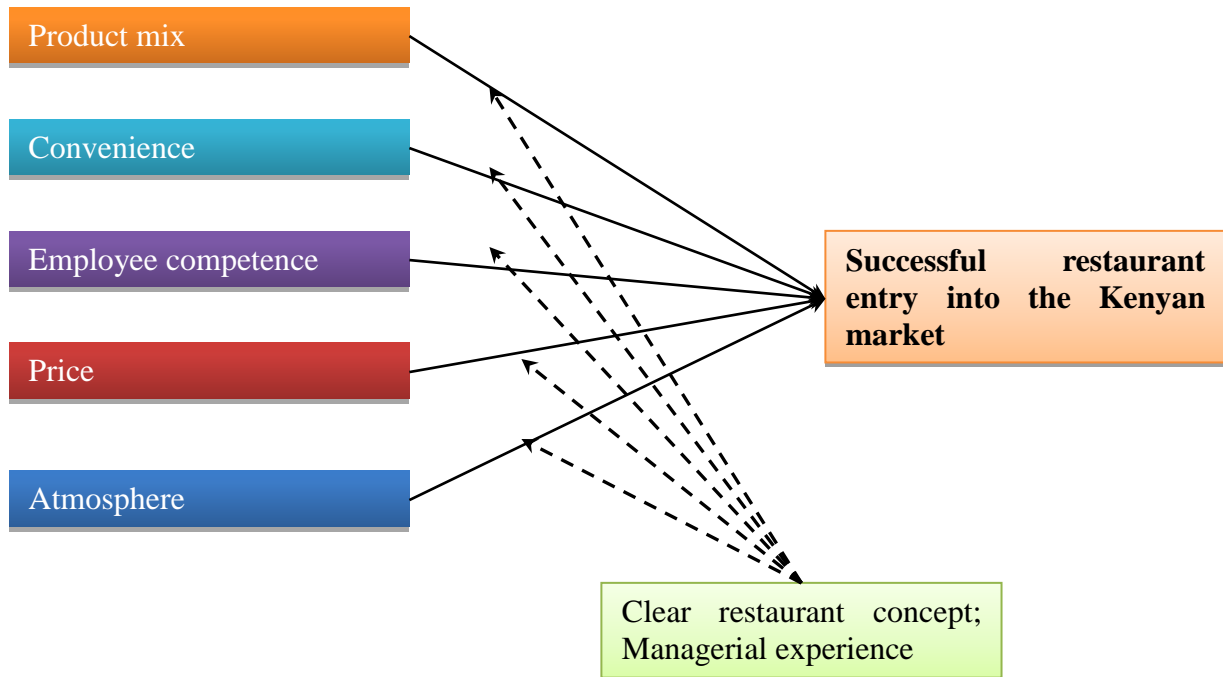
The success of a restaurant does not depend on the customers alone. Effort goes into putting up and running a business long before it can open to operate and interact with customers. To remain in business successfully the operation needs to take care of some specific aspects of its operation in a special way. In a study on 'why restaurants fail', Parsa et al. (2005) found that the failure of restaurants was affected more by internal factors than by external factors like weather, and other social-political environment. They identified such elements as restaurant density in a location, the size of the operation and managerial qualities as critical for the success of a restaurant. Other critical factors found to influence the success or failure of restaurants include characteristics of the owner-manager, relationship marketing, knowledge, drive, skills, determination and passion of the owner manager (Parsa et al., 2005). Good financial management was also found to be important. Restaurants have been found to fail due to lack of managerial experience, poor financial management and poor record keeping especially of accounts, and lack of access to necessary information. New restaurants tend to find challenges in managing rapid growth or changes (Hambrick & Crozier, 1985). Being new, they lack the experience in adapting to turbulence in the environment. However, researchers have observed that chain or franchised restaurants cope better with sudden changes and the economies of scale shield them from failure associated with financial constraints, whereas the experience they bring to the chain or franchise gives them greater ability to read the market environment and monitor competition (Parsa et al., 2005). Franchised restaurants are in a better position to invest resources in continuous marketing and consequently gaining a greater market share.

3.6.2.7 Concept

Successful restaurants have been found to have focus on a clear concept that drives its activities and gives it distinction (Parsa et al., 2005). A restaurant can close down if it loses its focus and tries to be all things to all men, offering more than it can implement with success. The theme and brand need to be clear for the customer, getting as much success as possible from the brand power (Richardson & Aguir, 2004). Brand power does seem to play a defining role in consumer purchasing choices. The clarity of the business concept was viewed as more important, by customers than even the quality of the food served in a

particular restaurant (Parsa et al., 2005). They thought that a well-defined business concept added to the customer patronage of particular restaurants. The critical success factors from the customers' perspective are summarized in figure 3.9.

Figure 3.9: Critical success factors from a customers' perspective



Source: Developed for this study adapted from Njite (2005)

3.7 Conclusion

This chapter has dealt with the definition, evolution and sources, concept and application of critical success factors. It highlights the identification and prioritization of critical success factors. It looked at the relationship between critical success factors and sustainable competitive advantage. It went on to the critical success factors for the hospitality and restaurant industry. We then moved to a discussion of some of the key variables of the study. The next chapter will be on franchising, theories and concepts, risks and relationships between franchisors and franchisees as well as franchising in the restaurant industry.

CHAPTER 4: LITERATURE REVIEW – FRANCHISING

4.1 Introduction

The previous chapter dealt with critical success factors, development of the method, and its application to the restaurant industry. This chapter will include different definitions of franchising, the theories and concepts that underlie franchising; the advantages and disadvantages of franchising, franchisee-franchisor relationships, the risks associated with franchising, franchising and critical success factors and finally restaurant franchising from the franchisor and from the franchisee perspectives.

4.2 Franchise systems

According to Abdullah, Alwi, Lee & Ho (2008) franchising seems to have no set definition as it has been assigned different meanings by different researchers. Early researchers Norback & Norback (1982) used franchising to mean, a license from the owner (franchisor) of a trademark or brand allowing the user (franchisee) to market a product or service under the brand name in accordance with the franchisor's system. Bain (1986) defined a franchise as a privilege of a contractual nature by an individual or a company (owner) to another individual or company. Ayling (1987) proposed franchising as a method a franchisor uses to raise capital for his business, while Justis & Judd (1986) viewed franchising as a method of distribution of goods or services which is used by businesses for growth and expansion. Mendelsohn (2004) viewed franchising as a legal or marketing concept, a method of distributing goods and services which knows no boundaries in terms of business categories. International Franchise Association (IFA, 2004) stated that, '*A franchise is the agreement or license between two legally independent parties; which gives a person or group of people (franchisee) the right to market or service using the trademark or trade name of another business (franchisor)*'. These definitions of a franchise can be summarized as: the granting of rights by the franchisor for a franchisee to operate their business system using a common brand and common format for promoting, managing and administering the business. This is the most widely used understanding of a franchise in research and therefore this is how the term will be used in the study.

Different perspectives of franchising have interested scholars in the wake of globalization. Studies in internationalization of franchising have been undertaken dealing with motivations to use franchising as an entry mode into international markets. Among them Erramilli & Agarwal (2002) examined brands across borders, determining factors in choosing franchising or management contracts for entering international markets; Altinay (2007) looked at the internationalization of hospitality organizations and the factors influencing franchise decision-making processes; Doherty (2007) studied the internationalization of retailing and looked into the factors influencing the choice of franchising as a market entry strategy. Alon (2004) explored global franchising and development in emerging and transitioning markets, while Dant et al. (2008) undertook a cross-cultural comparison of plural forms of franchise networks between, United States, France and Brazil. In the study of internationalization of franchising, Choo (2003) is among the few who have tried to determine the critical success factors, and he looked at the case of foreign franchisors in East Asia.

4.3 Franchising theories

Most franchising research is based on the agency theory and resource scarcity theory (Combs, et al., 2004). Resource scarcity theory views franchising as a means to ease resource constraints (financial and managerial) on the growth of an organization, while agency theory, views franchising as a means for improving the alignment between the organization and the agency level incentives.

4.3.1 Resource Scarcity Theory

The streams of literature that advances the resource scarcity theory were concerned with and share a resource perspective and include, Norton (1988b), Conner (1991), Conner & Prahalad,(1996), Kogut & Zander (1992). This stream originates from Oxenfeldt & Kelly (1968), who assumed that the motivating factor behind franchising to have been mainly the acquisition of capital that was needed for the system to expand. They suggest that it seems to have been a response to a shortage of resources in the growth or expansion of an organization. These resources include financial capital, human capital and managerial talent or market knowledge (Minkler, 1990). When organizations encountered difficulties in raising financial capital and finding managerial talent in the early stages of franchising, it is

suggested that franchisors sought franchisees that could inject some financial capital into the business and thus share the subsequent risk. If franchisors could find franchisees that could reduce the constraints of money and labour needs in the franchise system, the franchisor would be in a better position to direct his efforts towards the development of the brand and the system (Shane, 1996a; Thompson, 1994; Carney & Gedajlovic, 1991; Caves & Murphy, 1976; Oxenfeldt & Kelly, 1968). The desire for early rapid growth is associated with the eagerness to achieve minimum efficient scale and to grow the brand name capital that is essential for retail oriented operations, and a transfer of a measure of risk from the organization to the franchisee (Combs & Castrogiovanni, 1994).

4.3.2 Agency Theory

The growth of an organization from a resource constraints perspective that Oxenfeldt & Kelly (1968) posited would probably be transitory and it has been suggested that the franchisor would revert to fully owned company chains. However the development of franchising and the persistence of the practice seem to have challenged this position (Dant, et al., 1996; Dant, et al., 2008).

Agency theory addresses the relationship between the principal, who delegates work to another, the agent, through a mutual agreement (Bergen, et al., 1992; Shapiro, 2005; Lupia, 2001). Both principal and agent in this relationship expect mutually satisfying results. But it is possible for an imbalance to result from either side. It has been suggested that managers as agents with a fixed compensation could shirk (reduce effort) because their income is not tied to their effort, or they could behave in an opportunistic manner, pursuing their own interests at the expense of the principal (O'Reilly & Main, 2010; Dalton, et al., 2007). This could happen in a situation where the generated surpluses of an organization belongs to the owner and therefore the employees have no incentive to maximize their efforts for the benefit of the organization. For this reason the owner needs to incur monitoring costs to ensure that the employee works for the interests of the organization, this has been referred to as 'moral hazard'. On the other hand, the owner of the organization may be unable to ensure that the selected employee is capable of performing the task delegated, giving rise to the problem of 'adverse selection' (Foss, 2007). Franchising has been seen as an efficient way of reducing

the possibility of both moral hazard and adverse selection, as it takes into account the interests of both the franchisor and the franchisee, through the alignment of mutual benefits in the contractual agreement (Elango & Fried, 1997; Heracleous & Lan, 2012).

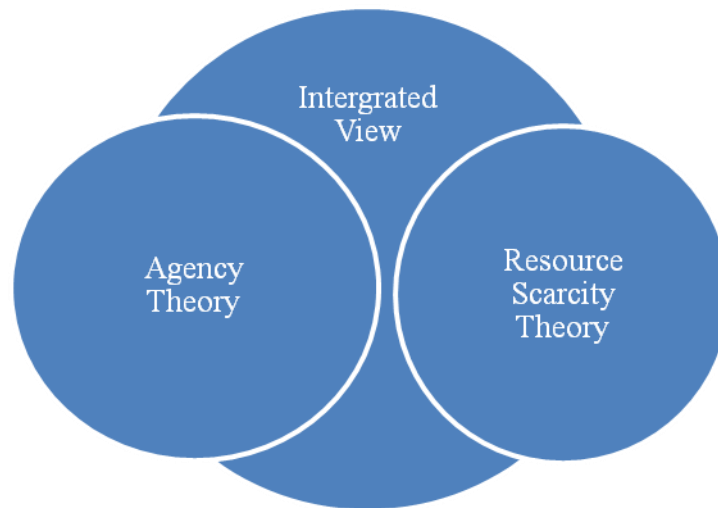
From the perspective of the agency theory, researchers argue that the franchisor would maximize the value of their system operation by ensuring that effective monitoring costs the least possible. It has been argued that franchising in its hybrid form can deliver the desired outcome (Klein, et al., 1978; Rubin 1978). However, Norton (1988b) argues that the point at which franchising becomes superior to company ownership, is when the marginal cost of monitoring owned units becomes greater than the marginal cost of using franchise contracts. Combs & Castrogiovanni (1994), claim that franchising has the potential for arriving at a greater goal convergence between the principal and the agent, than can be achieved in an arrangement of company ownership. The franchisee is motivated to maximize the value of their own operation, given that he has residual claim over any profits that arise from the operation after meeting the royalty fees to the franchisor, and the profitable franchise is in the best interests of the franchisor (Norton, 1988b; Carney & Gedajlovic, 1991). Franchising therefore seems to be preferred where monitoring is costly (Combs, et al., 2004).

4.3.3 An Integrated View

These two theories, the resource scarcity theory and the agency theory that have been used to explain the 'raison d'être' of franchising, would seem to be competing, but some researchers have seen them as complementary rather than distinctive perspectives (Lashley & Morrison, 2000). Among those that support this view are Martin (1988), Carney & Gedajlovic, (1991), and Lafontaine (1992a). They view franchising as a solution to incentive problems and also as a means of acquiring capital for accommodating growth. Castrogiovanni, et al. (2006), after an empirical analysis suggest that a cubic pattern of franchised outlets over time exists. It appears that the resource-based theory lies beneath the desire to grow and expand rapidly in the early years of a franchise. However, when economies of scale are achieved with the franchise network, the franchisors base shifts to agency theory as the costs of monitoring outlets become the focus. When the franchisors look to expand to international markets, the perspective of resource base seems to dominate early on in the process. This integrated view

seems to offer a more complete explanation on why organizations franchise, however the debate continues. This is illustrated in figure 4.1.

Figure 4.1: Franchising theories



Source: Adapted from Lashley & Morrison (2000).

4.4 Franchisor – franchisee relationship

Franchise relationships arise from contractual franchise agreements between the franchisor and the franchisee (Harman & Griffiths, 2008). A franchise contract outlines the rights and duties of the franchisor and the franchisee and protects the interests of both parties. It lays down the franchise operating criteria and the manner of nullifying the relationship (Brickley, et al., 1991; Castrogiovanni & Justis, 1998). In a franchise arrangement, a franchisee enters a business arrangement for himself but however not by himself. He depends on the franchisor that provides a tried and tested business concept and gives the franchisee the necessary support for its implementation (Stanworth, 1999). On the other hand the franchisor depends on the autonomy of the franchisee to enable the adaptation of the franchise concept to the local needs of a particular market overcoming the geographical and cultural distances (Pizanti & Lerner, 2003). The contractual agreement however establishes a ceiling on the extent of independence that a franchisee can enjoy (Felstead, 1993). The contractual

agreement sets down the basic long term relationship between the franchisee and the franchisor. However, this relationship undergoes transition in the short term (Elango & Fried, 1997).

Although the franchisee is subject to the controls and restraints of the franchise contractual agreement, over the years franchise agreements have shifted from a domineering relationship of franchisor over franchisee, to a more flexible relationship where the franchisees share in some decision making (Harris & France, 1997; Justis & Judd, 1998). Bills (1998) found that franchisees viewed themselves as self-employed, self-directed and independent which points to a compromise between the need to comply with contractual terms and the commitment in the franchisor-franchisee relationship.

In the franchise relationship, the role played by each of the contracting parties is essential to the achievement of sustainable profitability. The franchisor manages the overall brand image and power, sets the standards of the franchise and manages the economic efficiency. The franchisor also lays down the contract terms and specifies royalties' payable by the franchisees. He could misuse the royalties, terminate the contract unfairly or demand that franchisees buy inputs through him (Baucus, et al., 1993). The franchisee on the other hand is in control of the local operations with the aim of generating profits to meet the obligations of the franchise agreement. The franchisor depends on the effectiveness and success of the franchisee (Combs, et al., 2004), so an imbalance in the franchise relationship could cause dissatisfaction and conflict, which could lead to poor performance (Harman & Griffiths, 2008). Researchers suggest that the strength of the franchise relationship may affect the success of a franchise system (Nathan, 2000). Furthermore, the cooperation and specialization of roles enables the franchisor to concentrate on strategic planning and marketing, while the franchisee takes care of delivery of customer service (Stanworth, 1999). This arrangement allows the participants of the franchise to perform at a higher level than they could do on their own (Brown & Dev, 1997).

4.5 Advantages and Disadvantages of Franchising

In a study on perceived advantages of the franchise option from the franchisee perspective, Peterson & Dant (1990) identified that ‘training provisions’ which would improve or increase the chances of success in operating the business, and which may be generally related to ‘franchisor support’ from other studies (Knight, 1986; Mendelsohn, 2004) as one of the great advantages derived from the point of view of establishing a business vis-à-vis buying a franchise. Another advantage was a ‘greater sense of independence’. This reason for choosing a franchise system is viewed from the perspective of feeling more responsible for the business and acquiring a sense of ownership, that is being self-employed as opposed to being employed by someone else as would happen if one were working for a chain business. And the third positively perceived advantage was working under an ‘established name’. It was thought that working under a recognized and established name would attract more customers to the business than would a new concept trying to break into the market. Among the disadvantages advanced by Peterson & Dant (1990) include requirement of royalties and purchase restrictions as well as the contractually required management responsibilities which seem to exceed those that a small independent business would normally practice.

From the franchisor’s point of view, franchising offers an easy way of business expansion, as franchisees provide most of the capital for setting up a facility. Therefore the franchise grows but the cost and the risks are spread across the franchise (Quinn & Alexander, 2002). The cost of monitoring the operations is not as much as is needed in a chain since in a franchise arrangement the owner is often the manager who has interest in gaining profits for himself as well as meeting the obligations of the franchise contract (Combs et al., 2004). In a franchise arrangement, the franchisor could outspend individually owned organizations in areas like marketing since by virtue of size; he can achieve economies of scale especially in the purchase of supplies for the franchise.

In the case of international franchising, the franchisor benefits from the franchise arrangement by being spared the risk of environmental uncertainty in the sense that the local franchisee better understands the business environment and therefore can better handle the problems that may arise from the cultural context, the language barriers and the government

policies of the specific geographic location in which they operate. On the other hand, the franchisee is a good source of information that the franchisor could use in adapting the marketing strategy and product to the market (Christiansen & Walker , 1990). However, the franchisor needs to be vigilant over the brand quality as free riding could arise. Free riding is a practice witnessed when economic agents (in this case franchisees) take advantage of the brand name without contributing to its sustainability (Combs et al, 2004). Combs et al., (2004) observe that there may be instances when franchisees will tend to maximize their profits of their outlets through a dilution of the brand, like omitting certain marketing strategies or lowering the quality of goods or services, causing a deterioration of the overall reputation of the franchise.

4.6 The risks associated with franchising

Franchising like all other business activities, encounters elements of risk. Price (1997), states that some researchers have claimed that the success rate of franchise operations is greater than that of other businesses due to the support structure inherent in franchising, the shared knowledge and the economies of scale that result from the relationship with the franchisor as well as the recognized brand identity and the franchisor's marketing input. However, some researchers have found that survival rates of franchises are lower than the impression given by previous studies when compared to independent businesses (Bates, 1995). Stokes (1995) suggests that the impression of success of franchising has led banks to facilitate credit acquisition, but as Hoy (1994) suggests, the data on failed franchisees may have distortions as franchisors try to disguise failure. Price (1997) continues to postulate that there are mal-practices by franchisors in presenting information on performance of franchisees in order to encourage business. Other studies on ownership redirection in franchising by Dant et al. (1996) bring out the public concern and policy implications of the practice and question of ownership redirection (transfer of the ownership back to the franchisor) and they examine the possible mal-practices that may be inherent in this trend, which seems to be associated with success as well as failure of franchises.

It has been suggested that risk is a motivator for franchisees to exert effort because they have a sense of ownership in the franchise and it is their own money which would be lost in the

event of failure, as opposed to a situation where managers of units are salaried employees and as such do not have their own money at risk (Ketchen, et al., 2006). However there are other risks that may include opportunistic behaviour on the part of the franchisee. The free rider behaviour may lead a franchisee to market low quality goods or services harming the franchisor by eroding the brand quality the effects of which could spill over to the entire franchise (Shane, 1996b). The franchisor therefore exercises control in an effort to minimize the risk of opportunism and to enforce the contract terms. This is in order to protect the brand name and ensuring stability in the way it is viewed by the customers. The franchisor-franchisee relationship has been viewed as being based on the dynamics of balancing between control and autonomy and is differentiated in franchises (Pizanti & Lerner, 2003).

4.7 Risks in internationalization of franchising

Through the years, franchising has been used as a powerful mode of expanding businesses stemming from a desire to keep unit-monitoring costs low combined with inexpensive access to capital for franchisors (Norton, 1988b; Carney & Gedajlovic, 1991). These two aspects have been seen by researchers as a motivation in part to franchise (Hoover, et al., 2003). Domestic market saturation in the United States, the home of franchising, has also driven American franchisors to explore the internationalization of their concepts (Alon, 2004). Elango (2007) observes that many franchisors operating internationally have continued to grow steadily even in the view of the 2008 economic slowdown. The literature identifies two aspects of risks in internationalization of franchising. These risk relate to administrative efficiency which deals with the international franchise relationship and the other deals with the ability of the international franchisor to manage the risks inherent in operating in a foreign market (Choo, 2003).

4.7.1 Administrative efficiency

Scholars have identified the administrative efficiency as the extent to which the franchise contract arrangement facilitates the alignment of preferences between the franchisor and the franchisee (Carney & Gedajlovic, 1991; Lafontaine, 1992a; Combs & Castrogiovanni, 1994). The capability of a franchisor to monitor a foreign franchisee effectively, distinguishes domestic from international franchisors (Shane, 1996a). The challenges encountered in the

monitoring process stem from the geographical and cultural distances between the franchisor and the franchisee (Bergen, et al., 1992).

Managing the challenges arising from the physical distance between the franchisor and franchisee brings with it not only risks and uncertainties, but it also raises the cost of monitoring for the franchisor (Norton, 1988a). However researchers have found that internationalization or operating in global markets has suited franchising arrangements due to the flexibility possible in a franchise agreement. This flexibility has been seen to contribute to the effective absorption of risks and uncertainties to be found in the global market place (Sashi & Karuppur, 2002). Franchisees can react quickly to adapt to changes in their local market environment when it would take rather longer for the franchisor, situated in a remote location to capture the local situation. International franchising research in the restaurant industry area has suggested that expansion into foreign markets which are geographically close to the host country e.g. Canada from the USA (Hopkins, 1996), were more attractive and were considered friendly to franchising.

Sashi & Karuppur (2002) also suggested that franchising allowed cultural diversity and allowed for local needs to be catered for when addressing issues of customer satisfaction. Researchers have found that upon internationalization of restaurant franchises, the franchise needed to adapt to local circumstances, which differed from the host country. Part of the success in internationalization would depend on customization of marketing strategies for different regions of the world according to cultural, regional and national differences to serve specific target markets (Vignali, 2001). The grouping of countries along the lines of social, cultural, technological, political and economic similarities could make it easier to standardize the marketing mix. McDonalds experience from their international operations indicated that though there are cost benefits to be derived from standardization, it was important to be able to adapt especially the product and the price to an environment to ensure success (Vignali, 2001). The product variation would be influenced by the social, cultural and religious values of the market while the price would be influenced by economic factors as well as the prices charged by the competition. Other countries with developed infrastructure and with cultural

similarities that have used franchising to expand include European countries (Abell, 1991), and between Japan and neighbouring Asian countries (Preble & Hoffman, 1995).

4.7.2 Host country risk management

The risks arising from the macroeconomic environment such as government policies, legal structures, information and physical infrastructure etc. make the conducting of business internationally more uncertain than domestically (Miller, 1992). The government policies on ownership, protection of intellectual property rights, and repatriation of profits should be evaluated as accurately as possible (Aydin & Kacker, 1990; Lafili et al., 1990). Franchise businesses may suffer from imitation by competitors and as such part of the success of a franchise would depend on the legal protection of intellectual property (Lafili et al., 1990). Fluctuation of foreign exchange also presents another element of risk for the franchisor. Regular movement of products or equipment from the home country may expose the franchisor to added risk and to the vagaries of the foreign exchange swings (Huszagh, et al., 1992). However franchising enables organizations to expand operations globally without committing their own financial resources. This reduces the risk associated with foreign exchange fluctuations, political instability and the erratic economic conditions that prevail in the international markets (Sashi & Karuppur, 2002).

4.8 Restaurant Franchising and Critical Success Factors

Franchising has been seen for the past few decades as an engine of growth in the restaurant industry particularly in the United States, selling more than 40 percent of goods and services in the market as well as having a strong international presence (Ketchen, et al., 2006). The fast food segment of the restaurant industry has expanded mainly through franchising. The successful growth in the USA and the efficiency of the franchised fast food model has led to the rapid globalization of fast foods. McDonald's has been considered the leader of international franchising giving rise to a trend referred to as 'McDonalization' (Ritzer, 1996) when speaking about international franchising. KFC (Kentucky Fried Chicken), Burger King and Pizza Hut are among the other big names in the franchised restaurant industry that have ventured into Europe from the USA as well as into parts of the Middle East, notably Israel and in the Asian markets (Pizanti & Lerner, 2003; Choo, 2003). The increase in the mobility

of populations around the world, the growth of urban populations and the increase in numbers of the young people together with the growth in the number of women who work outside the home have all been factors that have contributed to the growth of franchised food business (Schlosser, 2001; Atkins & Bowler, 2001).

4.8.1 Critical success factors in restaurant industry: Franchisors perspective

One of the critical success factors that may influence the possibility of success or failure of restaurant franchises include the competitive environment in which a franchised restaurant operates. This will be derived from the physical location vis-à-vis the restaurant density of the area to the ability that the restaurant has to differentiate itself from the competition, and the response to growth and changes in the environment (Kotler, et al., 1996). It has been observed that franchised and chain restaurants have an edge over independent restaurants because of the ability of franchises and chains to count on economies of scale. Research does therefore relate size to survival, suggesting that the larger the organization the easier it is to survive and remain in business (Bates & Nucci, 1989).

For a franchised restaurant to be successful, it should have good criteria for site selection, according to Fields (2007). The location of a restaurant business has been considered an important factor for success. A poorly selected site cannot be overcome even by a well-developed concept and a good range of products and services. The site selected would depend on the restaurant density in the surrounding area, the type of businesses in the area and the disposable income of the target market in that location. Franchised restaurants would usually have a good market research done for each new location and the franchisor would select or approve the site for setting up a restaurant therefore enhancing the chances of success (Fields, 2007; Arduser, 2003).

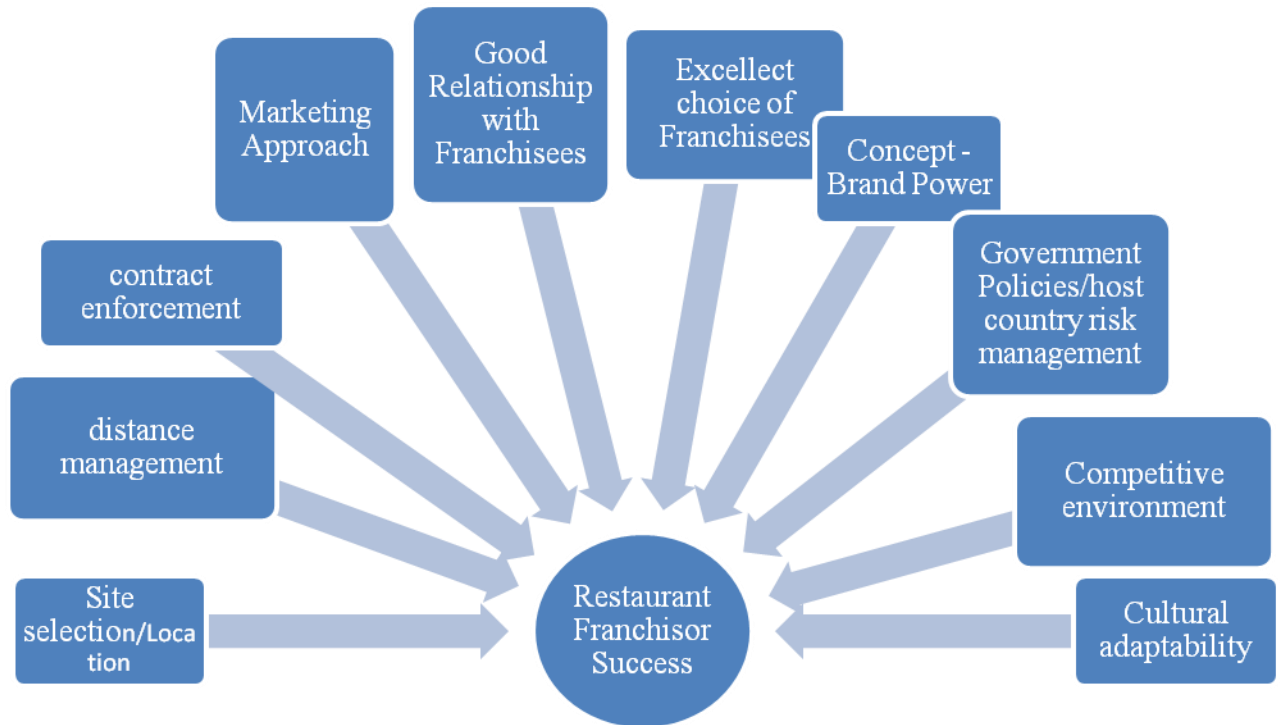
In their research on 'why restaurants fail' Parsa et al. (2005) found that among the critical factors for franchised restaurant viability and success, a well-defined business concept was essential. In the case of franchising this is not a problem as the brand and the system are usually already tried and tested and as it were, already proven to work and indeed succeed as a business. Franchised restaurants would usually have a very clear and well developed

concept that is conveyed by the brand identity. People would usually have associations they make with a particular brand something which distinguishes it from other restaurants (Fields, 2007), (Njite, 2005). The franchisor keeps guard over the brand quality and strength maintaining the franchise visibility. A good and clear concept conveys a message and an image to the customers. It would include a perceptible differentiation from the competition in the locality to be able to attract clientele. A well-developed concept would also carry with it a value proposition for the customer. Customers usually seek value for their money. A recognized brand would be associated with a certain range of products and prices. If a restaurant is part of a franchise the customers would have certain expectations of value whenever they visit an outlet. If any restaurant fails to deliver the value that the customer expects, they would not return to the outlet but rather go to the competition. Franchised restaurants that lack a clear concept would find it difficult to survive as the customers would seek a consistent operation, which delivers value for their money (Fields, 2007; Njite, 2005).

Other critical success factors from the point of franchisors should be to make an excellent choice of franchisees, and cultivate a good relationship with the franchisees. Norwell (2010) suggested that a franchisor should choose franchisees that share core values, and are engaged with their business. Nathan (2013) noted that maintaining constructive relationships with franchisees was a lot easier to talk about than it was to put into practice. Indeed for franchisors, this is possibly an on-going challenge. Nathan (2013) further noted that there are six common reasons for this; high stress levels that strain relationships; resistance to sweeping changes, franchisees misinterpreting a franchisor's motives for taking certain decisions; the franchisee E-factor which consists of psychological changes; franchisor leaders that are overly authoritarian, intimidating or insensitive; lack of support from franchisor to franchisee.

Furthermore, it should consider the government policies that are in place before deciding to grant franchises, (Parsa et al., 2005). The areas that are critical success factors for franchised restaurants from the point of view of franchisors are depicted in figure 4.2. Management effort should focus on addressing these critical areas in order to bring about franchise success.

FIGURE 4.2: Critical success factors for restaurant franchisors



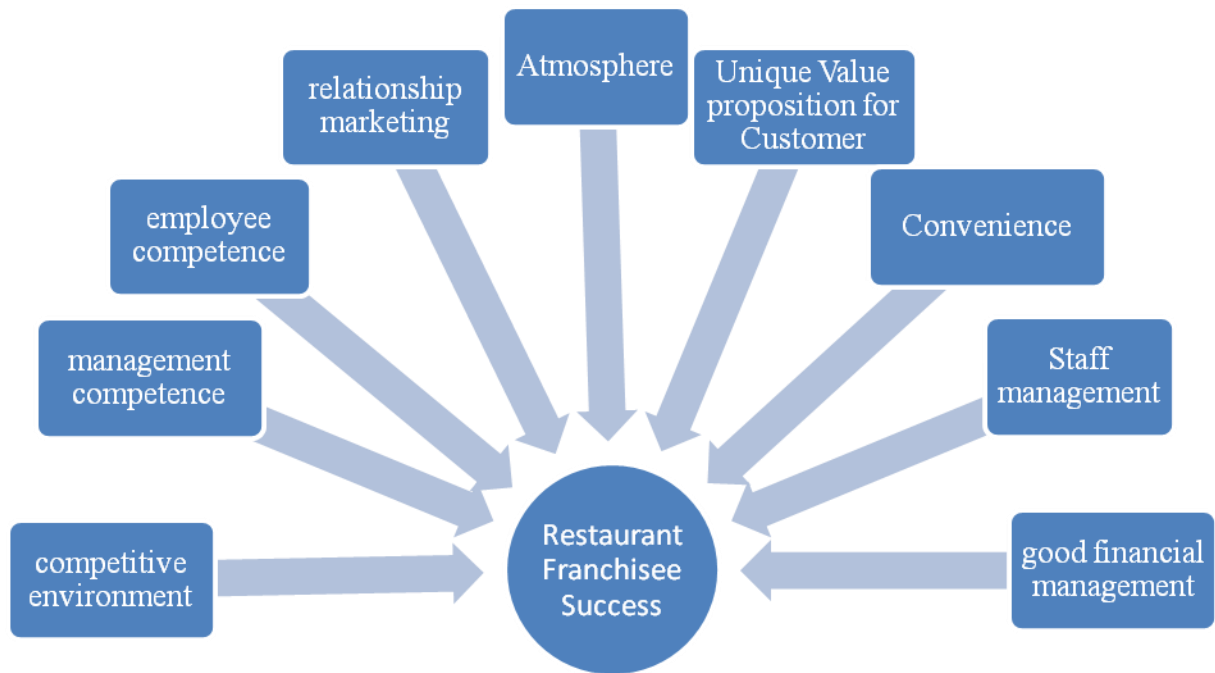
Developed for this Study and adapted from Parsa et al., 2005; Choo, 2003; Nathan, 2013, Fields, 2007; Njite, 2005; Norwell, 2010.

4.8.2 Critical Success factors in restaurant industry: Franchisees perspective

Sound financial management has been viewed as a critical success factor for the success of franchised restaurants from the franchisees point of view. Financial management needs to be appreciated up to the details through the entire operation, from purchasing right up to service. Controls to avoid waste, pilfering and spoilage would not be significant when considered individually, but cumulatively they can bring about the failure of an operation if they are not taken care of (Fields, 2007; Nimemeir, 2004). The restaurant franchisors would usually develop procedure manuals to ascertain that the franchisees have all the controls in place to ensure that they would not only be able to survive financially but yield profits to benefit both the franchisee and to meet the commitment of royalties to the franchisor (Combs et.al. 2004).

Other critical success factors for the success of franchised restaurants from the franchisees point of view include management competence, employee competence, relationship marketing, staff management, unique value proposition for customer (UPV), atmosphere and convenience (Parsa et. al., 2005; Njite, 2005), which were discussed in detail in chapter 3. They are depicted in a figure 4.3.

Figure 4.3: Critical success factors for restaurant franchisees



Source: Developed for this Study adapted from Parsa et al., (2005); Camillo, Connolly & Kim (2009); Wilson and Dover (2009); Farrish (2010)

4.9 Failure of Franchised Restaurants

The inverse side of success is failure; therefore looking at the failure of franchised restaurants could serve to shed light on the exploration of critical success factors of the same. This section will serve to summarize the causes of success or failure of franchised restaurants.

Ketchen et al. (2006) suggest that one way in which restaurant franchising may help a franchisor to succeed is in allowing a restaurant to reach a critical mass quickly, by acquiring capital needed to grow fast as well as the human capital required to manage the franchised units identified in each geographical location of the franchise units. The local managers with a keen sense of ownership who are besides, motivated and skilled make it attractive for

restaurants to choose franchising as a growth and market entry option. It has been suggested by researchers that franchising does make owning a business easier. One purchases a proven business model and presumably by following the instructions one should expect financial success (Anon, 2007), However it has been established that many restaurant franchises do fail and various explanations for the failure have been put forward.

According to research, the risk of failure in franchised restaurants is generally perceived to be lower than in independent restaurants as it is shared between the franchisor and the franchisee (Quinn & Alexander, 2002). Studies have established that restaurant failure has been seen to be about thirty percent within the first year of operation. This failure rate is attributed mainly to independently owned businesses. The failure rate for franchised restaurants has been found to be only about ten percent within the same period (Fields, 2007; Parsa et al., 2006). This has been attributed to the fact that a franchised restaurant is usually a tried and proven business. Failure of Franchised restaurants has been identified by scholars as resulting from three perspectives; economic, marketing and managerial perspectives.

4.9.1 The Economic Perspective

The economic perspective includes reasons like undercapitalization, decreased profits and bankruptcies resulting in foreclosures, takeovers and receiverships to meet the credit obligations (Altman, 1968; Clute & Garman, 1980). A franchise does need capital to begin with. The initial start-up costs may be less than those required for an independent business but they do need to count on putting in a good amount of capital. A franchise is not a get-rich-quick scheme and the franchisees need to know that they may undergo an initial period of not generating a profit before they can balance out the operating costs with what profits they can realistically generate from the business (Anon., 2007). Romanelli (1989) suggests that limited financial resources may not allow a franchise or any business the flexibility to adapt to changes in the environment. However in their study on why restaurants fail, Parsa et al. (2005) found that some of the most successful restaurant owners they interviewed did not start their business with a large capital. Consequently they concluded that despite the fact that sufficient financing was important for the viability and success of the restaurant business, it was not as critical as on-going financial management of the business.

4.9.2 The marketing perspective

The marketing perspective involves strategic planning in repositioning, the adaptation to demographic changes and changes in demand for new products or services (Dodge & Robbins, 1992; Justis & Judd, 1998; Khan, 1990). Marketing strategy in terms of advertising and use of promotions and offers was not identified as critical for restaurant success by Parsa et al. (2005). In their findings, more than marketing as a critical success factor, restaurant owners highlighted the relationships they had with the community around the restaurant as well as the customer relations. The most successful restaurant owners attributed their success to relationship marketing. In his interview with the researchers Bell (2009), proprietor of the Kengeles franchise, identified the fact that what revived one of the restaurants of the franchise that was already on the point of collapse was the relationship that the manager had with the patrons of the restaurant. Most of the franchisees of Kengeles failed precisely due to poor relationship marketing among other reasons.

4.9.3 The management perspective

The management perspective has been viewed to involve failures that have resulted from management incompetence and limitations as well as lack or loss of motivation and influence from the personal lifestyle of the manager (Anon., 1996; Gu & Gao, 2000; Poter, 1980). For franchises to succeed, like other forms of business, they depend heavily on the people involved. Management of people involves the creation of teams that are highly motivated. Good management involves creating a work environment where everyone feels valued for the contribution they make to the organization. The sense of honour and trust created in an organization builds strong team spirit. Good managers maintain their presence in the franchise. They do not adopt a passive attitude to the business; they are actively involved in the day to day operations. So the manager of a franchise needs to be a motivated skilled manager and at the same time be able to motivate others and manage a team well (Anon., 2007).

4.10 Conclusion

This chapter has dealt with the theories underlying franchising, the franchisor-franchisee relationship, the advantages and disadvantages of franchising, the risks involved in

franchising, critical success factors of franchising in the restaurant industry and the causes of failure in franchised restaurants. The next chapter discusses the research questions and the methodology that we shall adopt for this study.

CHAPTER 5: METHODOLOGY

5.1 Introduction

In the previous chapter we reviewed literature on franchising, theories underlying franchising, franchisor – franchisee relationship, advantages and disadvantages of franchising, risks associated with franchising, critical success factors in the Restaurant Industry from the franchisor's and then from the franchisee's perspective. In this chapter we deal with the research design for the thesis. We looked briefly at the research paradigm then moved on to the research design, the population and sample sizes for both qualitative and the quantitative methodologies used. It outlined the methods of data collection and how the data would be analysed.

5.2 Research Paradigm

The positivist paradigm has for long dominated marketing research. This approach has an epistemological focus which seeks to determine how true statements are. The logical positivist approach drawn from rationalism rubrics seeks to explain reality in mathematical terms and therefore largely uses quantitative research methodologies (Creswell, 2003; Taylor, 2013). However the use of only quantitative methodologies in consumer behaviour research has been criticized in the last two decades. Researchers have argued that a phenomenological paradigm suits the study of consumer behaviour better because the experience of consumers is subjective and is shaped by factors that are not easily observable, like inner thought processes and feelings (Groenewald, 2004; Rapport, 2006). Therefore allowing the consumer to express themselves would yield data that is more reliable for making inference. Furthermore the individual's experience would differ from one person to another even in similar or the same events or circumstances giving a uniqueness to each individual's interpretation of events or experiences. These elements of consumer motivation are not easily captured by quantitative methodologies. Therefore postmodern approaches have gained support of researchers who have advocated for more use of qualitative methodologies in market research (Finlay, 2009).

Elsewhere scholars like McDowell (2004) and Gunter (2000) have advocated for a hybrid approach to market research combining qualitative research which capitalizes on the

interpretive sensitivity and quantitative methods that bring in systematic coding. Triangulation combines several methodologies in the study of the same phenomenon according to Guion (2011) and it can also involve the use of more than one source of data in a single research (Golafshani, 2003). Scholars have assumed that by using qualitative and quantitative methodologies, the inherent weaknesses in one methodology will be counterbalanced by the strengths in the other, and the methodologies would complement each other in this way enriching the research as it provides detail that would otherwise not be captured by one method alone (Jack & Raturi, 2006). This triangulation would improve the firmness with which the research findings may be generalized as well as be more objective (Holtzhausen, 2001).

In this study, part of the qualitative research involved the use of interviews. We chose this qualitative method to collect the views of franchisors and franchisees in the restaurant industry. This part of the study addressed the first and second research questions: *“To establish how franchisors define, identify and evaluate success”* and *“to determine how franchisees define, identify and evaluate success”*. The qualitative methodology was seen to be best suited to bring out the kind of information that this research sought. Franchised restaurants being a small industry, the number of restaurants were few, in the geographical context of the study, and it was important to understand and explore the nature of relationships of phenomena, providing detailed description on events, situations and interaction between people and things in depth. This kind of research is emergent and the underlying theory would develop as patterns of understanding form broad themes and coalesce into broad interpretation or grounded theory (Creswell, 2003). The data collected was analysed through explicit interpretation of meanings. Being interpretive research it contributes in the building of theory rather than testing it. The analysis took the form of verbal descriptions and explanations (Malhotra, & Birks, 2007; Cooper & Schindler, 2008).

Separately, following the recent trends, we chose to use a triangulation of methodologies taking advantage of both quantitative and qualitative methodologies for the other part of this study. Qualitative research was used to explore the issues that concern customers in using franchised restaurants through focus group discussions and it addressed the third research

question: *“To determine what makes a franchise successful from the customers’ perspective”*. This initial phase of research was important since we did not find previous market studies in the geographical setting of the research. We required descriptive answers that capture the motivations of franchised restaurant customers in the specific context of the research. We chose to use a qualitative method which was exploratory in design, borrowing from what researchers in marketing who have affirmed that qualitative research has the possibility of contributing significantly to their efforts (Rapport, 2006). The exploratory design would indirectly measure or provide insight and understanding of respondent’s feelings and beliefs regarding the phenomena under investigation (Malhotra & Birks, 2007; Dillon, et al., 1990). It would focus on the researcher’s in-depth understanding of the respondents or situation and interpreting the meaning. The kind of information sought at this stage is best captured by qualitative methods rather than by quantitative ones.

On the other hand it would be difficult to generalize findings to the wider population from a qualitative study and from the small sample sizes generally used. So to counterbalance this weakness we carried out a quantitative research. Through a survey we sought to confirm and measure the key components that had been identified in the previous qualitative phase of the research using focus group discussions, in this way employing triangulation of methodology.

According to Burns & Grove (2001) quantitative research can be defined as a formal, objective, and systematic process of obtaining numerical information regarding the world. It is usually conducted to test theory by describing variables, examining relationships between variables or determining cause-and-effect interactions between variables. Aliaga & Gunderson (2002) regarded quantitative research as a method of explaining phenomena by collecting numerical data which could be analysed statistically. Quantitative research focuses on describing, explaining and predicting and is used in building and testing theory. This type of research design uses large samples and consistency of the results is critical. A quantitative study done with a good sample size would give more objective results that could be generalized to a broader population.

A summary of the methods chosen addressing the different research questions is depicted in table 7.

Table 5.1: Summary of research questions and research methods to be used

Research question	Methods to be used	Methods of data collection
Q1 To establish how franchisors define, identify and evaluate success	Qualitative: interpretive	In - depth interviews
Q2 To determine how franchisees define, identify and evaluate success	Qualitative: interpretive	In - depth interviews
Q3 To determine what makes a franchise successful from the customers' perspective	Qualitative: exploratory Quantitative: confirmatory	Focus group discussions Survey

Source: Developed for the study

Consequently the research process that we carried out is illustrated in figure 5.1.

Figure 5.1: The research process



Source: Developed for the study

5.3 Research Design

A research design is a framework for conducting research. It outlines the procedures needed for obtaining information necessary to address an identified problem (Malhotra & Birks, 2007). It constitutes the blueprint for the collecting, measuring and analysing of data (Cooper & Schindler, 2008). We undertook an exploratory and descriptive research design that consisted of the following steps:

- Secondary data analysis
- Qualitative research
- Quantitative research
- Definition of information needed

- Methods of collecting qualitative and quantitative data
- Questionnaire design
- In-depth interviews
- Focus groups
- Sampling process
- sample size
- Plan of data analysis

5.3.1 PHASE 1: Qualitative research

As indicated in Figure 14 in an earlier section of this study, qualitative research methods such as in-depth interviews for franchisors and franchisees, and focus group discussion for customers were the various methodologies that were used in achieving the objectives of the study. Qualitative research can be defined as an approach that uses primarily exploratory design that is unstructured, based on small samples sizes. We first made use of exploratory research to clarify the nature of the problem: the critical success factors for a restaurant franchise system entering the Kenyan market. The steps taken are explained in the following section.

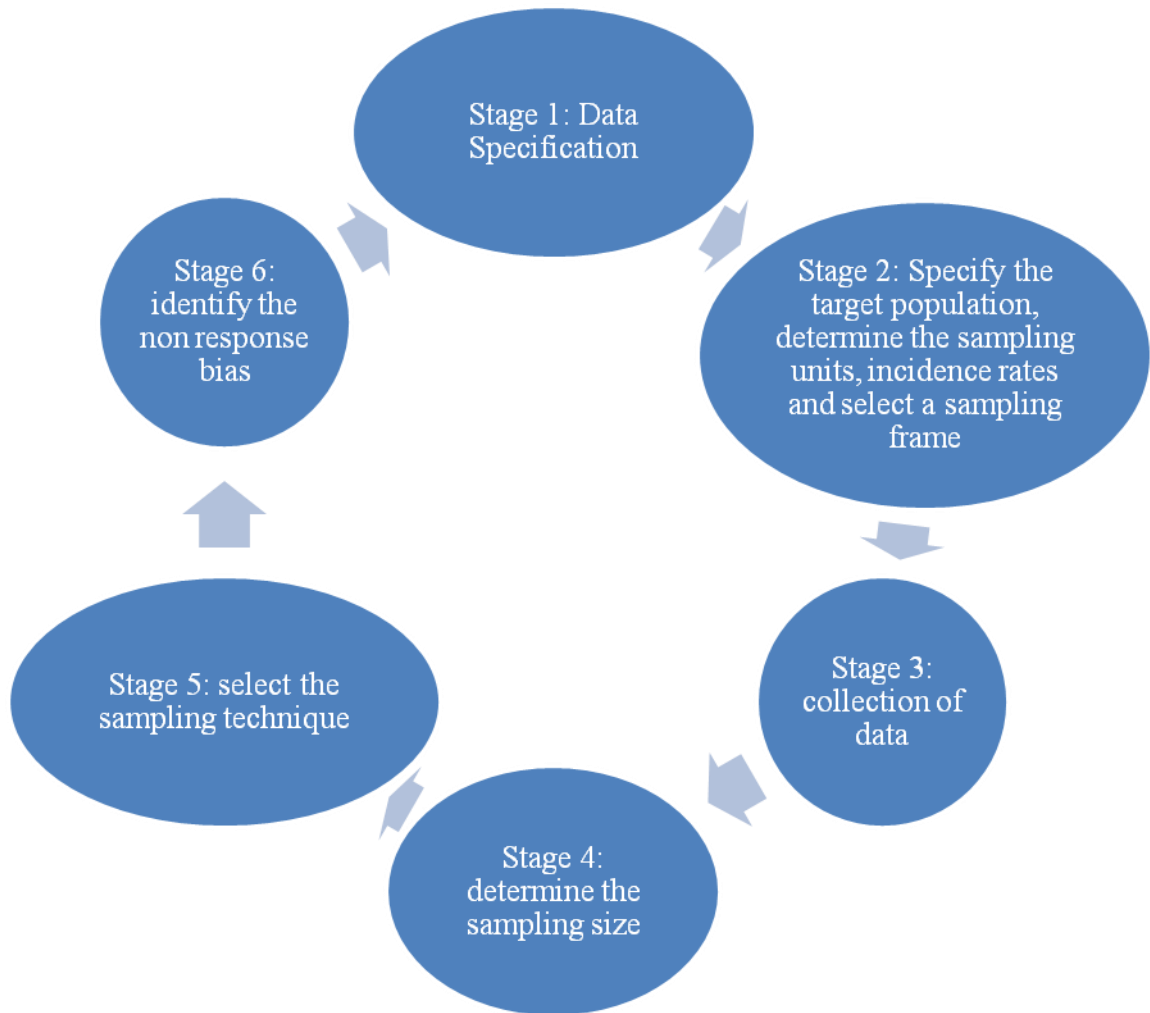
5.3.1.1 Population and sampling

In research the target population denotes the entire set of people, products, organizations etc. which contains the information that is of interest to that particular research. A sample is the name given to a subject or element of the target population from which information is collected to estimate a characteristic about the population (Dillon, et al., 1990). A sample does not necessarily have to be representative of the general population but must be representative of the population of interest for the research that is, the target population. Sampling techniques have basically been divided into two by scholars, probability designs and non-probability designs. In probability sampling design, each element of the population is said to have a non-zero chance of being selected. It is therefore possible in these cases to project through computation the results of the whole population. In contrast through non probability sampling designs the chances of selecting an element of a particular population is

not known, consequently it is not possible to compute and apply in a strict sense, sample results, to an entire population (Dillon, et al., 1990; Malhotra & Birks, 2007).

The first step in the sampling process is the specification of the data that needs to be collected; this is generally determined by the objectives of the research. From here it moves on to specify the target population, determine the sampling units, incidence rates and select a sampling frame. The next stage involves the collection of data and the methods used in doing it. Thereafter it is necessary to determine the sampling size, either through scientific theories or from industry practices. Subsequently it is necessary to select the sampling technique to be used and finally to identify the non-response bias (Dillon, et al., 1990; Malhotra & Birks, 2007). These stages are depicted in figure 5.2.

Figure 5.2: Methodology stages



Source: developed for this study

5.3.1.2 Population

It is absolutely essential to define the target population properly to be able to carry out research that will be effective for solving the problem being addressed. The key to defining the target population effectively lays in the ability to translate the objectives of the study accurately and specifying what elements should be included in the sample. The target population must be consistent with the objectives of the study and they must contain elements that possess the characteristic of interest for the study being undertaken. The researcher needs to determine if a sample or a census is what will be required to answer the

research questions. Any other qualities of interest to the study should also be specified in order to refine the inclusion or exclusion from the sample. Once the target population has been identified, it is then necessary to specify the sampling frame (Dillon et. al., 1990; (Malhotra & Birks, 2007; Cooper & Schindler, 2008).

The target population for this study is the restaurant franchisors and franchisees in Kenya on the one hand and franchised restaurant customers on the other hand. The population of restaurant franchises in Kenya was 9 namely; K1, K2, K3 KFC, Steers, Wimpy, Spur, Chicken Inn and Subway. KFC, Steers, Spur and Chicken Inn were master franchisees and were operating in the Kenyan market as multi-unit restaurants. These are franchisee owned mini chains necessitated by the competitiveness in the marketplace. This is a type of expansion that is favoured by older franchisors seeking to maximize operational advantages while minimizing free riding behaviours from the franchisees (Kaufmann, 1992). Researchers have suggested that risk is a motivator for franchisees to exert effort because they have a sense of ownership in the franchise and it is their own money which would be lost in the event of failure, as opposed to a situation where managers of units are salaried employees and as such do not have their own money at risk and can therefore shirk responsibilities (Ketchen, et al., 2006).

The mini chains or multi-unit restaurants have one owner and the outlets are operated by employed managers. These mini chains managers could therefore not respond adequately to the questions asked in the in depth interviews. The managers of the mini chain outlets need more monitoring and have little input in the decision making for managing of the franchise. There are also other dynamics in multi-unit franchised restaurants that are somewhat different from single unit franchised restaurants.

The franchisors for these four franchises that run mini chain restaurants were located outside the business environment of this study and as such it was not possible for the researchers to reach them for interviews. For these reasons these four franchises were excluded from the study.

Subway was a franchise only just beginning to operate in late 2013. For this reason, Subway was excluded from the population leaving the target population for the study to be 3 franchised restaurants. The population of restaurant franchisees in Kenya was 62. This excluded the closed down franchises and the ones that entered the market late last year 2013.

There are over 10,000 franchised restaurant customers and this implies that the target population for franchised restaurant customers can be described as a large or infinite population.

5.3.1.3 Sampling for qualitative research

Qualitative research generally involves non-probability sampling (Cooper & Schindler, 2008). Non-probability sampling techniques rely more on the personal judgment of the researcher rather than chance selection used in probability sampling (Malhotra & Birks, 2007). Non-probability samples may yield good estimates of the characteristics of a population, but since they are subjective, they may not allow for generalizability of the characteristics to the population with statistical precision (Malhotra & Birks, 2007). In non-probability sampling, specific elements are selected in a non-random manner and the researcher does not try to generate a representative sample but rather uses types of samples such as;

- Judgmental or purposive sampling. The researcher chooses participants in an arbitrary or purposeful manner for their experiences, attitudes, perceptions etc. As the research theoretical or conceptual categories emerge during the interviewing process, the researcher may seek new participants to cross check or challenge emerging patterns.
- Snowballing sampling. This involves using references from participants to others who may have similar characteristics or views or even different from their own.
- Convenience sampling. Here, the researcher selects any readily available participant.
- Quota sampling. This is described as a restricted judgmental sampling that has two stages; the first is a development of control characteristics or quotas of population elements followed by a selection of a sample based on convenience or judgment. (Malhotra & Birks, 2007; Cooper & Schindler, 2008; McDaniel & Gates, 2004).

For this study, in-depth interviews were conducted to collect information from successful and unsuccessful franchisors and franchisees by taking a census. As franchising in Kenya was at an early stage at the time (Bell, 2009), franchisors and franchisees of restaurant operations were few and it was not possible to undertake a quantitative survey. In keeping with qualitative studies, we established the sampling frame for franchisors in the Kenyan market to be interviewed including would-be franchisors from Africa Franchise Partners (Bell, 2009), the franchising association in Kenya and this is found in appendix vii. We relied on the franchisors for the list of their franchisees to be interviewed. These franchisees were sampled using a convenience sample as we realized it was not possible to interview all of them.

For the focus group discussions, the method employed was convenience sampling. This type of sampling is frequently used in marketing research owing to the difficulty of establishing a sampling frame i.e. list of customers (McDaniel & Gates, 2004). A convenience sample was chosen to minimize the cost and time involved in selection. A screening questionnaire was used to select the participants of the focus group discussions from among those who were willing to take part in the research. The questionnaire, adapted from McDaniel & Gates (2004), helped to identify people who had not participated in a similar research three months prior to the time the focus groups discussions were held.

5.3.1.4 Sample size determination

In determining the size of the sample to be used for the study, researchers using the qualitative methods of study usually have recourse to either industry practice rule of thumb in carrying out market research, or the budget available. Industry practice in conducting focus groups is generally between five and seven groups of six to twelve people in each group (McDaniel & Gates, 2004).

Focus group discussions were carried out to establish the key issues that concerned customers of restaurants. Five discussion groups were held consisting of between six to twelve participants.

As for the franchisees and franchisors, the study decided to conduct a census of 3 franchisors, in addition, a convenient sample of 7 franchisees from 62 franchisees was taken.

5.4 Data collection

In qualitative data collection, the methods researchers usually make use of include; focus group discussions, interviews, observation as tools for collecting the information that is required (McDaniel & Gates, 2004; Cooper & Schindler, 2008). This study used in-depth interviews and focus group discussions to collect the qualitative data needed.

5.4.1 Individual depth interviews

The interview is one of the main data collection techniques for obtaining data in qualitative research methods (Cooper & Schindler, 2008). This requires that the interviewer makes the participant feel comfortable, probe for detail without making the participant feel harassed. The researcher should remain detached and objective and yet be able to convey sympathy and understanding to the interviewee or eagerness to understand and empathize, skills that help the researcher mine information more effectively (Cooper & Schindler, 2008; Dillon, et al., 1990). Those carrying out qualitative research using individual depth interviews may choose to use an unstructured interview, no specific questions or order of topics is pre-determined and fixed but rather each interview is tailored to each participant; or semi structured interview, which would usually start with a few specific questions but then follow or develop following probes from the interviewer (Cooper & Schindler, 2008).

This study used in-depth interviews to collect data from franchisors and franchisees of franchised restaurants. The individual in-depth interviews were scheduled and were face to face; interviewees were provided in advance with general guide via telephone. We used semi-structured questionnaire to mine data. The questionnaire used followed a general pattern but it was adjusted during the course of each interview.

Table 5.2 illustrates how the questions for the semi structured interviews were designed.

The design of the questions for the semi structured interviews was informed by the objectives of the study. The three questions answered two objectives of the study:

- To establish how franchisors define, identify and evaluate success.
- To establish how franchisees define, identify and evaluate success.

Table 5.2: Design of semi structured interviews

Research Objective	Questions posed to	Question posed	Question selection	Final questions posed
To establish how franchisors define, success	2 franchisors and 2 franchisees	a) How do you define success? b) How successful are you? c) What does success mean to you?	The last question (c) was the best suited for the responses required	What does success mean to you?
To establish how franchisees define success	2 franchisors and 2 franchisees	a) What are the indicators of success? b) Why do you say you are successful' and c) 'How do you measure success?	The last question (c) was the best suited for the responses required	How do you measure success?
	2 franchisors and 2 franchisees	a) How do you get to the point of success? b) What must be done to ensure that the business succeeds? c) What are the key areas which as a franchisor/franchisee	The last question (c) elicited the responses required for the study.	What are the key areas which as a franchisor/franchisee you must manage well in order to ensure that

		you must manage well in order to ensure that your business succeeds?		your business succeeds?
--	--	---	--	----------------------------

Sources: Developed for the study

The semi-structured interview questionnaire used for both franchisors and franchisees is found in appendix iii.

The interviews took place at the location of the franchisors/franchisees choice. They were preceded with an introduction by the interviewer. The purpose of the research was given and confidentiality of the information given was pledged. The interviews lasted between forty five and seventy five minutes.

The franchisors gave the researchers lists of their franchisees as well as the permission to interview them. The selected franchisees were contacted and interviews were scheduled. The interviews followed a similar pattern to those with franchisors. Three franchisees of K2 and four of K3 were interviewed. By the time we were interviewing, all except the main outlet of K1 franchisees had closed down. Therefore there were no franchisees for K1 to be interviewed.

5.4.2 Focus Groups

Focus groups are a qualitative research tool for collecting data that is commonly used in market research. It involves a selection of 6-12 discussion participants from a homogenous group. The homogeneity of the group facilitates the flow of the discussion as participants feel comfortable to express their views spontaneously (McDaniel & Gates, 2004; Malhotra & Birks, 2007). The researcher may use a discussion guide and moderate the discussion and elicited probing questions (Malhotra & Birks, 2007; McDaniel & Gates, 2004). The number of focus group discussions to be held usually depends on how many will bring the moderator to the point of anticipating on what will be said (Cooper & Schindler, 2008). The setting of the discussion could be held in a focus group facility, a conference room with a one way

mirror behind which could be observers and video cameras, or they could take place in a comfortable setting with audio recorders. The material from focus group discussions is transcribed and then the data is analysed and findings are presented (Malhotra & Birks, 2007; Cooper & Schindler, 2008).

This study used focus group discussions in line with market studies that gather views from consumers using this kind of tool (McDaniel & Gates, 2004). As we have discussed previously, this method of focus group discussions was best suited to get the kind of data needed for the research. A screening questionnaire was used to select participants for a discussion groups. The screening questionnaire consisted of investigative questions that eliminated people who did not possess the information sought for the study. The screening questionnaire guide is to be found in appendix iv. The Focus group discussions were held in a sitting room or room that was available. The discussions were audio recorded and later these recordings were transcribed into text. The text was used to perform the analysis. The participants were offered refreshments as a token at the end of each focus group discussion.

The questionnaire guide used for the focus group discussions was developed based on the objectives of the study and also following general marketing research guidelines (McDaniel & Gates, 2004). The first focus group discussion was used to test the questionnaire and the final guide was derived as it elicited responses that could answer to the objective:

To determine what makes a franchise successful from the customers' perspective

The rationale and relevance of the questions to the study objective are outlined in the table 5.3.

Table 5.3: Relevance of Focus Group Discussion questions to objectives of the study

Research Objective	Questions posed	Relevance to the objective
To determine what makes a franchise successful from the customers' perspective	What is your opinion about the eating out trend in Kenya?	The responses to this question would serve two purposes; Ice breaking/introductory purposes and also to validate the increasing consumer patronage of franchised restaurants. The expected responses were either that the trend is increasing or decreasing
	Why do people choose to eat out?	The responses would establish the unique reasons why customers patronize restaurants. Expected reasons include, convenience, fun, peer influence, price , taste of food, variety etc.
	Why do you choose to eat at the restaurant you go to?	The responses were expected to reveal the individual reasons why the study respondents patronized a restaurant. Expected reasons include, convenience, fun, peer influence, price , taste of food, variety etc.
	What keeps you going to the restaurant you have visited?	The responses were expected to reveal the reasons that make customers conduct repeated purchases from a particular restaurant, after the initial visit. Expected reasons would be price related factors, quality of food factors, customer service related factors, restaurant environment factors, location and others.
	What would make you	The responses were expected to reveal the

	never return to a restaurant you have visited?	reasons that make customers desist from making repeated purchases from a particular restaurant, after the initial visit. Expected reasons would be inconsistent prices, inconsistent food quality, inconsistent customer service related factors, inconsistent restaurant environment factors and others.
	What is your experience with franchised restaurants?	The responses were expected to reveal the particular reasons why customers frequent/patronize franchised restaurants. The expected results were either negative or positive attributes of franchised restaurants.

Source: Developed for the study

The focus group discussion guide is to be found in appendix v.

5.5 Research data analysis

The plan for data analysis was done separately for the qualitative research and for the quantitative research.

5.5.1 Qualitative research data analysis

The data in qualitative research is constituted of texts describing events, situations, interactions either verbal or visual. The text is made up of transcriptions which were derived from audio or recorded interviews or focus group discussions as well notes taken during these sessions (McDaniel & Gates, 2004; Cooper & Schindler, 2008).

After the creation of a text from the recorded data, coding and writing of reflections followed. The material was then sorted to determine similarities and differences. The identification of variables then derived from the observed data. The techniques for

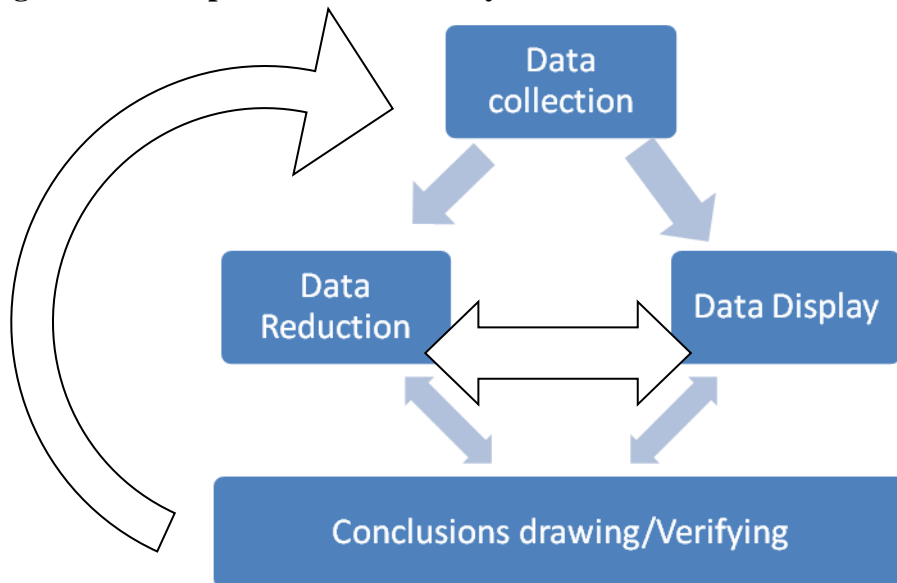
preparation and the carrying out of the interviews are derived from literature (Miles & Huberman, 1994).

The qualitative data analysis was done in the following steps:

- Thematic content analysis of the interviews and focus groups separately
- Data displays & matrices
- Data reduction
- Exploring and describing
- Conclusions: drawing and verifying

The components of data analysis are depicted in figure 5.3.

Figure 5.3: Components of data analysis: An interactive model



Source: adapted from Miles and Huberman (1994)

Thematic content analysis is the process of identifying patterns emerging from the data collected which are then coalesced into themes. These themes summarize the causes/explanations and relationships among people and more theoretical constructs (McDaniel & Gates, 2004).

Data displays and matrices are necessary to manage the large quantity of data collected and analysed for the thesis. The data display refers to how the data collected was presented and communicated. This was done mainly by using matrices for each interview and focus group. The matrices facilitate the viewing and analysis of the data for each interview and focus group and across interviews and focus groups.

Data reduction refers to the process of focusing, simplifying and condensing the data collected into smaller and more manageable units (McDaniel & Gates, 2004). Techniques of data reduction that were used in this thesis include tables, bullet points, lists, diagrams and summary narratives.

Exploring and describing entails looking at the data critically to understand what is going on. It involves drawing and verifying of conclusions and then describing them by reducing them to their constituent parts (Bernard, 1988). The exploring and describing was done for each focus group discussion and interview and between groups and interviews. The data collected in the focus group discussions enriched the research process by bringing out the deep views and underlying motivations of people when they choose to eat out. The emerging issues from the analysis of the focus group discussions were used to restructure the hypotheses and to design the questionnaire for the second phase of the study. They helped us to focus and generate an understanding of issues that were to be confirmed in the survey that followed.

Conclusions: drawing/verifying involves examining the displayed and reduced data critically to be able to draw conclusions. The researcher tried to make sense out of the data and consequently draw conclusions and/or add interpretations (Miles & Huberman, 1994). It was necessary to refer back to the original text for further clarification to come up with the analytic text. This analysis was done for both the focus group discussions and for the interviews.

The techniques for data display, reduction and description are summarized in Table 5.4.

Table 5.4: Techniques for data collection and analysis for the qualitative phase of the research topic and research questions of this study

Research Objective 1: To establish how franchisors define, identify and evaluate success	
Research Issue	Data display, reduction and further analysis
1. What does success mean to you?	<ul style="list-style-type: none"> • Record the responses from the different In-depth interviews • Reduce the data to the dominant themes • Analyse the data from individual interviews and between the interviews
2. How do you measure success?	<ul style="list-style-type: none"> • Record the responses from the different In-depth interviews • Reduce the data to the dominant themes • Analyse the data from individual interviews and between the interviews
3. What are the key areas which, as a franchisor in the restaurant industry you must manage in a special way in order to ensure that your business succeeds?	<ul style="list-style-type: none"> • Record the responses from the different In-depth interviews • Reduce the data to the dominant themes • Analyse the data from individual interviews and between the interviews
Research Objective 2: To establish how franchisees define, identify and evaluate success	
Research Issue	Data display, reduction and further analysis
1. What does success mean to you?	<ul style="list-style-type: none"> • Record the responses from the different In-depth interviews • Reduce the data to the dominant themes • Analyse the data from individual interviews and between the interviews
2. How do you measure success?	<ul style="list-style-type: none"> • Record the responses from the different In-depth interviews • Reduce the data to the dominant themes • Analyse the data from individual interviews and between the interviews
3. What are the key areas which, as a franchisee in the restaurant industry you	<ul style="list-style-type: none"> • Record the responses from the different In-depth interviews

must manage in a special way in order to ensure that your business succeeds?	<ul style="list-style-type: none"> • Reduce the data to the dominant themes • Analyse the data from individual interviews and between the interviews
Research Objective 3: To determine what makes a franchise successful from the customers' perspective.	
Research issue	Data display, reduction and further analysis
1. What is your opinion about the eating out trend in Kenya?	<ul style="list-style-type: none"> • Record the responses from the different focus group discussions • Reduce the data to the dominant themes • Analyse the data from individual focus groups and between the focus groups
2. Why do you think people choose to eat out?	<ul style="list-style-type: none"> • Record the responses from the different focus group discussions • Reduce the data to the dominant themes • Analyse the data from individual focus groups and between the focus groups
3. Why do you choose to eat at the restaurants you go to?	<ul style="list-style-type: none"> • Record the responses from the different focus group discussions • Reduce the data to the dominant themes • Analyse the data from individual focus groups and between the focus groups
4. What is your experience with franchised restaurants?	<ul style="list-style-type: none"> • Record the responses from the different focus group discussions • Reduce the data to the dominant themes • Analyse the data from individual focus groups and between the focus groups

Source: Developed for the study

After the analysis was done the next step was exploring and describing and then drawing conclusion from the data. To achieve this analysis of each interview and focus group was done followed by analysis across the interviews and groups to be able to identify patterns emerging from each interview and group discussions and compare between the interviews and groups (Miles & Huberman, 1994). The conclusions from the Focus group discussions

(FGD) highlighted the customers' main concerns which were then used to design the questionnaire for the quantitative phase of the research. The hypotheses were reviewed to establish that all the variables identified in the qualitative phase of the research had been captured so as to be verified in the quantitative phase.

The findings of the analysis were displayed in tables. The conclusions were drawn from the findings following the guidelines provided in the table 5.5 whose content was derived from Miles and Huberman (1994).

Table 5.5: Tactics for drawing conclusions for the analytical text

Descriptions	Questions used to draw meaning and verify conclusions
Within group and interview	<ul style="list-style-type: none"> • What common themes and patterns emerge from this FGD or interview? • Are there findings in literature consistent with what has been found here? • What divergent data is found and how can it be explained? • Are the findings connected with prior studies or theory in any way? Congruent? Confirmatory? If yes how? If not why? • Are the findings convincing? Do they ring true? • What are the key findings from this FGD or Interview? What are the main contributions?
Cross-groups and interviews	<ul style="list-style-type: none"> • Which FGD or interview is the most outstanding and why? • What common themes and patterns emerge from this FGD or Interview? • What similarities and differences are there between the groups and the interviews and how can they be explained? • What categories or clusters can be created across FGD and Interviews? • Do the FGDs illustrate that replication has occurred? If so how and where? If not why? • What divergent data is found and how can it be explained? • Are the findings connected with prior studies or theory in any way? Congruent? Confirmatory? If yes how? If not why?

<p>Issues that go beyond the scope of the study: business and policy conclusions and implications</p>	<ul style="list-style-type: none"> • What are the main findings of the whole thesis? • Are the findings and conclusions convincing, tenable, and reasonable? • What conclusions can be drawn from the findings of this thesis and what is the significance of these conclusions? • Can tentative theory be developed? If so, what is it? • To what degree can these conclusions be generalized? • What are the limitations and shortcomings of this thesis? • Do the findings point to working hypotheses for future research? If so what are they? • What opportunities exist for further research? Can they be prioritized?
---	---

Source: Developed for the study

5.5.2 Summary of qualitative research undertaken

A summary of qualitative research undertaken is given in table 5.6. It specifies the population, sample size, sampling method, data collection methods.

Table 5.6: Summary of qualitative research undertaken

	Franchisors	franchisees	Customers
Population	3	62	Over 10,000
Sample	3	7	40
Sampling method	Census	Convenience	Convenience Sampling
Data collection method	Depth interview	Depth interview	Focus groups

Source: Developed for the study

5.6 PHASE 2: Quantitative research

According to Burns and Grove (2001), quantitative research can be defined as a formal, objective, and systematic process of obtaining numerical information regarding the world. It is usually conducted to test theory by describing variables, examining relationships between

variables or determining cause-and-effect interactions between variables. Aliaga & Gunderson (2002), regard quantitative research as a method of explaining phenomena by collecting numerical data which can be analysed statistically. Quantitative research focuses on describing, explaining and predicting and is used in building and testing theory. The research design uses large samples and consistency of the results is critical. The key concepts in quantitative methods are regarded to be validity and reliability (Muijis, 2004; Cooper & Schindler, 2008).

- **Validity**

Validity ensures that the results obtained are really true (Muijis, 2004). For a measurement to be construct-valid, the scores obtained should reflect the construct that the researcher wishes to study. A measurement scale is said to be construct valid to the extent to which differences in observed measurement scores correspond or reflect true differences in the characteristic under observation. Matters of construct validity arise from non-random error (Dillon et. al., 1990). It is said that it is derived from other factors that affect the characteristic under observation in addition to the one underlying construct and random error. The presence of non-random errors would result from scale items that represent something different from the intended construct (Dillon et. al., 1990). Validity depends on the degree of non-random error present in the measurement process. A content valid scale would be assessed by evaluating the proximity of the scale items to the characteristic or construct under study (Dillon et. al., 1990).

Convergent validity is usually assessed by the extent to which two or more measurement scales intended to measure the same construct correlate. Discriminant validity is assessed by examining the correlations between the measure of interest and other measures that supposedly measure a different but related characteristic or construct. Criterion validity usually assesses the extent to which the observed measurement scale scores can predict some criterion measure, hence giving it a predictive validity (Dillon et. al., 1990).

Construct validity was assessed by the use of multiple methods of collecting data that was applied in this research. The multiple sources of data provided the evidence that is rated as

'convergence of multiple sources of evidence 'and which has been rated as more reliable than a single source of information (Yin, 1994). Therefore construct validity was achieved by the use of triangulation of methodologies that was used in this research.

- **Reliability**

Reliability indicates the extent to which the results are free from error and are therefore accurate, precise and consistent (Muijis, 2004; Cooper & Schindler, 2008). Reliability is necessary though not a sufficient condition for validity, that is, if a measure is not reliable it cannot be valid. Reliability denotes stability or consistency in measurement. The measurement should be consistent or stable from one measurement to the next. The results obtained from a sample should be of a desirable precision in the measurement scores and it should be possible to reproduce them accurately with repeated measurement. Measurement error is the main source of unreliability. This results mainly because the items that make up the measurement scale do not measure the same construct. The classic true-score measurement model is usually represented as follows: $X_E = X_S + X_R$ where X_S represents systematic sources of error, from a stable characteristic such as instrument error and affects the observed scale score in the same way every time the test is administered. X_R denotes random sources of error e.g. short-term personal factors and these will affect the observed scale score differently every time the test is administered. A measure is considered reliable if independent but comparable measures of the same construct are in agreement. Reliability is the extent to which measures are free from random error and therefore yields consistent results, so it is said that if $X_R = 0$ the measure is perfectly reliable (Muijis, 2004; Cooper & Schindler, 2008). Using a correlation coefficient is one of the ways of measuring reliability which can assume values falling between +1 and -1. In this case +1 would indicate perfect positive association and -1 would indicate a perfect negative association.

Internal consistency reliability consists of the item-to-total correlation (Muijis, 2004; Cooper & Schindler, 2008). This is obtained by obtaining the correlation of each item and comparing it to with the total score. The criterion for internal consistency assumes a linear relationship between attitude score and probability score. So it is deduced that an individual item satisfies the criterion of internal consistency if the item score significantly correlates with the

attitude score. One of the most commonly acceptable methods of establishing the reliability coefficient is the use of Cronbach's alpha (α) to assess the internal consistency of the measurement scale used (Dillon et. al., 1990; Muijis, 2004; Cooper & Schindler, 2008).

Generalizability i.e. they can be applied to the target population because they are to a good extent representative of the population of interest to the researcher (McDaniel & Gates, 2004).

The questionnaire was pretested to check the reliability of the instrument using Cronbach's alpha. Thereafter the instrument was adjusted. The reliability test tables can be found in section 7.1.2. To ensure reliability of the findings of the qualitative part of the research, every step of the process was carefully documented, interviews, focus group discussions, coding as well as the tabulation of across group and across interviews. The verification of patterns across focus groups and across interviews demonstrated external validity and in this way increased the level to which findings can be generalized. Both the demonstration of validity and reliability ensured that the findings of the research were dependable and reliable.

Quantitative research methods may use descriptive or causal designs. The descriptive design is characterized by use of clearly defined information through prior formulation of research questions or hypotheses (Malhotra & Birks, 2007). Therefore descriptive research is pre-planned and structured. It is usually based on large representative samples. The descriptive design may be cross-sectional, that is involve collecting information from a sample of a population at only one point in time; or longitudinal, involving the collection of information from a fixed sample repeatedly over a period of time (Malhotra & Birks, 2007). Causal designs could be quasi experimental or experimental. These designs use manipulation or control of variables to establish relationships of cause-and-effect (Malhotra & Birks, 2007).

This study used a descriptive research design that was cross-sectional i.e. we took a sample of the population at only one point in time to obtain the views of customers of restaurant operations. The descriptive design envisaged describing a market characteristic; this was done through the collection of data and the tabulation of frequencies on research variables. As we said previously this second part of the research endeavoured to confirm the findings of

the first phase and to test the hypotheses that were developed from that phase. In this way triangulating the research methodologies and enriching the findings of the research. The research findings after this confirmatory phase became more objective and generalizable to the broader population.

5.6.1 Survey population

The aim of most marketing research is to obtain information about the characteristics of a specified population. A population is the collection of all the elements that share the set of characteristics that are of interest to the study. This would also be referred to as the universe for the purpose of marketing research (Malhotra & Birks, 2007). The characteristics of the population may be obtained by taking a census; this would involve a complete enumeration of the elements of a population, or a sample which is the use of a subgroup of the population. There are advantages of a sample over taking a census for obtaining research data and some of these according to Malhotra and Birks (2007) are as follows:

- Limited time to undertake the study;
- Budget constraints: it would be too costly to undertake enumeration of an entire population;
- Population size: consumer studies usually involve large populations and to undertake a census would be unrealistic;
- The non-sampling error can be great in a census while remaining relatively small in a sample;
- If the measurement process requires the destruction or contamination of the elements it is more feasible to use a sample rather than a census.

The survey population of the study constituted all the customers of franchised restaurants in Kenya. The franchised restaurants were concentrated in the main towns of Nairobi and Mombasa. The population of customers from franchised restaurant was over 10,000. This is described as a large or infinite population.

5.6.2 Sampling process

Lohr (1999) defines the target population as the complete collection of individuals that the researcher wants to study, while the sample is a subgroup or a subset of the individuals or elements of the population, selected to participate in the study. One main requirement of a good sample is that it is representative of the population, that is, inferences obtained from the study of the sample can be generalized to the population. A sample should also be free from selection bias if it is to be truly representative of the population. The target population should be sampled scientifically (Lohr, 1999). The type of sampling done in quantitative methods is generally probability sampling, where each member of the population has an equal chance of being selected to form the sample. A sampling frame is a list or representation of all the elements of the target population (Malhotra & Birks, 2007). Information needed for a study about a population could be obtained from the entire population and in this case it is referred to as taking a census (Malhotra & Birks, 2007).

This study used non probability sampling techniques. Specifically, the study used convenience sampling where it targeted consumers already seated in a franchised restaurant on all the days of the week including Saturdays and Sundays. A list of the franchised restaurants visited, the day in which this was done and the number of questionnaires filled is given in table 11. The choice of the days was informed by the need to capture a broad set of respondents. The selection of the sampling units in this type of sampling is left to the interviewer. These are usually selected because they happen to be in the right place at the right time (Malhotra & Birks, 2007). This type of sampling chosen is frequently used in marketing studies owing to the difficulty of establishing a sampling frame i.e. list of customers (McDaniel & Gates, 2004). Another reason for selecting convenience sampling is that time and budget are restricted; the project is a doctoral thesis and is not sponsored by industry therefore there are limited financial resources at hand. Statistical support was used to establish an appropriate sample size.

Non response bias

The quality of the data collected usually depends on the total survey error. The total survey error refers to the difference between the overall true mean value of the population and the

mean observed value of the variable of interest that is obtained from the sample taken. This total survey error is usually comprised of random sampling error and non-sampling error (Dillon et al., 1990; Malhotra & Birks, 2007; Cooper & Schindler, 2008).

To control for non-response bias, a response of above 50% was obtained as this would reduce the total survey error.

Random sampling error

According to Dillon et al. (1990) random sampling error occurs due to the fact that the selected sample is an imperfect representation of the entire population.

To control for random sampling error in the study, the respondents were stratified into heterogeneous groups; specifically, for customers, for franchisees and for franchisors.

Non sampling error

According to Dillon et al. (1990), the non-sampling error represents the degree to which the mean observed value for a particular sample agrees with the true mean value for the particular sample for the variable of interest.

Care was taken to ensure that a response rate of above 50% was taken.

Non response error

This type of error may occur because not all the respondents selected in the sample respond (Dillon et al., 1990; Malhotra & Birks, 2007).

To maximize the response rate, two research assistants were engaged to do a follow up from the sampled respondents in order to get back the duly completed questionnaires. This method ensured a faster completion rate and a higher response rate. Interviews were deployed as an additional method control for non-response error.

Response error

This refers to the errors in data due to inaccurate answers given by the respondents, or the respondents answers may be misreported thus creating a bias (Dillon et al., 1990; Malhotra & Birks, 2007).

Data inspection was conducted and outlier responses were clarified from the respondents where it was practically possible or dropped from the analysis where clarification was not possible.

5.6.2.1 Sample size determination

The sample size is generally determined by the variability of the characteristic of interest in the target population and the desired level of the degree of confidence and precision (Malhotra & Birks, 2007). The confidence level approach to determining a sample size is based on construction of confidence intervals around the sample means or proportion using the standard error formula (Malhotra & Birks, 2007; McDaniel & Gates, 2004). The level of confidence Z represents how confident the researcher wants to be that the specified confidence interval includes the population mean (McDaniel & Gates, 2004). The allowable sampling error E in the formula is the error that the researcher is willing to accept. In research due to cost implications there is usually a trade-off among accuracy, level of confidence and cost (McDaniel & Gates, 2004).

According to McDaniel & Gates (2004), the population standard deviation may be computed in different ways as follows:

- Using a prior survey: It may be possible to establish an estimate of the population standard deviation using results from a prior survey dealing with a similar study or issues.
- Conduct a pilot study: for a large project it may be necessary to allocate time and resources in a pilot survey whose results can then be used to develop an estimate of the population standard deviation.
- Use secondary sources: It may be possible that a similar research has already been done or application of secondary data can be used to develop an estimate of the population standard deviation.
- Use judgment: Experience could be used to develop the population standard deviation. These are referred to as educated guesses.

An estimate of the size of the population was made after the qualitative phase of the research and from there, we determined the coefficient of variation and establish a sample size that would give a 95 percent confidence interval and Plus/minus 0.05 precision level, the maximum permissible difference between the mean of the sample and that of the population (Malhotra & Birks, 2007). The following formula was used to determine the sample size:

$$n = \frac{Z^2 \sigma^2}{E^2}$$

$$384 = \frac{1.96^2 * 0.5 * 0.5}{0.05^2}$$

Where Z = 95 percent confidence level desired, expressed in standard error

σ = estimate of the population standard deviation

E = acceptable amount of sampling error (± 0.05) (McDaniel & Gates, 2004).

The sample size derived through this approach was 384 respondents. However, to ensure that non responses problems did not affect the original sample size, the sample size was subjectively increased by 5 units. The actual sample size was therefore 389 respondents.

5.6.3 Methods of collecting quantitative data

Quantitative research methodologies generally use surveys and experiments to collect the needed data. Surveys describe the methods of collecting information from a number of individuals or respondents (sample), in an effort to learn something about a larger target population from which the respondents of the sample have been drawn (Dillon, et al., 1990). A structured questionnaire is the instrument that is generally used in a survey (Malhotra & Birks, 2007).

After considering the different possible methods for collecting data, the survey method was selected. This instrument was chosen owing to the large number of customers involved. It is a method that has been used frequently with success by market researchers (Malhotra & Birks, 2007; McDaniel & Gates, 2004). The survey captured the customers' perspective of success in restaurant franchises through a questionnaire.

5.6.3.1 Questionnaire design

Survey research usually relies on the use of a questionnaire to collect data and this questionnaire plays a critical role in the process (McDaniel & Gates, 2004). All other elements of research may be very well done, there may be a good sampling plan in place, well trained interviewers and an appropriate statistical analysis plan etc. but these would be useless if the questionnaire is poorly designed (McDaniel & Gates, 2004). A poor design could lead to inaccurate information whose analysis could be misleading (McDaniel & Gates, 2004; Malhotra & Birks, 2007). The questionnaire design should take into account the purpose of the research as articulated in the research questions (McDaniel & Gates, 2004; Malhotra & Birks, 2007). According to Malhotra and Birks (2007), the questionnaire has three specific aims:

- To convert the information needed into a set of specific investigative questions that the respondents will be able to answer. These questions should at the same time yield such information as will be useful for the research.
- The questionnaire should stimulate and encourage the respondent to take part and complete the survey. This would involve a kind of trade off or exchange between the researcher and the respondent. It could be a reward in the form of a gift or payment offered to those who accept to be respondents of the survey. The researcher should also communicate appreciation to the respondents as they are approached in this way showing empathy so as to motivate them to take part in the survey.
- The questionnaire should also minimize the possible response error that may arise due to inaccurate answering, recording or analysing.

The structure of the questionnaires should take into account the following:

- The instructions for selecting approaching and questioning the respondents should be clear.
- The reward for the respondent for accepting to participate in the exercise should be communicated as they are invited to participate in the survey.
- Each question should have a genesis in a research objective or hypothesis.

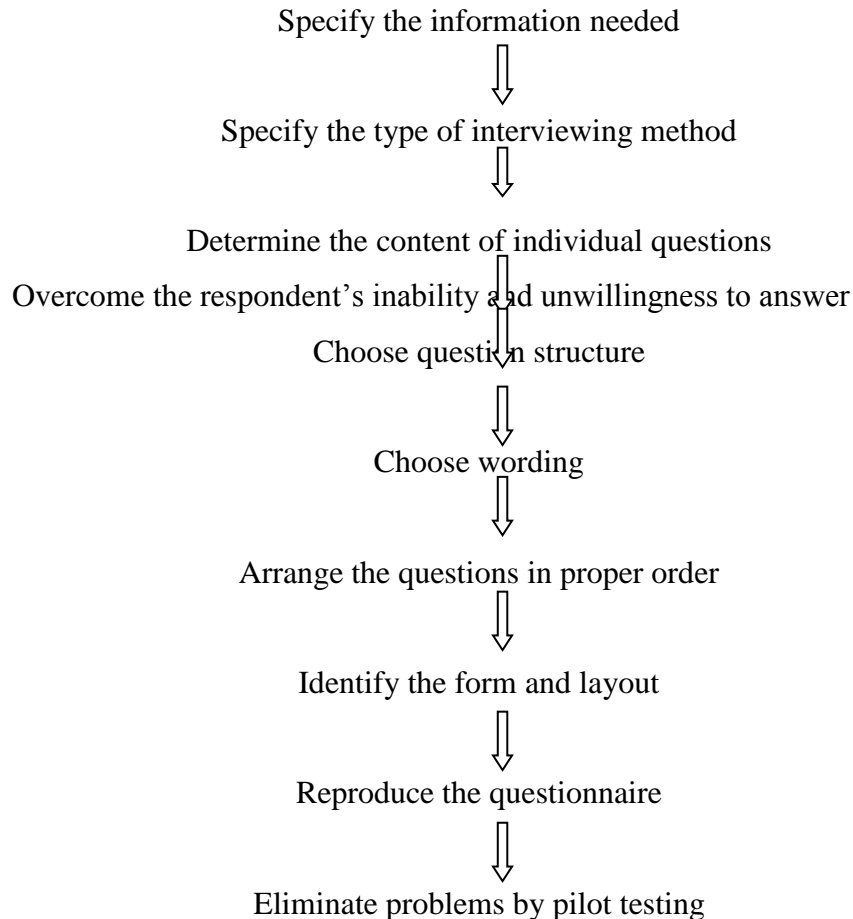
- The manner in which the data will be analysed should be identified at the design stage. Connections between the questions and the appropriate statistical tests that would yield satisfactory solutions to the questions. The scales of measurement should be established along with the design.
- The demands and emphasis needed by the specific research as emerging from other data already collected or from the demands of the marketplace (Malhotra & Birks, 2007; McDaniel & Gates, 2004).

The information needed should be specified at the design stage as follows:

- Review the problem and approach of the research as captured in the research questions and hypotheses.
- Preparation of dummy tables for cataloguing data and showing how the data will be analysed.
- Clarify the target respondents and their characteristics.

The questionnaire design process is illustrated by Malhotra and Birks (2007) shown in figure 5.4.

Figure 5.4: Questionnaire design process



Source: Adapted from Malhotra and Birks (2007: 375)

Specify the type of interviewing method

For the quantitative research a questionnaire was developed and administered to customers of all franchised restaurant outlets as soon as they received their food order or have selected their items and will be waiting to be served. It was a self-administered questionnaire. The survey employed a five point Likert rating scale (1= strongly disagree 5= strongly agree). The questionnaire was designed following the method of McDaniel and Gates (2004). It was divided into categories in line with the hypothesis and the research objectives as follows:

- Product
- Convenience

- Employee competence
- Price
- Atmosphere

They were closed ended scaled response questions aimed at capturing the intensity of feeling about the issues presented. The questions were derived from the analysis of focus group discussion tapes as well as from secondary data.

According to Cooper and Schindler (2008), questions can be classified into different types depending on expected responses as follows:

- **Dichotomous** – these give the respondents two alternatives to choose one
- **Multi-chotomous** – these provide the respondent with a multiple of choices
- **Open ended** – these require a respondent to give a free response in their own words
- **Checklists** – these suggest possible alternatives to the respondent
- **Rating** – these require the respondent to position each given factor on a comparative, verbal, numeric or graphic scale
- **Ranking** – these require the respondent to arrange the given factors in a relative order

Determine the content of individual questions

Every question included in the questionnaire should seek to acquire necessary information (Malhotra & Birks, 2007), though it may be useful to ask some neutral questions to stimulate the respondent or to establish a rapport, to generate support or to interest the respondent in the project. Several questions may be required to obtain the necessary information in order to avoid double-barrelled questions which attempt to cover two issues in one question (Malhotra & Birks, 2007).

Overcome the respondent's inability and unwillingness to answer

Assuming that the respondents can give accurate or reasonable responses to all questions should be avoided. The use of filter questions can help to identify those respondents who have the necessary knowledge and can help in screening those (Malhotra & Birks, 2007)

used for collecting data. Research shows that the inability to recall can be overcome by giving a cue to the respondent. The research should also take into account that the respondents may be unable to articulate their responses for example in giving descriptions. In this case it may be more advisable to enumerate alternative descriptions for the respondent to choose or to indicate the one that best describes their perception or expectation. The research should consider the effort needed by the respondents to provide the information needed and minimize it in the design of the questions. The requested information should be appropriate to the context of the research and also legitimate to the purpose. Otherwise these need to be explained to the respondents. Some topics like those regarding income maybe sensitive and could give the impression of being invasive of the respondent's privacy. These sensitive topics could be placed at the end of the questionnaire rather than at the beginning. These questions could also be designed using categories rather than asking for specific information (Malhotra & Birks, 2007).

Development of the questionnaire

The research used questions adapted from literature (Lee & Ulgado, 1997), and we developed others from the analysis of the FGD. The opening question was for the purpose of warming up the customers and situating them within the topic of the research. Next, questions on the main research variables were developed Q2 to Q6 in six categories. Each category carried between five and eight questions. The next sets of questions Q7 and Q8 were arranged in the rank – order of the proposed hypotheses:

Product >convenience >employee competence >price >atmosphere

Category 9 carrying six questions regarding overall rating of the restaurant were added to collect data on patronage of restaurants by customers.

Lastly questions on demographics; gender, age and income were included. These last questions Q10, Q11 and Q12 were considered rather sensitive and were therefore placed at the end of the questionnaire.

The questions asked were mapped out corresponding to the research objectives or hypothesis and scale type are summarized in the table 5.7.

Table 5.7: Questionnaire relating to research objectives or hypothesis and scale type

Question number	Related research objective or hypothesis	Type of scale	Source
Q1 Patronage	RO 3	Multichotomous	FGD and Lee & Ulgado, 1997
Q2.1 (a – e) five questions	H2 on restaurant dining convenience	Likert scale (1-5)	FGD and Lee & Ulgado, (1997)
Q2.2 (a – f) six questions	H4 on restaurant product price	Likert scale (1-5)	FGD and Lee & Ulgado, (1997)
Q2.3 (a – h) eight questions	H1 on restaurant product mix	Likert scale (1-5)	FGD
Q2.4 (a – h) eight questions	H3 on restaurant employee competence	Likert scale (1-5)	FGD and Lee & Ulgado, (1997)
Q 2.5 (a –g) seven questions	H5 on restaurant atmosphere	Likert scale (1-5)	FGD and Lee & Ulgado, (1997)
Q3	H1 – H5 rank order	Ranking (1 -5)	FGD and Lee & Ulgado, (1997)
Q4	H1 – H5 rank order	Ranking (1-5)	FGD and Lee & Ulgado (1997)
Q5 (a – f) six questions	RO 3	Verbal rating (1-5)	FGD and Lee & Ulgado, (1997)
Q6	Demographics gender	Dichotomous	FGD
Q7	Demographics age	Multichotomous	FGD
Q8	Demographics income	Multichotomous	FGD

Source: Developed for the study

Lee and Ulgado (1997) dealt with consumer evaluations of fast food services and in adopting some of their questions in this study we assumed that the respondents would react in a similar manner as some of the measurements requirements for this study were the same. The dining experience would be the same regarding the variables of interest but the structure and

analysis of the questionnaire would correspond to the specific objectives of the study. We adopted only the questions that corresponded to the variables of interest to this study.

We structured the questionnaire into categories each corresponding to the variables of interest namely, convenience, product, employee competence, price and atmosphere. For the category of restaurant dining convenience, we adopted '*they do not keep their customers waiting for a longer time compared to other restaurants*' exactly as it is.

In the same category we adopted '*they have convenient locations*' and modified it slightly to '*the location of the restaurant is convenient*'. The rest of the questions in this category were developed from the Focus Group Discussions.

The price category we adopted the question '*they offer food at lower prices compared to other restaurants*' and '*the food and services offered are very good bargain considering the prices*' exactly as they were. The question '*the food and services offered are very good value for the money*' was modified slightly to '*the food and services offered are very good value for my money*'. The rest of the questions in this category were developed from the Focus Group Discussions.

The product mix category was all derived from the Focus Group Discussions.

The employee competence category we adopted all the questions from Lee and Ugaldó (1997) as they corresponded to the customers concerns from the Focus Group Discussions: '*the employees have the knowledge to answer my questions*', '*the employees provide prompt service*', '*the employees give me individual attention*', '*the employees understand my specific needs*', '*the employees are consistently courteous with me*', '*the employees are never too busy to respond to customer requests*', and '*the employees have a neat appearance*'.

The category of atmosphere we adopted the question '*the physical facilities are visually appealing*' and modified it slightly to '*the physical facilities of are visually attractive*'. The rest of the questions in this category were developed from the Focus Group Discussions.

Customers of the restaurants identified in phase one of the research were approached and given survey questionnaire using a variation of the intercept technique, after they had received their orders or having made their order and were waiting to be served. The customer was requested to drop off the completed questionnaire at a designated place on their way out or hand them to the interviewers who were in the facilities. The data was collected over three different days of the week, including both weekdays and the weekend. This will be done on four different weeks (1st, 2nd 3rd and 4th) a period of one month. It was carried out by the researcher with the help of two trained research assistants. Table 5.8 gives the summary of how the questionnaire was administered.

Table 5.8: Summary of the way the questionnaire was administered

Weeks - October 2013	Location	Number of days	Number of questionnaires administered
Week 1 (2 people together)	Nairobi Hurligham area	1	31
	Nairobi South C	3	48
Week 2 (2 people separately)	Nairobi Ngong Road, Valley Arcade	3	45
	Nairobi Langata, City Centre, Karen and Westlands	4	59
Week 3 (2 people separately)	Nairobi City Centre	4	60
	Nairobi East, Kasarani, Thika Road	3	35
Week 4 (2 people separately)	Nairobi East, Donholm	3 days	40
	Mombasa City	3 days	71
Total number of questionnaires administered			389

Source: Developed for the study

5.7 Quantitative research analysis

Once the data has been collected the next step is analysis, this involves several steps which go to make up the entire procedure. According to McDaniel and Gates (2004) the procedure of data analysis can be summarized as follows:

- Validating and Editing
- Data coding and capturing
- Hypothesis testing

Validation and Editing

McDaniel and Gates (2004) define validation as the process of establishing that the interviews were carried out as specified. This process tries to establish if there was any failure to follow the main instructions as well as checking if there are any other problems that could affect the respondent's answers. It ascertains whether the interviews were carried out properly and completely. Editing involves checking if the interviewer or respondents made any mistakes. Once questionnaires have been edited they are now ready for coding and machine entry (McDaniel & Gates, 2004)

Validation and editing was done with the collected questionnaires. The study started off with a sample size of 384. However, to ensure that non responses problems did not affect the original sample size, the sample size was increased by 5 units. It was therefore possible to ensure that a 98.7% response rate. The extra 5 units were classified as spoilt or as non-responses. The spoilt responses were either incomplete or missing important information. The non-responses included the questionnaires that were handed out but never returned by respondents. The response rate is shown in table 5.9.

Table 5.9: Questionnaire response rate

	Customers	Percentage
Usable	384	98.7%
Spoilt	3	0.8%
Non response	2	0.5%
Total Sample	389	100.0%

Source: Research Data

Data coding and capturing

Data coding is the assigning of a numerical value (code) or alphanumeric symbol which represents a specific response (Dillon et al, 1990). For close ended questions codes can be assigned before taking the questionnaire to the field.

The survey used to collect data for this research consisted mainly of closed ended questions and these were coded upon the completion of the survey. Data capturing involved the initial summation of data using frequency distribution. This helped to establish the out of range, missing and extreme values for each variable (Malhotra & Birks, 2007). Cross tabulation was also used to reflect joint distributions of the variables. This was done using SPSS software after which the descriptive statistics and inferential statistics were generated.

Hypotheses

Malhotra & Birks, (2007) describe a hypothesis as an unproven statement that a researcher makes regarding a factor that is of interest. Creswell (2003) sees hypotheses as predictions about the relationship between variables that a researcher holds. In testing hypothesis the researcher employs statistical procedures and draws inferences regarding the population from the study of a sample. Researchers generally propose hypotheses in carrying out research using quantitative methods (Creswell, 2003).

Several hypothesis relating to CSFs were proposed in this study. They were developed and adjusted after the first phase of the study using focus group discussions.

Hypothesis testing

After the preliminary data analysis has been performed, a researcher may wish to establish whether a specific notion previously held is supported by data. The methods used to carry out this process are referred to as hypothesis testing. In testing the hypothesis, first the hypothesis needs to be specified then a suitable statistical test is applied following which a decision rule is constructed indicating whether or not to reject the hypothesis (Dillon et.al., 1994).

The hypotheses for the study were analysed. They were one tail hypotheses. The second (b) set of hypotheses contained an assumption of rank-order between them. The assumed rank-order needed to be confirmed or disconfirmed. We established the level of significance for each hypothesis. The testing of the hypotheses followed these steps:

- Validity and reliability testing
- Chi square
- Correlation determination

The study tested the significance of each individual predictor or independent variable and hypothesis. The p-value for each t-test was used to make conclusions on whether to fail to accept or fail to reject the null hypotheses. The benchmark for this study for failure to reject or failure to accept the null hypothesis is a level of significance of 5 percent. If the p-value is less than five percent the null hypothesis failed to be accepted and the alternate hypothesis fail to be rejected. Also if the p-value is greater than 5 percent the null hypothesis fail to be rejected and the alternate hypothesis fail to be accepted.

Chi square

Chi square test is the most commonly used nonparametric test of significance involving nominal data for one sample (Cooper &Schindler, 2008). This test was done at significance level of $\alpha=0.05$. The test was applied to test for independence of categories of gender, income, age vis a vis frequency of visits to the restaurants. The analysis helped us to answer the following questions:

- How do gender, age and income relate to restaurant patronage?
- Taking income as an independent variable how do the other variables relate to it?

Correlation determination

The study established the product moment correlation (r) statistic or the correlation coefficient to summarize the magnitude and direction of the association between the variables (Cooper & Schindler, 2008). This brought out the covariance between two

variables helping us to establish if there was a linear relationship between two variables (Malhotra & Birks, 2007).

Assumptions of (r) were as follows:

1. *Linearity: this assumption states that there is a relationship between variables by a straight line passing through the data cloud.*
2. *Bivariate normal distribution: that is the data are from a random sample of a population where the variables are normally distributed in a joint manner (Cooper & Schindler, 2008: 513).*

This coefficient was used to answer the following questions:

- How is convenience related to price?
- How is price related to product?
- How is product related to employee competence?
- How is employee competence related to restaurant atmosphere?
- What is the rank – order between the five variables?

The quantitative methods are summarized in table 5.10.

Table 5.10: Summary of the quantitative research methods as discussed

Research Objective	Related Hypothesis	Independent variable	Dependent variable	Descriptive test	Inferential test
3. Determine what makes a franchise successful from a customer perspective	H1a Product mix is a critical factor for the success of a franchised restaurant from customers’ perspective.	Product mix	Success in entering Kenyan market	Mean Frequencies SD	Chi-Square r statistic (correlation coefficient) F statistic
	H1b Product mix is the most important critical factor for the success of a franchised restaurant from customers’ perspective.				
	H2a Convenience is a critical factor for the success of a franchised restaurant from customers’ perspective.	Convenience	Success in entering Kenyan market		
	H2b Convenience is less important than product mix as a critical factor for the success of a franchised restaurant from customers’ perspective.				
	H3a Employee competence a critical factor for the success of a franchised restaurant from customers’ perspective	Employee competence	Success in entering Kenyan market		

5.9 Conclusion

In this chapter, we have discussed the research paradigm, positivist and phenomenology in consumer studies. We outlined the hybrid approach and use of triangulation, qualitative and quantitative methodologies in consumer research. We discussed the methods that were used in collecting data for the study, the instruments of data collection and how the data was analysed. The next chapter will comprise of presentation of data from the qualitative phase, focus group discussions and in-depth interviews.

CHAPTER 6: RESULTS AND INTERPRETATION OF QUALITATIVE RESEARCH

6.1 Introduction

The previous chapter dealt with the research methodology. The sampling method and the sample size were determined. The data collection instruments were developed. The methods were discussed and justified. In this chapter the data collected using the qualitative methods, in-depth interviews and Focus group discussions are presented and explanations and analysis is done and summarized in matrices and narratives. Inferences are drawn and conclusions made.

6.2 Qualitative results on the critical success factors for a restaurant:

The hyperlinks attached lead to the raw transcripts of the interviews with franchisors.

[K 1 Franchisor](#)

[K 2 Franchisor](#)

[K 3 Franchisor](#)

[Special Informant](#)

Study participants

At the time of conducting the research there were 9 restaurant franchises in the Kenyan market; K1, K 2, K 3, KFC, Steers, Wimpy, Spur, Chicken Inn and Subway. KFC, Steers, Spur and Chicken Inn were master franchisees and were operating in the market as multi-unit restaurants, as explained in section 5.3.1.2. Due to these factors we did not carry out interviews with them as they would not fit in the study.

We made contact with all the franchisors we had requested for interviews. We succeeded in obtaining interviews with these three, K1, K2 and K3 that fitted in the study and we also interviewed a special informant who gave us insights into the reasons for the failure of K1 franchise and the genesis of K2.

6.2.1 Franchisor perspective

Table 6.1 contains the summary of responses from franchisors.

Table 6.1: Summary of responses from franchisors

Franchisors	K3	K1	K2	Mr X
1. Motivation and opening remarks	<ul style="list-style-type: none"> -Branding -Location -Training for product control - Owning a chicken Processing plant and hatcheries etc. gives an edge (supply chain). -Supplying competitors and the region with the raw material of chicken. 	<ul style="list-style-type: none"> -Looking for a sustainable restaurant model. -Lack of knowledge -Lack of tools to run the business -Attracted to franchising system - K1 set up as a Kenyan model of Bar Bistro - Act locally but think globally 	<ul style="list-style-type: none"> - entrepreneurial spirit looking for new opportunities - self-actualization, to create an empire - to grow, ambition, grow using someone else’s financial capital -To test ability to run own business model after a long time in employment 	<p>K1 started well because they started by building their brand.</p> <p>It had become a popular brand so it was attractive to people.</p> <p>The different outlets captured different markets and they were all thriving except the Thika Road outlet</p>
2. How do you define or measure success	<ul style="list-style-type: none"> -Demand on number of people requesting to own an outlet -Tonnage of chicken sold monitored and analysed Farm to Fork concept to control safety becoming popular with 5 star hotel 		<ul style="list-style-type: none"> -Demand, the waiting list of possible franchisees requesting for the franchise rights - promoting a Kenyan concept for Kenyans - ability to adapt the franchise agreement to suit the Kenyan market - inspiring confidence in 	

Franchisors	K3	K1	K2	Mr X
			<p>the franchisees by trusting them and showing you are trustworthy, open and transparent in dealings given copies of documents leases etc.</p> <p>-subleasing advertising space to other companies like Coca-Cola, Tupike, that demand is an indicator of success</p>	
<p>3. What are your challenges</p>	<p>-monitoring the quality methods of preparation</p> <p>- farm chicken owners want to cut corners and maximize profit lower costs</p> <p>- Shortages, demand outstrips supply occasioned by swine flu, beef problems like in the UK.</p>	<p>-Setting up the restaurant completely the financial implications</p> <p>-insufficient competently trained staff right from Management right down</p> <p>-identifying and selecting the right franchisees</p> <p>- lack of understanding of franchising concept in the SME market</p>	<p>-political instability any disturbance affects the business (PEV caused one month closure) sales dip</p> <p>- the cost of credit, borrowing</p> <p>- Lack of understanding of the franchising system</p> <p>- Lack of honesty of the franchisees lack of</p>	<p>-The franchise was not well thought through. When K1 sold the franchise they sold all their rights and were left with only obligations</p> <p>- Lease was surrendered to franchisees</p> <p>- Having sold all the rights K1 lost control of the franchisees who started doing exactly what they wanted</p>

Franchisors	K3	K1	K2	Mr X
	<ul style="list-style-type: none"> - Expiry dates after freezing they fall off - legal process too long -Difficult franchisees -overstock during political instability 	<ul style="list-style-type: none"> - lack of franchise association in Kenya so had to begin by training SME on franchising -Opened brand without the franchise infrastructure in place -operation problems lost control of franchisees -Did not have true fast food franchise in Kenya - Innscor and chicken Inn challenges not finding the right franchisees, diluting the brand, overshadowed by Nandos - Lack of capitalization for would be franchisees -Lack of commitment in franchisees who did not want to run the business personally, owner operation. -McDonalds’ market entry 	<ul style="list-style-type: none"> financial transparency - High risks taken like taking out the leases of sites selected - poor infrastructure unstable water supply, power supply in the franchises in the outer locations like Narok -local legislation in the small towns is not clear and so one keeps running into problems. - low level of skills of the staff engaged by franchisees - requiring costly monitoring and training of the franchise staff - culture shock for the staff monitoring franchisees from headquarter 	<ul style="list-style-type: none"> - Defaulting on payment the franchisees were given a lot of credit with no penalties attached on a word of mouth basis not having signed the franchise agreement.---- -The franchisees had more bargaining power than the franchisor and they negotiated the agreement by reducing the royalties -Most franchises eventually broke away without paying and without any penalties - Dishonesty of the franchisees who were riding on the brand without incurring much of a cost. By the time they were breaking away they had become successful businesses. -Heavy financial capital investment on the part of the franchisor and he got nothing in

Franchisors	K3	K1	K2	Mr X
		<p>criteria:</p> <ul style="list-style-type: none"> -Big market -Intellectual property protection -Timely resolution of IP challenge (1 year) -Access to work permits because of the involvement in training of mother company -Create own supply chain farm to fork. 	<ul style="list-style-type: none"> - Overdependence of franchisees on franchisor demanding more than they are willing to pay for or than is covered in the franchise agreement. -frustration of suppliers by the franchisees (lack of understanding of the franchise system. 	<p>exchange.</p> <ul style="list-style-type: none"> - Lack of legal advice was a major weakness - Lack of franchise knowledge on the part of franchisees - Lack of human capacity for managing the K1 franchise to give the franchisees the support they needed. Too little too late was done to salvage K1 - Franchisees sabotaged the franchisor their financial obligations reverted to K1 franchisor. Debts were recalled at once and K1 collapsed as a franchise system -Breach of trust by franchisees, lack of integrity and lack of understanding of franchising - stealing of intellectual property (Brand)
4. Other comments	Co-operate with competitors		<p>Mistakes made by K1:</p> <ul style="list-style-type: none"> -everybody was trusted. 	<p>Key causes of failure of K1:</p> <ul style="list-style-type: none"> - Lack of professional

Franchisors	K3	K1	K2	Mr X
			<p>There was no selection of franchisees</p> <ul style="list-style-type: none"> -everybody was learning - spent too much money educating people on franchise system - expanded owned units too fast, faster than they could cope in managing them so decided to franchise - K1 did not take the leases of the sites - Franchise agreement had loops that were exploited by franchisees to short change the franchisor- there was lack of honesty, cutting corners by franchisees -K1 lost control of the franchisees - lack of financial control 	<p>advice legal and all</p> <ul style="list-style-type: none"> - Lack of documentation, the structure was not well laid down - Giving up of rights a major mistake - Very poor financial management and financial advice - Capacity building before rolling out the franchise, you do not think on the go. - Very poor operations and overall management of the franchise - Over trusting people

Franchisors	K3	K1	K2	Mr X
			<p>of the franchisees who underreported in order to avoid paying up royalties</p> <ul style="list-style-type: none"> - International franchises need a bigger market - Business start-up in Kenya is still difficult 	
<p>What for you are the critical success factors</p> <p>What is the relationship between franchisor and franchisee</p>	<ul style="list-style-type: none"> -Quality -Hygiene Farm to Fork concept, minimum handling give an edge over competitors -Halal chicken certified -Image, Brand, keeping standards, hygiene standards of outlets, good personal grooming for K3 <p>Franchisees do not want to share the cost of advertising, or carry the cost of uniforms.</p>		<ul style="list-style-type: none"> -Control of suppliers to ensure control of quality products -Control of the financials, requiring the use of ETR machines so that every transaction is documented -Taking the leases so that the franchisor has more control of the franchisees -Spreading the risk so that if something happens the franchisor does not get hit alone. -Flexibility of the 	<p>K2</p> <p>Fast, Fun, Friendly. It started as a Kenyan concept.</p> <p>Wholesome food not junk and friendly and totally Kenyan.</p> <ul style="list-style-type: none"> - Family based wholesome food - With K1 running it, it picked slowly a young crowd came in and got disappointed and moved on. - When the owner got it, it started doing really well, the younger crowd had moved out and there was

Franchisors	K3	K1	K2	Mr X
			<p>agreement and royalties with the franchisees to suit the market</p> <p>-Product offering; local cuisine is more acceptable to the Kenyan market.</p> <p>-Team work and collaboration with franchisees, incorporating them in business decision making- Considering the success of the franchisee as own success</p>	<p>a mature crowd patronizing so it started doing really well.</p> <ul style="list-style-type: none"> - The business was mainly at lunch time - The owner had many linkages and he made maximum use of them to grow his business - He may not make it because of the lack of management support. - The brand K2 is weak it will not make it outside Nairobi - The choice of towns (locations) is poor - The choice of who franchisee wants to ride on the brand of K2 - Poor choice of locations chosen, no proper selection of franchisee,

Franchisors	K3	K1	K2	Mr X
				<p>does not look at the viability</p> <ul style="list-style-type: none"> - Nakuru is also a poor choice

Source: Developed for this study with data obtained from responses to questions in appendix iii

6.3 Explanations and conclusions analysis for interviews with franchisors

Results indicate that brand power/concept is one of the critical success factors for restaurants.

The response that best represented this theme was:-

“So I just need to get that clear so at least you understand that’s how the concept is, so all of them have different owners but we actually give them terms and conditions as per outlet, how we want them to operate, of course they don’t adhere to those terms so we have to” (K3)

“In fact that’s why all our branding is focused around farm to fork, if you notice our trucks are farm to fork because we have realized that concept is really giving us an edge over the other suppliers of chicken and then now since we are halal licensed we are registered with Kenya halal board, it really gives us a boost, so it may sound very basic but for us is a major edge.....” (K3)

“Exactly and the other thing also even among the customers they feel this is one of our own, we just being presented differently and tell you what, people are happier to do that than maybe this foreign based whatever, so that’s an aspect that is very important, the other ambition also is the fact that with the kind of experience that we’ve had over the years, you also want to put some of that to test as well not for your own reputation but you feel can now stand alone, can now try and do something totally different from what everybody else has come up with and by the way is not even finance, to me finance an opportunity and there are people who deal with finance so long as you come with a good concept. You go with a good idea finance is always accessible, I think it all starts first with a sharp concept of what you want to do, look at the franchise concept we’ve modified it a bit to suite the kind of environment we live in, how have we modified it? Initially if you look at most of the franchise model, what do they do? They take say 10% of the top line of the top crème of your business, so take a 100,000Ksh, whether you make.....” (K1)

This implies that for restaurants to succeed in Kenya they need to have a well-defined concept that would include standardization and rules and regulation on how to maintain the brand image of the restaurant.

The findings are in line with those of Fields (2007) and Njite (2005) as evidenced in paragraph 4.8.1.

Results from key informant interview indicated that one of the critical success factors for franchised restaurants from franchisor perspective is proper contract management. The responses that best revealed this are:-

“It is very expensive and you know this is Kenya and the market is just starting to pick up, so that’s what we do, we give them a contract agreement then they pay half a million, that’s agreement fee to be able to use the brand coz naturally any fast food against K3, somebody would rather go to a K3 so by the time you are using that brand name it is also creating a mileage for you so is actually a franchise but more of...”(K3)

“And for that we have had now to speak to the existing stake holders, give them new contracts and tell them it’s the way it is going to be, you either shape up or you ship out, it will cost you this much to rebrand your outlet and want to rebrand all the existing ones by September this year, we’ve given ourselves a six months target, now they are thirty two” (K3)

“But they were not selling as K3s so we have given them our ultimatums of how much product they need to buy then eventually we will rebrand them depending on their performance, whoever performs best amongst the three we keep one or we keep all three but as per our terms they will have to sign new contracts pay the agreement fee and be branded as the new ones that are being branded coz how we are rebranding the old ones is how we are branding the new ones so everyone is going to have.....”(K3)

“We had no control over them; precisely there was no control at all. Number two, we also had issues to do with people, we were taking a percentage of the turnover, it was around 50% and unfortunately people were giving like false records, so everybody was indicating that they were doing badly coz they don’t want to pay, we had no way of proving.....”(K1)

This implies that franchisors have to be flexible in their contractual arrangements and be in touch with the economic conditions that are facing the franchisee. For instance the economic conditions for developing economies such as Kenya are characterized by low purchasing power. Therefore, franchisors have to ensure that their charges for royalties or franchisee fees are manageable to the franchisee. They ensure this through charging a flat fee and minimizing the procedure and processes that govern the contractual agreement for the franchise.

The findings are consistent with those in Sashi & Karuppur (2002) as can be seen in paragraph 1.1. This flexibility has been seen to contribute to the effective absorption of risks and uncertainties to be found in the global market place.

Results indicate that competitive environment is a critical success factor for a franchised restaurant. The interview responses that best represented this are:

“We are now doing the standardizing and everything we are trying to limit proximity on any existing K3 inn, for example since there is one here in Madaraka, no one else can open within Madaraka, so for us location is very important coz we are trying to develop the business but we also don’t want it to be over saturated as that it reduces the margins for the existing people. Just give them enough, not too much competition within the same locality; that is important.”(K3)

This implies that it is important for the franchisor to study the competitive environment and assess the demand for franchising in comparison to the need to create a sustainable business for franchisees.

The findings concur with those in Kotler et al. (1996) as seen in paragraph 4.8.1.

Results indicate that government policies are a critical success factor for a franchised restaurant. The interview responses that best represented this were:-

“Coz it has to have the manufacturing and expiry date, so if this city council people come in to inspect they find some packets don’t have the labels but they can see that the label is stuck on to the other packet but they don’t want to know of course now they want something. Its logic you can reason you can see other packets have, one packet has two labels, another packet has three labels is just logic but if you don’t have those expiry dates on your products you are taken in, that’s another thing we have to ensure.....”(K3)

“Yes so the other challenge is obviously, you go to a place like Narok, you know the power interruption and some people, we might afford a generator here, is not everybody who can afford a generator and then now there’s the issue of water, legislation, legislation is a very big problem like the city council here will never tell us what your required” (K2)

“You just keep on getting into trouble, today it is this and this license, please give us a holding of all the licenses but then every year is like a surprise, really have to pay for the company, for this, nobody tells you anything and this a bit of.....”(K3)

This implies that local regulation such as local county councils by laws are crucial considerations in franchising the compliance with such regulations may present an additional cost and risk to the franchisee. The ability to manage and comply with the regulations may therefore determine the success of a franchisee.

The findings are consistent with those in Parsa et al. (2005) as seen in paragraph 4.8.1.

Results indicate that good relationships with franchisee are a critical success factor for a franchised restaurant. This is shown by the support that franchisors give franchisee in terms

of negotiating good prices with strategic suppliers so as to reduce the cost of business and hence benefit the franchisee and franchisor through improved profitability. The interview responses that best represented this were:-

“Exactly, coz before we started off the franchise thing, we spoke to them and we actually started to mitigate against the area that we felt they were grey areas and one of them was actually that we work so hard and you guys take everything so, what’s the point, what’s the motivation there? The other thing is supplies coz they know you have to keep to our strategic suppliers obviously for consistency, uniformity across the board coz that’s what franchising is all about, now one of the things we told we’ve gotten strategic suppliers, we’ve negotiated very good prices and very good terms and very good payment period now we’ve even gone ahead and challenged the franchisees, is like hey hang on, you go and get me another supplier who can give the same terms, the same quality, bring him to me I’ll be very happy to engage him on behalf of the group coz that’s what franchise is all about, is about benefiting everybody else is not just yourself...”(K2)

“Or to bring down the fee or something, you know there’s this notion that people feel, so long as we are paying the royalties, this guy is just taking free money. They forget that my sales & marketing manager has to go every month, my accountant has to go every month, chef, operations or quality assurance person has to go every month to ensure that they conform the standards and the way they look at it is that, instead of saying the quality control is good because it ensures sustainability of the business, sometimes they’ll look at it like we are being policed, we are being spied on and this now is some of the mistrust that come in and people say hang on, we are not spying on you we are just ensuring that your business conforms to the standards and if you conform to the standards the business will grow, you’ll be a better person but I think that will come with time when people realize, starts understanding and people realize hey you know what, even they are not taking all the money so that’s a bit of a challenge. The other area is obviously like I said we take the risk because as I said we take the risk because we get the properties from the landlords so sometimes we

would have the.....like Narok we had it for six months before we got the right franchisee, so we had like to pay, so within that period we were paying the landlord so...” (K2)

This implies that good relationships with franchisee are crucial considerations which determine the success of a franchisee. Franchisor should therefore cultivate a good relationship with the franchisees.

The findings concur with those in Norwell (2010), and Nathan (2013), as seen in paragraph 4.8.1.

Results indicate that site selection or location is a critical success factor for a franchised restaurant. The location of a franchise restaurant should take into consideration the opportunity to serve unexploited markets or to serve a market that needs the goods and services offered by franchisee. The interview responses that best represented this were:-

“Exactly and the other beauty about it is that like one of the lady came and said, ‘ unaweza kunipa recipe nikajaribu nyumbani?’ coz they all knew fried chicken and roast chicken that’s it. They don’t know that chicken in any other way, so really the upgrading of the whole, I think the whole of Western will actually go up, the same thing with a place like Narok, now if you look at Narok when people are going to the Maasai Mara there was a very big problem, there was nowhere to stop in Narok....” (K2)

This implies that for a franchised restaurant to be successful, it should have good criteria for site selection. For instance one of the franchisor in the study indicated that Narok was a good site to set up a franchisee as it exploited an opportunity.

The findings are consistent with those in Fields (2007), and Arduser (2003) as seen in paragraph 4.8.1.

Results indicate that excellent choice of franchisee is a critical success factor for a franchised restaurant. The excellent choice of a franchisee should take into consideration the need to

create demand for franchise by educating potential franchisee on what franchising is all about. The interview responses that best represented this were:-

“We didn’t select the franchisees we applied everything by the book. We said okay, apply what happen in Europe we bring it to Africa, it doesn’t go like that. The other aspect is the issue of everybody was learning, so we are all in the dark, both the franchisee and the franchisor, the other thing that we went round the country for almost a month educating people on franchising.....”(Mr X)

“Chicken Inn has an interesting one but basically again tried to bring in a franchise without selecting the right franchisee in terms, are they.... Somebody bought the franchise but they weren’t necessarily the most qualified people to run that franchise. Again it was more the investment as opposed to matching the owner operation element to the business. A significantly successful franchise in Kenya is Spur, however Spur the Golden Spur which is at the Mayfair however that is done this again in terms of standards, quality, profitability and revenue by who they are running it and they’ve had over the years I could tell you every single person who is coming up, known them all very well and some of them have been brilliant and some of them have been terrible, the last six years has been a guy called John... who have done exceptionally well, quality was good, standards were good, his revenues and profitability fantastic and probably one of the most successful restaurant franchises in this country, probably the really best I would say, why? Because he run it properly, he run it himself, he looked after it well, he invested properly where it was to be done and he maintained the Golden Spur standards from South Africa. As I knew a lot of people, in he would now, to be honest with you, the last six months since they’ve been here I haven’t monitored that much, they even make some changes because it’s got attached to the hotel and is bound to the benefit from that but again it all has to do the owner operation” (K1)

The findings are in line with those in Norwell (2010) as seen in paragraph 4.8.1.

6.4 Franchisee perspective

The hyperlinks attached lead to the raw transcripts of the interviews with franchisees.

[K3 City](#)

[K3 Mbagathi](#)

[K3 Moi Avenue](#)

[K3 Ngong Road](#)

[K2 Kakamega 1](#)

[K2 Kakamega 2](#)

[K2 Narok](#)

Table 6.2 contains the summary of responses from K3 franchisees.

Table 6.2: Summary of interviews K3 franchisees

	Mbagathi	City	Moi Avenue	Ngong Road
Why did you choose to franchise with K3	A born entrepreneur K3 is an attractive brand in the market A good fast food concept and easy to work under an established brand	We had a fast food business for many years and we bought K3. We coined the word K3. We were the only customer for K3 we had ten outlets then.	By coincidence. The place was bought on a walk in walk out basis	By accident because the owner wanted a fast food. K3 was the option left in this area. There was a market niche for a middle class restaurant and it is Kenyan
Would you think you have succeeded?	I have succeeded because I live on it. I raise my family on it	Yes we have succeeded. We are able to maintain size and quality because of the consistency from the supplier.	It has gone well so we kept it. We have an edge over other chicken providers because of the quality of supply of chicken from K3	Yes within the first month broke even.
What are your goals	One day to own a franchise	This help us to give value for money to customers that was my fathers’ goal when he started this business Achieve big volumes	To give the customer the very best that can be found in chicken. Fresh and above average chicken We aim at customer satisfaction and retention	Want to grow a chain of fast foods attached to Petrol stations
How has K3	They need to	K3 has contributed to our	Constancy of the supply	Constant supply of chicken

	Mbagathi	City	Moi Avenue	Ngong Road
Franchisor contributed to your business?	standardize the brand, the prize	business because they are the only ones who could supply the volumes we needed 3,000 to 4,000 chickens a day. We are able to maintain relatively stable prices as suppliers are not seasonal they are stable The name of K3, the emphasis on cleanliness hygiene	of chicken. The good quality and freshness of the chicken Otherwise the	The good quality and freshness of chicken
Measure of success	Opening new restaurants yearly, Turnover, volumes	Growth or expansion of the business The business can provide a living for self and family	Profit margins that we get.	Turnover Ability to expand Maintaining standards
What do you consider as Critical Factors	Speed of service, efficiency, consistent food quality, giving the customer value for their money Established SOP to ensure the level of	Offering value for money to customers Consistency Following up the stock control Hygiene cleanliness Quality supplies	Control of costs of production especially electricity, and other raw materials Freshness of the food, food quality Maintaining hygiene	The product Chicken is very important for fast food Availability of raw materials, potatoes Constant supply of power Good staff and management of them Stock Controls

	Mbagathi	City	Moi Avenue	Ngong Road
	quality and service is sustained		and cleanliness of the facility A good location Owner operated	Financial monitoring Owner presence in the facility impromptu checks Well trained staff Cost of production
What have been your challenges	Human resource, lack of support from Franchisor, Disappointing the customer Interruption of supply or anything wrong translates into customer experience	Competition, saturation of the market	Competition Franchisor does not give support to the franchisee They only give you the brand and the sell you the product to sell	Loyalty of staff, getting the right or honest staff Pilferage Need to monitor staff a lot. Cost of Power is too high, raises the cost of production No support from franchisor no credit facility No value add from Franchisor
What would you hate to see go wrong if you were away from your business	Money basically the profits Sales, financial obligations, creditors if all bills have been settled and at the end what are the margins	Keeping prices that customers are comfortable with Performance in sales Relationship with suppliers, obligations met	Customer care is important I would not want to see a customer return food because it was not fresh Undercut by competition Performance fluctuation of sales and costs	Would hate to have food poisoning cases Turnover, performance

Source: Developed for this study with data obtained from responses to questions in appendix iii

Table 6.3 contains the summary of responses from K2 franchisees.

Table 6.3: Summary of responses of K2 franchisees

Questions	Narok	Kakamega 1	Kakamega 2
Why did you decide to join a franchise?	Desire to expand and get out of employment. There was a franchise I could use. It is easier to join a franchise as systems are set guidance and support is provided. Working for a team takes you further, I will achieve more	I have had an interest in cookery and worked in the catering department of BAT. When I left BAT, I decided to open a small Cafeteria and eventually applied to belong to K2 franchise	
Why do you think you will succeed?	The location is good, I have experience in the field, so with good management, good location and product will see me to succeed	We have just opened and so far our sales are increasing. I use skilled staff, and the quality of food is good. There is demand for our services	One expects initial losses for the first 6 months but within this period we experienced losses for a very short time. The sales are growing. We think the location is good.
What are your goals, objective?	To open up 5 five start restaurants in strategic locations in Kenya and to support the community around the units	To provide employment maybe start my own franchise or open another restaurant under K2. To make K2 a leading restaurant in Kakamega	
Success indicators	Well trained staff It will be owner operated	The increase in sales	The growth in sales The staff feel happy to be

Questions	Narok	Kakamega 1	Kakamega 2
	Quality service and quality products		<p>associated with a franchise from Nairobi, they pass this on to customers</p> <p>Cooks are very motivated and happy with their work</p> <p>Good stocking so that there are no shortages and we are able to serve the customers well</p>
What are the Key areas that must go right for a franchise to succeed?	<p>Good financial management and controls</p> <p>Good human resource management</p> <p>Operations plan, Owner operated hand on management</p> <p>Product development</p> <p>Good ambience</p> <p>Good marketing</p>		<p>Maintaining the standards of service</p> <p>Ability to accommodate to the culture of the location of the franchisee</p> <p>Speed of service</p> <p>Efficiency of the staff they are warm and welcoming</p> <p>Product quality, especially chicken and chips</p>
In what area would you hate to see things go wrong?	Budget the financial projections should be accurate	An untidy kitchen, Anything that will affect the quality of the product	
What are your challenges?		<p>Negative publicity</p> <p>Fluctuation of the business it is low on</p>	The location is difficult in the sense of staff mind-set, they are not very

Questions	Narok	Kakamega 1	Kakamega 2
		<p>weekdays and in the middle of the month. It is high on Weekends and end month</p> <p>Sometimes staff need close monitoring otherwise they slacken</p> <p>Managers and staff are sent from head office who do not fit into the system they spend too much on themselves affecting the sales</p> <p>Pricing the fluctuation of the cost of raw materials</p>	<p>flexible they resist change</p> <p>Changed manager who was not a team player</p>
<p>If you were away from your business when you returned what would you want to know most?</p>	<p>That my debtors and creditors are well taken care off.</p>	<p>The finance, the records of sales etc.</p> <p>The running of the system</p>	
<p>Relationship between Franchisor and franchisees</p>		<p>The franchisor is not supporting fully.</p> <p>Strategic suppliers regulated by franchisor are not cooperative, and we are not happy with the quality of supplies of products including furniture. They are not straight forward, they seem to try to avoid tax</p>	

Questions	Narok	Kakamega 1	Kakamega 2
		I decided to look for my own suppliers	

Source: Developed for this study with data obtained from responses to questions in appendix iii

6.5 Explanations and conclusions analysis for franchisees

Results from key informant interview indicated that one of the critical success factors for franchised restaurants from franchisee perspective is employee competence. The responses that best revealed this are:-

“Like this one, this Esther who has been here, don’t be surprised to hear that Esther is a graduate, she is a form six not a form four and Agnes is also a graduate of Strathmore and my chief chef he’s not a graduate but he has the experience, he has been working in these international hotels, he knows what to do, how to guide his juniors, I have got three cooks, all of them are trained, two ladies and a gentleman and all of them are trained, the waiters they have their certificates, they are trained not just.....”(K2, Kakamga)

“No not reja reja at least two of them one had a C+ the other one had a D- and they have diplomas, I have a store keeper who is also trained, dish washers are form four leavers, I don’t have a manager but I have asked them to manage themselves, if you don’t understand anything ask, in fact its....”(K2, Kakamega)

The findings are in line with those in Parsa et al., (2005), Bergin (2002; 2003) as seen in paragraph 3.6.2.3.

Results from key informant interview indicated that one of the critical success factors for franchised restaurants from franchisee perspective is staff management. Professional staff management involves into place effective human resource management practices. This may include performance related pay, training, selective hiring, promotions and employee recognition practices.

The responses that best revealed this are:-

“An example you know you have to keep on pushing them, you have to keep on monitoring them, ukisleki kidogo you find somebody doing a silly mistake so you wonder this person went through training, what is this? You know very well you are

supposed to arrange the table before what and what, you know very well when a customer comes you are supposed to welcome, be engaging, give him the menu or her if he doesn't understand the menu..... You know the procedure but then that will be done maybe for a week after you have had the discussion, the following week if you just ignore you will be embarrassed, so monitoring them all the time. I don't know but during our time I think we were trained by wazungus and they were very strict, these ones you will monitor them even from their dressing code, you can even tell them go back home and change.....”(K2, Kakamga)

“Our indicators of success is our staff, we've started training, they were here this morning, they did clean up, did a few drills then they went .They are all trained, we have criteria for job selection, you have to meet our minimum qualifications for you to join in because you must be ready to be trained and you must be eager to develop” (K2, Narok)

Results from key informant interview indicated that one of the critical success factors for franchised restaurants from franchisee perspective is atmosphere. The responses that best revealed this are:-

“What I'd hate to see is finding the kitchen untidy all working areas being untidy that will contribute to the weakness on the franchise because we are entertaining international visitors here so it must be clean, our food must be fresh, presentation should be perfect and we should always have stock”(K2, Narok)

The findings concur with those in Njite (2005) as evidenced in paragraph 3.6.2.5.

Results from key informant interview indicated that one of the critical success factors for franchised restaurants from franchisee perspective is good financial management. The use of a proper accounting system and the implementation of control system are crucial. The preparation and availability of financial information facilitates decision making. The responses that best revealed this are:-

“What I’d want to know first is how have they been running the programme, I want to see the finance area, I want to see what problems they had, when I talk about finance I want to see the records of what is in.....”(K3, City)

“In my view the key areas, we are looking at it and I’d say seven key areas. Finance, we have tight and well organized control systems and financial management, this has been done through the point of sales system that has improved that much.....”(K3 Moi Avenue)

Results from key informant interview indicated that one of the critical success factors for franchised restaurants from franchisee perspective is management competence. The experience and skills of the manager facilitates the identification and analysis of environmental information in readiness for decision making. Therefore, the ability of franchised restaurants to confront the environmental turbulence heavily depends on the managerial competence.

The responses that best revealed this are:-

“Is poor training, poor management, those are basically I would say because we have the product, the support from the head office from the franchisor, so the only thing is good management because all services are with us it is only on site that we are supposed to give quality service and this can only be done through continuous training....” (K3)”

Results from key informant interview indicated that one of the critical success factors for franchised restaurants from franchisee perspective is relationship marketing. For customers to keep patronizing a franchised restaurant, the franchise should establish a relationship with them. For suppliers and employees to continue supporting a franchised restaurant, the franchise management needs to establish a relationship with them. The responses that best revealed this are:-

“No that’s because I know and I have worked for chain of companies and I understand, when you work as a team you achieve more so if I worked independently I would achieve less, now working for a team I’d be able to have close marketing, I would be marketed by Nakuru who are even people I do not know, I have not met them, I could be marketed by Kakamega, I do not know them so it is an opportunity because it gives me a wider market share” (K2, Narok)

The findings are consistent with those in Parsa et al. (2005) as seen in paragraph 3.6.2.6. In his interview with the researchers Bell (2009), identified the fact that what revived one of the restaurants of K1 franchise that was already on the point of collapse was the relationship that the manager had with the patrons of the restaurant. Most of the franchisees of K1 failed precisely due to poor relationship marketing among other reasons.

6.6 Data Analysis phase 1 of research: Focus group discussions

FGD were carried out using a convenience sample. The following section covers the analysis of this exploratory part of the research. The conclusions of the research were used to inform the design of the questionnaire and refining of the hypothesis for the study as shown in section 5.3.1

The hyperlinks attached lead to the raw transcripts of the FGD.

[Group discussion 1 file](#)

[Group discussion 2 file](#)

[Group discussion 3 file](#)

[Group discussion 4 file](#)

[Group discussion 5 file](#)

The participants of the FGD are shown in table 6.4.

Table 6.4: Participants of focus group discussions

Focus group discussions	Number and gender of participants	
	M	F
FGD 1		12
FDG 2		8
FDG 3	6	
FDG 4	8	
FDG 5	3	3

Source: Developed for the study

6.6.1 Summary of responses from the FGD

The raw data from the transcripts is summarized in matrices for each question asked in the FGD.

The responses are presented in table 6.5.

Table 6.5: Summary of the responses to questions in the FGD

QUESTION 1: What is your opinion about the eating out trend in Kenya?					
GROUP 1	GROUP 2	GROUP 3	GROUP 4	GROUP 5	MORE THAN TWO GROUPS
1A. Growing trend, fashionable	1A. Growing trend, fashionable	1A. Growing trend, fashionable		1A. Growing trend, fashionable	1A. Growing trend, fashionable
1B. Trend due to lack of time to cook	1B. Trend due to lack of time to cook	1B. Trend due to lack of time to cook	1B. Trend due to lack of time to cook		1B. Trend due to lack of time to cook
1C. Trend due to more disposable income	C. Trend due to more disposable income		1C. Trend due to more disposable income	1C. Trend due to more disposable income	1C. Trend due to more disposable income
	1D. Trend from need of entertainment, to relax, to socialize and meet friends			1D. Trend from need of entertainment, to relax, to socialize and meet friends	
	1E. Trend from need to socialize, meet friends		1E. Trend from need to socialize, meet friends		

QUESTION 2: Why do people choose to eat out?					
GROUP 1	GROUP 2	GROUP 3	GROUP 4	GROUP 5	MORE THAN TWO GROUPS
2A. People do not know how to cook		2A. People do not know how to cook		2A. People do not know how to cook	2A. People do not know how to cook
2B. Because people lack time to cook		2B. Because people lack time to cook	2B. Because people lack time to cook	2B. Because people lack time to cook	2B. Because people lack time to cook
2C. To socialize and meet friends	2C. To socialize and meet friends	2C. To socialize and meet friends	2C. To socialize and meet friends	2C. To socialize and meet friends	2C. To socialize and meet friends
2D. To explore different tastes	2D. To explore different tastes	2D. To explore different tastes	2D. To explore different tastes	2D. To explore different tastes	2D. To explore different tastes
2E. To celebrate an occasion for entertainment, and to relax	2E. To celebrate an occasion, for entertainment and to relax	2E. To celebrate an occasion, for entertainment and to relax	2E. To celebrate an occasion, for entertainment, and to relax	2E. To celebrate an occasion for entertainment, and to relax	2E. To celebrate an occasion for entertainment, and to relax
2F. For convenience to save time and effort	2F. For convenience to save time and effort	2F. For convenience to save time and effort	2F. For convenience to save time and effort	2F. For convenience to save time and effort	2F. For convenience to save time and effort
	2G. It is a way to spend disposable income			2G. It is a way to spend disposable income	

	2H. To cultivate an image, to impress; it is a status symbol	2H. To cultivate an image, to impress; it is a status symbol		2H. To cultivate an image, to impress; it is a status symbol	2H. To cultivate an image, to impress: it is a status symbol
			2I. To do business to meet a business client in a semi-formal environment		
	2J. Through pressure or peer influence.				

QUESTION 3: Why do you choose to eat at the restaurants you go to?

GROUP 1	GROUP 2	GROUP 3	GROUP 4	GROUP 5	MORE THAN TWO GROUPS
3A. Because of the product range, variety and price of items		3A. Because of the product range, variety and price of items		3A. Because of the product range, variety and price of items	3A. Because of the product range, variety and price of items
3B. Because of a conducive ambience		3B. Because of a conducive ambience	3B. Because of a conducive ambience		3B. Because of a conducive ambience
3C. Because of the quality of products offered			3C. because of the quality of products offered		
3D. For company,	3D. For company,	3D. For company,	3D. For company,	3D. For company,	3D. For company,

where friends like to go	where friends like to go	where friends like to go	where friends like to go	where friends like to go	where friends like to go
3E. Because of good and efficient service, friendly and welcoming staff		3E. Because of good and efficient service, friendly and welcoming staff	3E. Because of good and efficient service, friendly and welcoming staff	3E. Because of good and efficient service, friendly and welcoming staff	3E. Because of good and efficient service, friendly and welcoming staff
3F. Because of the good hygiene standards and cleanliness of the facility			3F. Because of the good hygiene standards and cleanliness of the facility	3F. Because of good hygiene standards and cleanliness of the facility	3F. Because of good hygiene standards and cleanliness of the facility
3G. Because of the accessibility of the place, convenient location			3G. Because of the accessibility of the place, convenient location		
3F. The reputation of the restaurant, recommended by friends			3F. The reputation of the restaurant, recommended by friends		
QUESTION 4: What keeps you going back to the same restaurant you have visited?					
GROUP 1	GROUP 2	GROUP 3	GROUP 4	GROUP 5	MORE THAN 2 GROUPS
4A. Good and efficient service,	4A. Good and efficient service,	4A. Good and efficient service,	4A. Good and efficient service,		4A. Good and efficient service,

friendly and courteous staff	friendly and courteous staff	friendly and courteous staff	friendly and courteous staff		friendly and courteous staff
4B. Consistent product quality, and good taste and variety	4B. Consistent product quality, and good taste and variety	4B. Consistent product quality, and good taste and variety	4B. Consistent product quality, and good taste and variety	4B. Consistent product quality, and good taste and variety	4B. Consistent product quality, and good taste and variety
4C. Conducive and good ambience	4C. Conducive and good ambience		4C. Conducive and good ambience	4C. Conducive and good ambience	4C. Conducive and good ambience
4D. Affordable price of the products, good value for money	4D. Affordable price of the products, good value for money	4D. Affordable price of the products, good value for money	4D. Affordable price of the products, good value for money	4D. Affordable price of the products, good value for money	4D. Affordable price of the products, good value for money
4E. Offers and discounts		4E. Offers and discounts			
	4F. Hygienic and clean surroundings	4F. Hygienic and clean surroundings			
		4G. accessible and convenient location,	4G. accessible and convenient location,		
QUESTION 5: What would make you never return to a restaurant you have visited?					
GROUP 1	GROUP 2	GROUP 3	GROUP 4	GROUP 5	MORE THAN 2 GROUPS
5A. Poor food hygiene, resulting in food poisoning	5A. Poor food hygiene, resulting in food poisoning	5A. Poor food hygiene, resulting in food poisoning	5A. Poor food hygiene, resulting in food poisoning	5A. Poor food hygiene, resulting in food poisoning	5A. Poor food hygiene, resulting in food poisoning
5B. Inconsistent	5B. Inconsistent	5B. Inconsistent	5B. Inconsistent	5B. Inconsistent	5B. Inconsistent

product quality, and quantity, dilution of quality over time	product quality, and quantity, dilution of quality over time	product quality, and quantity, dilution of quality over time	product quality, and quantity, dilution of quality over time	product quality, and quantity, dilution of quality over time	product quality, and quantity, dilution of quality over time
5C. Poor and inefficient service, unprofessional and unfriendly staff with poor attitude towards customers	5C. Poor and inefficient service, unprofessional and unfriendly staff with poor attitude towards customers	5C. Poor and inefficient service, unprofessional and unfriendly staff with poor attitude towards customers	5C. Poor and inefficient service, unprofessional and unfriendly staff with poor attitude towards customers	5C. Poor and inefficient service, unprofessional and unfriendly staff with poor attitude towards customers	5C. Poor and inefficient service, unprofessional and unfriendly staff with poor attitude towards customers
5D. Limited variety of products and lack of availability of products on offer	5D. Limited variety of products and lack of availability of products on offer			5D. Limited variety of products and lack of availability of products on offer	5D. Limited variety of products and lack of availability of products on offer
5E. Pricing not value for money, too costly for the portion size and quality, abrupt and frequent changes in prices	5E. Pricing not value for money, too costly for the portion size and quality, abrupt and frequent changes in prices	5E. Pricing not value for money, too costly for the portion size and quality, abrupt and frequent changes in prices	5E. Pricing not value for money, too costly for the portion size and quality, abrupt and frequent changes in prices	5E. Pricing not value for money, too costly for the portion size and quality, abrupt and frequent changes in prices	5E. Pricing not value for money, too costly for the portion size and quality, abrupt and frequent changes in prices
5F. Poor positioning and state of restrooms	5F. Poor positioning and state of restrooms			5F. Poor positioning and state of restrooms	5F. Poor positioning and state of restrooms
	5G. Discrimination in service			5G. Discrimination in service	

QUESTION 6: What is your experience with franchised restaurants?					
GROUP 1	GROUP 2	GROUP 3	GROUP 4	GROUP 5	MORE THAN 2 GROUPS
6A. Restaurant X is inconsistent in quality of products, price and ambience across the franchise	6A. Restaurant X is inconsistent in quality of products, price and ambience across the franchise	6A. Restaurant X is inconsistent in quality of products, price and ambience across the franchise	6A. Restaurant X is inconsistent in quality of products, price and ambience across the franchise	6A. Restaurant X is inconsistent in quality of products, price and ambience across the franchise	6A. Restaurant X is inconsistent in quality of products, price and ambience across the franchise
6B. Restaurant Y is consistent in quality of products, price and ambience across the franchise	6B. Restaurant Y is consistent in quality of products, price and ambience across the franchise	6B. Restaurant Y is consistent in quality of products, price and ambience across the franchise	6B. Restaurant Y is consistent in quality of products, price and ambience across the franchise	6B. Restaurant Y is consistent in quality of products, price and ambience across the franchise	6B. Restaurant Y is consistent in quality of products, price and ambience across the franchise
6C. Restaurant Z is consistent in quality of products, price and ambience across the franchise	6C. Restaurant Z is consistent in quality of products, price and ambience across the franchise		6C. Restaurant Z is consistent in quality of products, price and ambience across the franchise	6C. Restaurant Z is consistent in quality of products, price and ambience across the franchise	6C. Restaurant Z is consistent in quality of products, price and ambience across the franchise

	6D Restaurant W is consistent in quality, price and ambience across the franchise		6D. Restaurant W is consistent in quality, price and ambience across the franchise		
				6E. Restaurant W lacks consistency in quality and quantity of products	
			6F. Restaurant Q has inconsistent product quality, does not meet customer expectations	6F. Restaurant Q has inconsistent product quality, does not meet customer expectations	
		6G. The international franchised restaurants are too expensive for the average Kenyan		6G. The international franchised restaurants are too expensive for the average Kenyan	

Source: developed for this study from data obtained from responses to questions in appendix v

6.6.2 Descriptive text for individual FGD

FGD 1 – the main issues that emerged were that people eat out because it is a trend; everyone is doing it, so it is “fashionable”. They gave other reasons why people “eat out” as due to having little time to cook and also due to people having more disposable income at hand to spend. The group highlighted other reasons for eating out as being lack of cooking skills, convenience, meaning that one does not need time and effort to get a meal ready; the desire for discovering or exploring new tastes, to socialize, celebrate and to relax. The most important elements when dining out were brought out as being ambience meaning comfort provided by adequate space and the general environment that is conducive to relaxing. The product quality was important for this group and it meant that the product provided met the expected standards in size and taste. The price was perceived to be value for money, what matches the quality and quantity according to the individual subjective expectations. The service performance expected by this group included the efficiency or speed of service, how long it takes from the time the food order is taken to the time it is delivered to the customer. This element was put together with the competence, friendliness and neatness of the wait staff. The experience of this group with franchised restaurants was that restaurant X had poor service, inconsistent product, price and ambience across the franchise whereas restaurants Z and Y were consistent in all the areas.

FGD 2 the main issues emerging from this group were that the “eating out trend” is growing because people are busy. In most families both parents need to work to support the family so there is little time to cook. There is also more disposable income available to make up for the lack of time people choose to eat out. The other reasons given for eating out were convenience, saving of time and effort that would be needed to cook, discovering new tastes, to socialize entertain friends and relax. The choice of restaurant for this group depends mainly on the ambience and on elements of social interaction meaning who else frequents that particular restaurant. The group brought out the fact that eating out even though trendy is also a status symbol meaning that people eat out in places they would like to be associated with socially. If people frequent expensive restaurant they are perceived to belong a particular social class etc. Regarding the experience with franchised restaurants this group

said that restaurant X was inconsistent in ambience, product service and price across the franchise whereas W, Z and Y were consistent in all these areas

FDG 3 saw eating out as a time to socialize and catch up with friends. They also thought that there is little time to cook as well as lack of cooking skills to get a good meal together. Exploring new tastes relaxing and creating an image among friends were other reasons given. The Ambience, product quality, service component were also viewed as important when it comes to the choice of where to eat out. This group emphasized on service as being of great importance. The price was a consideration as was product safety, hygiene standards of the restaurant and of the wait staff. The personal qualities expected of the wait staff, friendliness, courtesy and respect were brought out. About the experience with franchised restaurants, this group thought that restaurant X was poor and that restaurant Y was good.

FGD 4 in general thought that eating out was becoming a necessity because of lack of time available for cooking and also because people have more disposable income available. The main reason why people eat out is to socialize and meet friends, to have fun. This group thought that people are driven to eat out because many people lack cooking skills as well as the time and effort required to put a meal together. But the main reason was to socialize, celebrate, entertain and relax. The components of eating out that were important for them included the ambience, the product quality, service efficiency and the price. But most of all it was because of who else frequents that restaurant. The experience with franchised restaurants for this group was that restaurant X was poor but that restaurants Z, W and Y were good. However a cluster of Y, Q was inconsistent in product quality.

FGD 5 in general thought that the eating out trend is fuelled mainly by the availability of disposable income. One main reason for eating out given was to socialize and celebrate. This group gave other reasons why people are eat out as due to lack of cooking skills, to explore new tastes, and to make a statement of social status, cultivate an image. The elements that were important for this group included the general ambience of the restaurant, the product quality, variety and flexibility, the product price and the service efficiency. However the social component was outstanding, that is who else goes to that restaurant. The experience

with franchised restaurants for this group was that restaurant X was poor and inconsistent right across the franchise whereas restaurant Y and W were good and consistent across the franchise in all aspects. However a cluster of Y, Q was inconsistent in product quality.

6.6.3 Descriptive text across FGD

All groups except FGD 4 thought that eating out is an emerging trend. All groups except FGD 5 attributed the growing trend to lack of time available to cook since people are busier. All groups except FGD 3 thought that the eating out trend was fuelled by more disposable income available.

All groups except FGD 2 said that people eat out due to lack of cooking skills. But all FGD mentioned convenience, discovering new tastes and the need to socialize/meet friends as reasons why people eat out.

All the five FGD identified ambience and the social component; that is who else goes to that restaurant, as the reasons why they choose to eat in specific restaurants. All except FGD 2 added other reasons for choosing specific restaurants as the product quality and variety, the service efficiency of the particular restaurant.

All groups except FGD 5 mentioned that they would patronize a restaurant if the service was excellent but all groups also included the product quality, the price and the social component as other reasons why they keep going to the same restaurant. All groups except FGD 3 mentioned ambience as a reason for revisiting a restaurant.

All five FGD had the same reasons for stopping to visit a restaurant they have visited before which are the product safety, that is if the food hygiene was poor and also if as a consequence of eating there, they contracted food poisoning they would never return to that restaurant. The service efficiency was important if the service process was slow, the wait staff inattentive or rude, or untidy then they would stop going to that specific restaurant. If the price was perceived as not being fair and people felt they did not receive value for their money, then they would cease to go to that restaurant.

All FGD mentioned restaurant X as having inconsistent standards of product, service and ambience across the franchise but Restaurant Y and Z were consistent across the franchise in all areas. FGD 2 and 4 mentioned that restaurant W was good but FGD 5 felt that W was not consistent in product quality and service across the franchise. FGD 4 and 5 mentioned Q, a cluster restaurant of Y, as being inconsistent in the quality of products across the franchise. These are summarized in the table 6.6.

Table 6.6: Summary of findings from focus group discussions

	Group 1	Group 2	Group 3	Group 4	Group 5
Q 1	<ol style="list-style-type: none"> 1. Trend 2. Little time 3. Disposable income 	<ol style="list-style-type: none"> 1. Trend 2. Little time 3. Disposable income 	<ol style="list-style-type: none"> 1. Trend 2. Little time 3. – 4. To socialize 	<ol style="list-style-type: none"> 1.- 2. Little time 3. Disposable income 4. To Socialize 	<ol style="list-style-type: none"> 1. Trend 2. 3. Disposable income 4. To socialize/celebrate
Q 2	<ol style="list-style-type: none"> 1. Lack of skills 2. Convenient 3. New tastes 3. Socialize/celebrate entertain/ relax 	<ol style="list-style-type: none"> 1. 2. Convenient 3. New tastes 4. Socialize/celebrate entertain/ relax 5. Image/status 	<ol style="list-style-type: none"> 1. Lack of skills 2. Convenient 3. New tastes 4. Socialize/celebrate entertain/ relax 5. Image/status 	<ol style="list-style-type: none"> 1. Lack of skills 2. Convenient 3. New tastes 4. Socialize/celebrate entertain/ relax 1. - 	<ol style="list-style-type: none"> 1. Lack of skills 2. Convenient 3. New tastes 4. Socialize/celebrate entertain/ relax 5. Image/status
Q 3	<ol style="list-style-type: none"> 1. Ambience 2. Product 3. Service 4. Social 	<ol style="list-style-type: none"> 1. Ambience 2. - 3. - 4. Social 	<ol style="list-style-type: none"> 1. Ambience 2. Product 3. Service 4. Social 	<ol style="list-style-type: none"> 1. Ambience 2. Product 3. Service 4. Social 	<ol style="list-style-type: none"> 1. Ambience 2. Product 3. Service 4. Social
Q4	<ol style="list-style-type: none"> 1. Service 2. Product 3. Price 4. Ambience 5. Social 	<ol style="list-style-type: none"> 1.Service 2.Product 3.Price 4.Ambience 5.Social 	<ol style="list-style-type: none"> 1.Service 2.Product 3.Price 4.- 5.Social 	<ol style="list-style-type: none"> 1. Service 2. Product 3. Price 4. Ambience 5. Social 	<ol style="list-style-type: none"> 1. - 2. Product 3. Price 4. Ambience 5. Social
Q5	<ol style="list-style-type: none"> 1. Product safety 	<ol style="list-style-type: none"> 1. Product safety 	<ol style="list-style-type: none"> 1. Product safety 	<ol style="list-style-type: none"> 1. Product safety 	<ol style="list-style-type: none"> 1. Product safety

	2. Service 3. Price	2. Service 3. Price	2. Service 3. Price	2. Service 3. Price	2. Service 3. Price
Q6	Restaurant X poor Y & Z good	Restaurant X poor Y , Z and W good	Restaurant X poor Y good	Restaurant X poor Y good Z good W good Q poor	Restaurant X poor Y good W poor Q poor

Source: developed for this study from data obtained from responses to questions in appendix v

6.7 Results and discussion

The Trend of “Eating out” in Kenya

The concept of “eating out” and reasons for its popularity were used at the start of the FGD. The respondents were requested to indicate their opinions on “eating out”, whether they had observed such a trend and what could have contributed to the trend if any. Findings indicate that the “eating out” trend was **emerging** in Kenya. Though not well developed, respondents were positive about the existence of such a trend. The response that best demonstrated this finding was;

“I think a lot of Kenyans nowadays are adapting to eating out. Maybe because of the way we are trying to get into the whole 24 hour business economy thing, but it is not yet there. But people are really trying. But nowadays since there are more women working; women tend to buy even their families dinner out. They take, take - out for their families and stuff like that. So I think it’s growing” (FGD Member 6)

All the FGD brought out one of the components of eating out as **convenience** that is occasioned by lack of time, saving of effort needed to cook, lack of cooking skills along with speed of service delivery in the various restaurants, as an important factor in choosing where to dine out. The response that best demonstrated this finding was;

“We are in a society now that is , we are ever busy, we are ever working, we don’t have time to cook for ourselves anymore so what do I do? The only option is to go and get something from the nearest food outlet that I can get” (FGD Member 12)

This therefore suggests that convenience is an important characteristic and is a motivating factor for the trend towards “eating out”. The quick service restaurants therefore may offer convenience in order to gain competitive advantage in the food service industry. Customers are able to select their products from a hanging menu and often receive their order as soon as they have made their payment at the point of sale.

Another reason for the emerging trending in “eating out” was the **desire to socialize**. All members of the family, for instance, working adults, the youth and the children looked forward to eating out during the weekend (mostly on Sunday) in order to break the monotony of the week activities and also get to socialize with their friends. The response that best illustrated this finding was;

“.... So for socializing, catching up with what has been going on the whole week and also to bring the monotony of the daily business.....” (FGD Member 1)

This study therefore noted that the need to socialize is an important element that can be used to explain the emerging trend of “eating out” in Kenya.

Factors that customers consider when visiting a restaurant for the first time

After identifying whether a trend of “eating out” existed in Kenya, and the reasons for the existence of such a trend, the study thought it logical to establish the factors that customers consider when visiting a restaurant for the first time. The respondents of this study were therefore requested to indicate the factors they considered when visiting a restaurant for the first time.

In another instance, respondents indicate that **peer pressure** and recommendations from friends were important factors that motivated them to visit a certain restaurant for the first time. The response that best illustrated this finding was;

“From what have seen around mostly it is because was out of influence. Someone goes out and finds this restaurant providing some excellent services...I mean she comes in and shares out with friends.....” (FGD Member 30)

This study notes that peer pressure and recommendation from friends is therefore a crucial factor in attracting customers to a restaurant.

Findings indicated that the component of **price** was a crucial factor that customers took into consideration when deciding whether or not to visit a particular restaurant for the first time. The people said they would visit a restaurant if the price was pocket friendly and if the restaurant offered value for their money. The responses that best illustrated this finding were;

“First of all I have to have the money, and when I have the money it will determine where I am going to go”. (FGD Member 34)

Factors considered by a customer when choosing to patronize a restaurant

The study also sought to establish the factors considered by a customer when choosing to continue visiting a restaurant. The respondents were therefore requested to express their opinions on what factors they considered when choosing to continue visiting a restaurant.

Findings indicated that customer considered a **great offer in terms of product and service** when deciding to patronize a restaurant. A great offer is made up of products, services and/or experiences that customers want or need. Specifically, a good offer is characterized by product quality, value for money (quantity and quality in relation to price), quality service, efficient service, good ambience, relaxing and hygienic environment.

In reference to a great offer, **product quality** seems to have been the most widely cited. Customers may therefore decide to continue visiting a restaurant if the food was of good quality and tasted good. The response that best illustrated this response was;

“First and foremost I look at the quality. I want to eat food that I am assured what am eating is okay, the content is of quality. (FGD Member 21)

Another aspect of a great offer is **value for money (quantity and quality in relation to price)**. The response that best illustrated this was;

“The price of the food; the items they are offering. Because you might not have the money and you go to a place where you can’t afford. Yeah, like a big Chinese restaurant that is only targeted for the rich and you don’t have that kind of money. So the prices are important”. (FGD Member 13)

The FGD mentioned the component of **service** a great deal, they like to go to restaurants where service is efficient, and wait staff are attentive to customers without any discrimination. The speed of service is important to them, they do not like to feel forgotten or ignored. People also like to see neat and clean wait staff that is well groomed and have good personal hygiene habits.

The FGD mentioned a ‘cool atmosphere’ nice relaxing music as indications of **atmosphere/ambience** in the restaurants. People will keep going to a restaurant that captures their taste in ambience. The FGD also mentioned aspects of space as being important, they do not like to go to restaurants that are squeezed but rather to those that have adequate spacing between tables. The response that best illustrated this finding was;

“Somewhere you can just relax, I want that to be able to freely eat and in peace” (FGD Member 8)

Factors considered by a customer when choosing to defect from a restaurant

The study sought to establish the factors that customer would consider when choosing to defect from a restaurant. The study established that **lack of consistency** in the various elements that attracted the customer to the restaurant and made the customer to visit the restaurant again can influence the decision to defect from a restaurant. Specifically, lack of consistency in food quality, food quantity, food prices, service and environment may lead to defection.

Inconsistency in food quality was one of the frequently cited factors that may influence customer defection. The responses that best explained this finding were;

“Bad food .There’s nothing as bad as you pay for something and then you can taste that food is not fresh at all.... basically those are the two most annoying things that make me never go back to a restaurant” (FGD Member 1)

Inconsistency in service is another factor that may influence customer defection.

Inconsistency in price is another factor that may influence customer defection. Customers would stop visiting a restaurant if the prices changed abruptly or if the products became unaffordable.

Inconsistency in ambience, environment and space is another factor that may influence customer defection. The response that best illustrated this finding was;

“I like space, if have paid for something, like I have’ paid to let’s say to, considering the price of course they offer, I have paid for service to sit here and then I end up like my, being knocked all over, as in, spilled my food then definitely, I will not go back there”.
(FGD Member 20)

6.8 Explanations and conclusions Analysis across the FGD and hypotheses development

Product mix

The FGD mentioned the desire to look for exciting restaurants that have a variety of products to choose from. Some look for flexibility in **menu mix** as well as quality in the products. Above all the products must meet the expectations of the customers in standards of quality and safety. The FGD also brought out the need to eat out to explore new tastes which points to interest in new

products and product variety. The fact that they would continue dining in the same restaurant if it continued to offer products that are not only attractive but of quality points to the importance of this component in peoples' choices of restaurants to dine out. Therefore the **product mix** is an important component in restaurant dining. Findings indicated that customer considered a great offer in terms of product when deciding to patronize a restaurant. A great offer is made up of products, services and/or experiences that customers want or need. Specifically, a good offer is characterized by product quality, value for money (quantity and quality in relation to price). In reference to a great offer, product quality seems to have been the most widely cited. Customers may therefore decide to continue visiting a restaurant if the food was of good quality and tasted good.

From literature researchers have found that customers patronize a new concept because it seems, they are looking for an exciting **product mix** as in Njite (2005) and Richardson & Aguir (2004) as discussed in paragraph 3.6.2.1. Following the table 6 summarized from literature, product mix has been mentioned most often by authors as a critical factor for the success of restaurant business. Therefore the researcher keep the hypothesis as is, for verification and confirmation in the phase II of the research: consequently the researcher proposes:

- H1a: Product mix is a critical factor for the success for a franchised restaurant from customer's perspective.
- H1b: Product mix is the most important factor for the success of a franchised restaurant from a customer's perspective

Convenience

All the FGD brought out one of the components of eating out as **convenience** that is occasioned by lack of time, saving of effort needed to cook, lack of cooking skills along with speed of service delivery in the various restaurants, as an important factor in choosing where to dine out. Results from this study revealed that “eating out” is an emerging trend in Kenya. The main reason for the emergence of the trend was convenience. The patrons of restaurants seem to be busy due to tight working schedules and “eating out” becomes an effective and convenient solution.

Researchers have identified convenience as to be an increasingly important variable in the restaurant business as discussed in (Liu & Chen, 2000), Njite (2005), and Schlosser (2001) in paragraph 3.6.2.2. Though convenience seems to be important for customers it appeared mentioned less often than product mix by researchers as illustrated in table 6. The hypotheses below will be verified and confirmed in the phase II of the research.

Hence the researcher suggests that:

- H2a: Convenience is a critical factor for the success of a franchised restaurant from customer’s perspective.
- H2b: Convenience is less important than product mix for the success of a franchised restaurant from a customer’s perspective

Employee competence

The FGD mentioned the component of **service** a great deal, they like to go to restaurants where service is efficient, and wait staff are attentive to customers without any discrimination. The speed of service is important to them, they do not like to feel forgotten or ignored. People will go to restaurants where they feel welcome, where the wait staff is friendly, courteous and respectful. They will frequent restaurants where they are recognized and treated as family. People also like to see neat and clean wait staff that is well groomed and have good personal hygiene habits.

Extant literature mentions **employee competence** as an important component of the service experience in a restaurant, as in Njite (2005) discussed in paragraph 3.6.2.3. Competence should be a significant characteristic especially where interaction is brief. Even though employee competence was mentioned less often than convenience and product mix as a critical factor for the

success of restaurant business as illustrated in table 6, the hypotheses below will undergo verification and confirmation in the phase II of the research.

- H3a: Employee competence a critical factor for the success of a franchised restaurant from a customer's perspective.
- H3b: Employee competence is less important than convenience for the success of a franchised restaurant from a customer's perspective.

Price

The component of **price** was brought out by all the FGD. The people said they would visit a restaurant if the price was pocket friendly, if the restaurant offered value for their money etc. They would stop visiting a restaurant if the prices changed abruptly or if the products became unaffordable. The people also said that they would stop going to a restaurant if the competition became cheaper. Findings indicated that the component of price was a crucial factor that customers took into consideration when deciding whether or not to visit a particular restaurant for the first time.

Extant literature suggests that people are concerned about value for their money and are therefore observant on the prices charged by different restaurants especially in quick service outlets as in (Njite, 2005) discussed in paragraph 3.6.2.4. However in other restaurant concepts customers are usually willing to pay any price provided other components they consider more important such as employee competence are present (Njite, 2005). The researcher proposes the hypotheses as it is for confirmation and verification in the second stage of the research.

- H4a: Price is a critical factor for the success for a franchised restaurant from a customer's perspective.
- H4b: Price is less important than employee competence for the success of a franchised restaurant form a customer's perspective.

Atmosphere

The FGD mentioned dining out particularly to socialize and meet up with friends. More and more people take entertainment of guests out of their homes to a restaurant. People also find a readymade environment where it is easy to relax after a hard day's work or at the end of the week to recover from the strain and tensions of a busy work life. The FGD mentioned a 'cool

atmosphere' nice relaxing music etc. as indications of **atmosphere/ambience** in the restaurants. People will keep going to a restaurant that captures their taste in ambience. They will also frequent a restaurant that is popular with friends that they want to associate with. The FGD also mentioned aspects of space as being important, they do not like to go to restaurants that are crowded but rather to those that have adequate spacing between tables.

Marketing researchers have identified that the physical stimuli experienced by customers at the restaurant as atmosphere or ambience, Ziethaml, et al. (2009; and Njite (2005) discussed in paragraph 3.6.2.4. Therefore the researcher will keep the hypothesis as is, for verification and confirmation in the phase II of the research. Literature mentions atmospherics as the least important for a restaurant customer: therefore the researcher suggests:

- H5: The atmosphere of a restaurant is a critical factor for the success of a franchised restaurant from a customer's perspective.
- H5b: The atmosphere of a restaurant is less important than price for the success of a franchised restaurant form a customers' perspective

Among the other issues of interest that came out in the FGD one had to do with income. All the FGD mentioned that the eating out trend is fuelled by more disposable income. This aspect was included in the survey questionnaire for confirmation and perhaps further analysis.

There appeared to be subtle differences between responses given by males and those given by females, we therefore included a question on gender to in the survey questionnaire to establish if these differences were significant.

6.9 Conclusion

In this chapter we presented, analysed and discussed the results from the qualitative research done using focus group discussions and in-depth interviews with franchisors and franchisees. The next chapter looks at the results and discussion of the quantitative research done using a survey.

CHAPTER 7: RESULTS AND INTERPRETATION OF QUANTITATIVE RESEARCH

7.1 Introduction

In the previous chapter, data collected using qualitative methods, FGD and in-depth interviews were presented and analysed. In this chapter data collected using quantitative method, namely the survey are presented, illustrated and analysed.

7.1.1 Response Rate

The study started off with an original sample size of 384. However, to ensure that non responses problems did not affect the original sample size, the sample size was increased by 5 units. The final actual sample size was therefore 389. It was therefore possible to ensure that a 98.7% response rate. The extra 5 units were classified as spoilt or as non-responses. The spoilt responses were either incomplete or missing important information. The non-responses included the questionnaires that were handed out but never returned by respondents. The response rate is shown in table 7.1.

Table 7.1: Questionnaire response rate

	Customers	Percentage
Usable	384	98.7%
Spoilt	3	0.8%
Non response	2	0.5%
Total Actual Sample	389	100.0%

7.1.2 Reliability of pilot study data

This section presented the reliability results for the pilot study variables. A convenience sample of 20 customers visiting franchised restaurants was identified. The questionnaire was administered and reliability results were calculated.

7.1.2.1 Reliability for convenience

The construct of convenience yielded a Cronbach’s alpha of 0.707. Cronbach (1951) recommends that the benchmark for checking reliability is 0.7. Since the reported coefficient 0.707 was higher than the benchmark of 0.7, it implies that the 5 statements measuring the construct of convenience were well understood by the respondents. This is given in table 7.2.

Table 7.2: Reliability for convenience

	Cronbach's Alpha if Item Deleted	Cronbach’s Alpha	N	Comment
They do not keep customers waiting for a longer time compared to other restaurants	.588	0.707	N of items=5 N of sample size =20	Reliable
The location of the restaurant is convenient	.674			
The speed of service meets my expectations	.513			
They have adequate parking space	.790			
They always have what I expect	.685			

7.1.2.2 Reliability for price

The construct of price yielded a Cronbach’s alpha of 0.488. See Cronbach’s (1951) recommendation in paragraph 7.1.2.1. Since the reported coefficient 0.488 was less than the benchmark of 0.7, it implies that the 6 statements measuring the construct of price were not well understood by the respondents. However, it is not always theoretically sound to divide outcome measures as reliable or unreliable based on rigid benchmarks i.e. the 0.70 benchmark, (Voss, et al., 2000). In some occasions, the reliability of measures used may be underestimated by the current formulas used for calculation of Cronbach’s alpha when the data do not meet the assumptions of normality and linearity, or when the data are of nominal nature (Voss et al., 2000). In other cases, the reliability reports may be underestimated due to the limited number of items included in the

test, or due to the limited width of the scale used to measure these items (McKennell, 1978; Voss et al., 2000).

In this case, we inspected the Likert scale and noted that it needed adjusting with the intent that the reliability could be improved by changing the codes of the Likert scale statements. Therefore, strongly agree which had previously been coded as 1 was re-coded to 5. In addition, Voss et al., (2000) recommend that in case of low alpha, it is important to check the sample size. Larger samples may increase the alpha estimates and since pilot results consist of low sample sizes, the increased sample size in the main study results in an improvement of the alpha. This is given in table 7.3.

Table 7.3: Reliability for price

	Cronbach's Alpha if Item Deleted	Cronbach's Alpha	N	Comment
They offer food at lower prices compared to other restaurants	.505	.488	N of items=6 N of sample size =20	Unreliable
The food and services offered are very good value for my money	.265			
The food and services offered are very good bargain considering the prices	.328			
The food prices are stable they do not change abruptly	.457			
The restaurant offers bonuses and discounts often	.595			
They inform the customers about the change of prices in good time before they change	.435			

7.1.2.3 Reliability for product

The construct of product yielded a Cronbach's alpha of 0.787. Cronbach (1951) recommends that the benchmark for checking reliability is 0.7. Since the reported coefficient 0.787 was higher than

the benchmark of 0.7, it implies that the 8 statements measuring the construct of product were well understood by the respondents. This is shown in table 7.4.

Table 7.4: Reliability for product

	Cronbach's Alpha if Item Deleted	Cronbach's Alpha	N	Comment
The menu has a large variety of choices	.764	.787	N of items= 8 N of sample size =20	Reliable
The product are always the same quality	.774			
The products are always the same quantity	.772			
The products are always the same available	.742			
The menu is flexible to my taste and combinations	.750			
They often have new and exciting products on the menu	.805			
The food hygiene standards are according to my expectations	.749			
I feel safe from food poisoning in this restaurant	.746			

7.1.2.4 Reliability for Employee Competence

The construct of employee competence yielded a Cronbach's alpha of 0.896. See Cronbach's (1951) recommendation in paragraph 7.1.2.1. Since the reported coefficient 0.896 was higher than the benchmark of 0.7, it implies that the 8 statements measuring the construct of employee competence were well understood by the respondents. This is illustrated in table 7.5.

Table 7.5: Reliability employee competence

	Cronbach's Alpha if Item Deleted	Cronbach's Alpha	N	Commen t
The employees are warm and welcoming	.884	.896	N of items =8 N of sampl e size =20	Reliable
The employees have the knowledge to answer my questions	.882			
The employees provide prompt service	.897			
The employees give me individual attention	.883			
The employees understand my specific needs	.884			
The employees are consistently courteous with me	.877			
The employees are never too busy to respond to customer requests	.879			
The employees have a neat appearance	.881			

7.1.2.5 Reliability for atmosphere

The construct of atmosphere yielded a Cronbach alpha of 0.896. See Cronbach's (1951) recommendation in paragraph 7.1.2.1. Since the reported coefficient 0.896 was higher than the benchmark of 0.7, it implies that the 7 statements measuring the construct of atmosphere were well understood by the respondents. This is shown in table 7.6.

Table 7.6: Reliability for atmosphere

	Cronbach's Alpha if Item Deleted	Cronbach's Alpha	N	Comment
The environment in this restaurant is relaxing	.786	.806	N of items=7 N of sample size =20	Reliable
The music in this restaurant is well selected	.751			
The decor in this restaurant is attractive	.782			
The spacing between tables is adequate	.799			
The chairs in the restaurant are comfortable	.776			
The physical facilities of are visually attractive	.775			
I feel safe in my transactions at this restaurant	.797			

7.1.2.6 Reliability for success of franchised restaurants

The construct of success of franchised restaurants yielded a Cronbach's alpha of 0.963. See Cronbach's (1951) recommendation in paragraph 7.1.2.1. Since the reported coefficient 0.963 was higher than the benchmark of 0.7, it implies that the 7 statements measuring the construct of success of franchised restaurants were well understood by the respondents. This is given in table 7.7.

Table 7.7: Reliability for success of franchised restaurants

	Cronbach's Alpha if Item Deleted	Cronbach's Alpha	N	Comment
I like this restaurant	.951	.963	N of items=6 N of sample size =20	Reliable
I will keep on coming to this restaurant	.959			
I will bring my family to this restaurant	.963			
I would recommend this restaurant to my friends	.949			
The restaurant has my best interests at heart	.948			
The restaurant delivers what it promises	.961			

7.1.3 Reliability Results of main study

This section presented the reliability results for the main study variables. A convenience sample of 389 customers visiting franchised restaurants was identified, the questionnaire was administered and reliability results were calculated. Results indicated that all the construct were reliable which made the overall questionnaire reliable and ideal for analysis. This is shown in table 7.8.

Table 7.8: Summary Reliability for success of franchised restaurants

	Cronbach's Alpha	N of Items	N of responses	Comment
Convenience	0.721	5	384	Reliable
Price	0.763	6	384	Reliable
Product	0.850	8	384	Reliable
Employee Competence	0.907	8	384	Reliable
Atmosphere	0.904	7	384	Reliable
Success of franchised restaurant	0.897	6	384	Reliable

7.1.4 Factor Analysis Results of main study

Factors analysis using principal components analysis (pca) method was conducted in order to test for the validity of the data collection instrument. The varimax method of rotation was used. In addition, the Kaiser criterion was used in extraction of factors where factors with eigen values of more than 1 were used to identify factors. Table 7.9 illustrates the Kaiser-Meyer-Olkin (KMO) score.

Table 7.9: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.931
Bartlett's Test of Sphericity	Approx. Chi-Square	7413.574
	Df	561
	Sig.	.000

A Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy coefficient of 0.931 was obtained. The significance of the KMO coefficient was evaluated using a chi square test and a critical probability value (p value) of 0.05. A chi square coefficient of 7413.5 and a p value of 0.000 imply that the coefficient is significant. This further implies that there was a significant correlation between the statements measuring convenience, price, product mix, and atmosphere and employee

competence. The implication of this test is that statements with low correlation among themselves may not qualify for factor analysis. According to Field (2005), KMO Value/Degree of Common Variance of between 0.90 to 1.00 is “Marvelous”, 0.80 to 0.89 is “Meritorious”, 0.70 to 0.79 is “Middling” 0.60 to 0.69 is “Mediocre”, 0.50 to 0.59 is “Miserable”, 0.00 to 0.49 is “Don't Factor”. Thus, a KMO coefficient of 0.931 is “Marvelous” for this study.

The communalities table reflects the amount of variance that each statement shares with the factors. A total of 7 factors were identified accounting for a variance of 64.516%. Details on the factors are provided in the appendix vii. The communalities for a certain statement are computed by taking the sum of the squared loadings for that variable. By extension, the higher a statement is correlated with the extracted factors, the higher is its communality (shared variance). Statements with communality of less than 0.5 are usually excluded from analysis because the factor solution contains less than half of the variance in the original variable, and the explanatory power of that variable might be better represented by the individual variable (Voss et al., 2000). In this study, all of the statements have high communalities of above 0.5 and there was no need of excluding any of the statements. This is illustrated in table 7.10.

Table 7.10: Communalities

Statement	Initial	Extraction
They do not keep customers waiting for a longer time compared to other restaurants	1.000	.567
The location of the restaurant is convenient	1.000	.662
The speed of service meets my expectations	1.000	.667
They have adequate parking space	1.000	.653
They always have what I expect	1.000	.478
They offer food at lower prices compared to other restaurants	1.000	.629
The food and services offered are very good value for my money	1.000	.652
The food and services offered are very good bargain considering the prices	1.000	.644
The food prices are stable they do not change abruptly	1.000	.580
The restaurant offers bonuses and discounts often	1.000	.658

Statement	Initial	Extraction
They inform the customers about the change of prices in good time before they change	1.000	.668
The menu has a large variety of choices	1.000	.663
The products are always the same quality	1.000	.720
The products are always the same quantity	1.000	.655
The products on the menu are always available	1.000	.651
The menu is flexible to my tastes and combinations	1.000	.654
They often have new and exciting products on the menu	1.000	.679
The food hygiene standards are according to my expectations	1.000	.644
I feel safe from food poisoning in this restaurant	1.000	.606
The employees are warm and welcoming	1.000	.622
The employees have the knowledge to answer my questions	1.000	.649
The employees provide prompt service	1.000	.708
The employees give me individual attention	1.000	.696
The employees understand my specific needs	1.000	.661
The employees are consistently courteous with me	1.000	.716
The employees are never too busy to respond to customer requests	1.000	.642
The employees have a neat appearance	1.000	.531
The environment in this restaurant is relaxing	1.000	.583
The music in this restaurant is well selected	1.000	.564
The décor in this restaurant is attractive	1.000	.735
The spacing between tables is adequate	1.000	.697
The chairs in the restaurant are comfortable	1.000	.704
The physical facilities of are visually attractive	1.000	.669
I feel safe in my transactions at this restaurant	1.000	.627
Extraction Method: Principal Component Analysis.		

The SPSS output showing the number of extracted factors, the explained variance and the rotated factor loadings were beyond the scope of this study and hence the tables were given at the appendix vii.

7.2 Respondents Characteristics

This section contains descriptions of the respondents in terms of their gender, age, household monthly income and time visited.

7.2.1 Gender of Respondents

Results illustrated in table 7.11 show that 52% of the respondents were female while 48% were male.

Table 7.11: Gender of respondents

Gender	Number (N)	Percentage (%)
Female	201	52%
Male	183	48%
Total	384	100%

7.2.2 Age Distribution of Respondents

The findings illustrated in table 7.12 reveal that the dominant age of the respondents was between 25 to 44 years this comprised 57 % followed by ages between 18 to 24 years (22 %). Those between 45 and 60 years counted for 16 %. Those over 60 years accounted for 5 %.

Table 7.12: Age Distribution of Respondents

Age distribution	Number (N)	Percentage (%)
Under 18	1	0%
18-24	85	22%
25-44	219	57%
45-60	60	16%
over 60	19	5%
Total	384	100%

7.2.3 Household Monthly Income

The results depicted in table 7.13 shows that the proportion of respondents who had a monthly income of between KES 76-120000 was 22%, followed those of KES 51,000 to 75,000 (19 %), and then KES 121,000 to 250,000(18 %).

Table 7.13: Household Monthly Income Distribution of Respondents

household monthly income	Number (n)	Percentage (%)
Below 10,000	13	3%
Between 11,000-25,000	34	9%
Between 26,000-50,000	67	17%
Between 51,000-75,000	71	19%
Between 76,000-120,000	85	22%
Between 121,000-250,000	69	18%
Over 250,000	45	12%
Total	384	100%

7.2.4 Number of times respondents visited a franchise restaurant

The results depicted in table 7.14 show that 45 % of the study participants visited at a franchised restaurant weekly. Another 26 % visited a franchised restaurant monthly while another 23 % visited the restaurant twice weekly.

Table 7.14: Distribution of number of times respondents visited a franchised restaurant

Times Visited	Number(N)	Percentage (%)
Daily	22	6%
Weekly	173	45%
Twice weekly	87	23%
Monthly	102	27%
Total	384	100%

The results on demographics indicate that the typical respondent was female, aged 25 to 44 years, with income of between KES 76,000-120,000 and visited a franchised restaurant weekly.

7.3 Descriptive analysis

The study had one dependent variable (success of franchised restaurants) and five predictor variables. The descriptive results were provided in the next section. The descriptive results of the dependent variable were presented first followed by the descriptive results for the independent variables.

7.3.1 Success of Restaurants

Table 7.15 displays results of responses regarding success of franchised restaurants. The mean score of the responses was 4.17 which mean that there was strong agreement with the statement on the questionnaire regarding success of franchised restaurants. The responses were spread within a standard deviation of 0.77 meaning that was a narrow variation of responses and with a further indication that there was consensus in the responses. McDaniel & Gates (2004) and Malhotra & Birks (2007) note that a standard deviation of less than 1 for social studies is low and indicates consensus. A standard deviation of more than 1 indicates wide variation of response and hence lack of consensus. These results indicate that most of the study participants were satisfied with the restaurant they visited.

Table 7.15: Summary of responses and descriptive statistics on franchised restaurant success

Statement	Mean	Std
I like this restaurant	4.41	0.67
I will keep on coming to this restaurant	4.20	0.73
I will bring my family to this restaurant	4.09	0.79
I would recommend this restaurant to my friends	4.22	0.75
The restaurant has my best interests at heart	3.95	0.88
The restaurant delivers what it promises	4.14	0.80
Average	4.17	0.77

7.3.2 Convenience

The study sought to establish whether convenience influenced success of franchised restaurants. The mean score of the responses was 4.12 which mean that there was strong agreement with the statements on the questionnaire regarding convenience. The responses were spread within a standard deviation of 0.90 which indicated a narrow variation of responses and with a further indication that there was consensus among respondents.

These results show that convenience is a key factor for consumers when choosing where to dine out, especially if there is secure and ample parking which is the case of franchised restaurants. Further, these results imply that the location of franchised restaurants is positioned in a way that will manage the traffic flow of people which has a significant effect on their success. Additionally, a good location is one with the four major features such as; a nice ground, an open space in front and a place with good security and with good parking space for its clients.

These findings are consistent with those of Parsa et al. (2005), Schlosser (2001), Liu & Chen (2000), as seen in paragraph 3.6.2.2.

This is depicted in table 7.16.

Table 7.16: Summary of responses and descriptive statistics on convenience

	Mean	SD
Statement They do not keep customers waiting for a longer time compared to other restaurants	4.10	0.81
The location of the restaurant is convenient	4.42	0.81
The speed of service meets my expectations	4.17	0.84
They have adequate parking space	3.72	1.12
They always have what I expect	4.19	0.94
Average	4.12	0.90

7.3.3 Price

The study sought to establish whether price influenced success of franchised restaurants. The mean score of the responses was 3.84 which show that there was strong agreement with the statement on the questionnaire regarding price. The responses were spread within a standard deviation of 1.02. A standard deviation of more than 1 indicates wide variation of responses or lack of consensus among respondents.

These results imply that food is fairly priced and it is worth compared to the kind of service the clients receive. In marketing, the ideal price for any product or service is one that is acceptable to both buyer and seller. Franchised restaurants offer the right prices in accordance to the quality of food, competence of its staff, restaurants' ambiance and customer relationship value. The services offered at franchised hotels are equitable to their products' pricing.

These findings are in line with those of Frazen and Bouwman (2001) and Richardson and Aguir (2004) as evidenced in paragraph 3.6.2.4. This is summarized in table 7.17.

Table 7.17: Summary of responses and descriptive statistics on price

Statement	Mean	SD
They offer food at lower prices compared to other restaurants	3.37	1.06
The food and services offered are very good value for my money	4.15	0.86
The food and services offered are very good bargain considering the prices	3.95	0.97
The food prices are stable they do not change abruptly	4.24	0.78
The restaurant offers bonuses and discounts often	3.55	1.23
They inform the customers about the change of prices in good time before they change	3.76	1.22
Average	3.84	1.02

7.3.4 Product

The study sought to establish whether product influenced success of franchised restaurants. The mean score of the responses was 4.05 which imply that there was strong agreement with the statement on the questionnaire regarding product. The responses were spread within a standard deviation of 0.88 which implies consensus among respondents. Results imply that people prefer a

variety of dishes to be able to choose from. Offering of complementary dishes before a client's places an order is one sure way of retaining customers. Customers have different preferences and their demand for certain products is never static, it changes with time, thus the varieties in food products in the restaurants' satisfy customers' needs.

These findings concur with those of Parsa et al. (2005), Richardson and Aguir (2004), Schroder and McEachern (2005) as seen in paragraph 3.6.2.1. This summary is shown in table 7.18.

Table 7.18: Summary of responses and descriptive statistics on product mix

Statement	Mean	Std
The menu has a large variety of choices	4.01	0.88
The products are always the same quality	4.23	0.75
The products are always the same quantity	4.16	0.84
The products on the menu are always available	4.03	0.92
The menu is flexible to my tastes and combinations	3.92	0.93
They often have new and exciting products on the menu	3.54	1.05
The food hygiene standards are according to my expectations	4.33	0.74
I feel safe from food poisoning in this restaurant	4.34	0.77
Average	4.05	0.88

7.3.5 Employee Competence

The study sought to establish whether competence influenced success of franchised restaurants. The mean score of the responses was 4.20 which mean that there was strong agreement with the statements on the questionnaire regarding employee competence. The responses were spread within a standard deviation of 0.82 which implies narrow variation and existence of consensus among respondents.

These results imply that employees in franchised restaurants are always warm and welcoming despite the busy environment that restaurant brings. Further, the results indicate that maintaining an energy connection and ensuring the customer feels that he or she has your attention always makes the clients happy and wants to come back over and over again. Employee competence helps the organizations align their initiatives to their overall business strategy. Competencies have become a precise way for employers to distinguish superior from average or below average

performance. The reason for this is because competencies extend beyond measuring baseline characteristics and or skills used to define and assess job performance.

The findings are in line with those of Berry (2000), Bergin (2002; 2003), and Njite (2005) as in paragraph 3.6.2.3. The summary is depicted in table 7.19.

Table 7.19: Summary of responses and descriptive statistics on employee competence

Statement	Mean	Std
The employees are warm and welcoming	4.40	0.77
The employees have the knowledge to answer my questions	4.34	0.73
The employees provide prompt service	4.29	0.80
The employees give me individual attention	4.03	0.88
The employees understand my specific needs	3.90	0.86
The employees are consistently courteous with me	4.30	0.81
The employees are never too busy to respond to customer requests	4.24	0.86
The employees have a neat appearance	4.45	0.71
Average	4.20	0.82

7.3.6 Atmosphere

The study also sought to establish whether atmosphere influenced success of franchised restaurants. The mean score of the responses was 4.21 which mean that there was strong agreement with the statement on the questionnaire regarding atmosphere. The responses were spread within a standard deviation of 0.85 which means a narrow variation of responses hence consensus among respondents.

Therefore, the results imply that a good atmosphere is created by a good interior design, good coordination of colours, decor and furnishings, and a good definition of space. These balanced elements offer customers a warm and welcome feeling. A great atmosphere keeps the clients happy and keeps them coming back.

The findings are consistent with those of Njite (2005), Zeithmal et al., (2009), Bitmer (1990) as seen in paragraph 3.6.2.5. The summary is shown in table 7.20.

Table 7.20: Summary of responses and descriptive statistics on Atmosphere

Statement	Mean	Standard Deviation
The environment in this restaurant is relaxing	4.39	0.77
The music in this restaurant is well selected	4.03	0.90
The décor in this restaurant is attractive	4.28	0.82
The spacing between tables is adequate	4.22	0.89
The chairs in the restaurant are comfortable	4.22	0.85
The physical facilities of are visually attractive	4.17	0.87
I feel safe in my transactions at this restaurant	4.34	0.79
Mean score	4.21	0.85

7.3.7 Continued Patronage

The study sought to establish the aspects that influence patronage of franchised restaurants. The overall mean score of the responses was 4.39, which implies that there was strong agreement with the statement on the questionnaire regarding the decision to continue visiting the franchised restaurant. The highest factor that contributed to patronage was product with a mean score of 4.60 and the lowest was price at a mean score of 4.03. The responses were spread within a standard deviation of 0.78 which implies consensus among members. The summary is shown in table 7.21.

Table 7.21: Summary of responses and descriptive statistics on franchised restaurant patronage

Statement	Mean	Std
Convenience	4.23	0.85
Price	4.03	1.00
Product	4.60	0.66
Staff competence	4.58	0.66
Atmosphere	4.52	0.73
Average	4.39	0.78

7.3.8 Discontinued patronage

The study sought to establish the reasons that would make customers to stop patronizing a franchised restaurant. Results show the overall mean score of the responses was 4.32 which imply that there was strong agreement with the statement on the questionnaire regarding reasons that would influence the decision to stop going to the restaurant. The responses were spread within a standard deviation of 0.90 which implied that there was narrow variation in the responses and that there was consensus among respondents. Table 7.22 depicts the summary.

Table 7.22: Summary of responses and descriptive statistics on stopping franchised restaurant patronage

Statement	Mean	Std
Convenience	4.15	1.02
Price	4.04	1.05
Product	4.55	0.76
Staff competence	4.45	0.80
Atmosphere	4.42	0.87
Average	4.32	0.90

7.4 Hypothesis testing

7.4.1 Critical success factors

H1a Product mix is a critical factor for the success of a franchised restaurant from a customer's perspective.

Correlation between product and success was positive and significant ($p=0.000$). This shows that a change in product and franchised restaurant success changed in the same direction. The relationship was moderate (0.633). Rumsey (2011), notes that a correlation coefficient of more than 0.5 but less than 0.7 indicates that a moderate to strong positive correlation exists. Correlations of less than absolute values of 0.5 are considered weak correlations. This led to the acceptance of hypothesis that product mix is a critical factor for the success of a franchised restaurant from customers' perspective. This is shown in table 7.23.

Table 7.23: Correlation between product and success of franchised restaurants

Variable		Product	Success
Product	Pearson Correlation	1	
	Sig. (2-tailed)		
Success	Pearson Correlation	0.633	1
	Sig. (2-tailed)	0.000	

H2a Convenience is a critical factor for the success of a franchised restaurant from a customer's perspective.

Correlation between convenience and success was positive and significant ($p = 0.000$). This shows that a change in convenience and restaurant success changed in the same direction (0.534). The correlation was moderate. According to Rumsey (2011) a correlation coefficient of more than 0.5 but less than 0.7 indicates that a moderate to strong positive correlation exists. This led to the acceptance of hypothesis that convenience is a critical factor for the success of a franchised restaurant from customers' perspective. This is depicted in table 7.24.

Table 7.24: Correlation between convenience and success

Variable		Convenience	Success
Convenience	Pearson Correlation	1	
	Sig. (2-tailed)		
Success	Pearson Correlation	0.534	1
	Sig. (2-tailed)	0.000	

H3a: Employee competence a critical factor for the success of a franchised restaurant from a customer's perspective.

Correlation between price and success of a franchised restaurant was positive and significant ($p = 0.000$). This shows that a change in price and franchised restaurant success changed in the same direction. The association was moderate (0.541). According to Rumsey (2011) a correlation coefficient of more than 0.5 but less than 0.7 indicates that a moderate to strong positive correlation exists. This led to the acceptance of hypothesis that employee competence a critical

factor for the success of a franchised restaurant from customers' perspective. This is shown in table 7.25.

Table 7.25: Correlation between price and success

Variable		Price	success
Price	Pearson Correlation	1	
	Sig. (2-tailed)		
success	Pearson Correlation	0.541	1
	Sig. (2-tailed)	0.000	

H4a Price is a critical factor for the success of a franchised restaurant from a customer's perspective.

Correlation between employee competence and success was positive and significant ($p=0.000$). This shows that a change in employee competence and franchised restaurant success changed in the same direction. The relationship was moderate (0.632). According to Rumsey (2011) a correlation coefficient of more than 0.5 but less than 0.7 indicates that a moderate to strong positive correlation exists. This led to the acceptance of hypothesis that price is a critical factor for the success of a franchised restaurant from customers' perspective. This is depicted in table 7.26.

Table 7.26: Correlation between employee competence and success of a franchised restaurant

Variable		Employee Competence	Success
Employee Competence	Pearson Correlation	1	
	Sig. (2-tailed)		
success	Pearson Correlation	0.632	1
	Sig. (2-tailed)	0.000	

H5a: The atmosphere of a restaurant is a critical factor for the success of a franchised restaurant from a customer's perspective.

Correlation between atmosphere and success of a franchised restaurant was positive and significant ($p=0.000$). This shows that a change in atmosphere and restaurant success changed in the same direction. The relationship was moderate (0.601). According to Rumsey (2011) a

correlation coefficient of more than 0.5 but less than 0.7 indicates that a moderate to strong positive correlation exists. This led to the acceptance of hypothesis that the atmosphere of a franchised restaurant is a critical factor for the success of a restaurant from customers' perspective. Table 7.27 shows the correlation between atmosphere and success.

Table 7.27: Correlation between atmosphere and success

Variable		Atmosphere	success
Atmosphere	Pearson Correlation	1	
	Sig. (2-tailed)		
Success	Pearson Correlation	0.601	1
	Sig. (2-tailed)	0.000	

7.4.2 Ranking of critical success factors from customers perspective

H1b: Product mix is the most important critical factor for the success of a franchised restaurant from the customers' perspective. The hypothesis is accepted and this is supported by a correlation coefficient of 0.633.

Correlation results indicate that product mix has the strongest correlation coefficient compared to all the critical success factors. This is supported by a correlation coefficient of 0.633. Rumsey (2011) states that a correlation coefficient of more than 0.5 but less than 0.7 indicates a moderately strong positive correlation exists. The findings are consistent with those in Parsa et al. (2005), Richardson and Aguir (2004), Schroder and McEachern (2005) as in paragraph 3.6.2.1.

H2b Convenience is less important than product mix as a critical factor for the success of a franchises restaurant from the customers' perspective. The hypothesis is accepted and this is supported by a correlation coefficient of 0.534.

The findings concur with those in Schlosser (2001), Liu and Chen (2000), as seen in paragraph 3.6.2.2.

H3b: Employee competence is less important than convenience as a critical success factor for the success of a franchised restaurant from the customers' perspective. The hypothesis is rejected and this is supported by a correlation coefficient of 0.632 for employee competence which is higher than 0.534 for convenience.

H4b: Price is less important than employee competence as is a critical factor for the success of a franchised restaurant from the customers' perspective. The hypothesis is accepted and this is supported by a correlation coefficient of 0.632 for employee competence which is higher than 0.541 for price.

H5b: The atmosphere is less important than price as a critical factor for the success of a franchised restaurant from the customers' perspective. The hypothesis is rejected and this is supported by a correlation coefficient of 0.601 for atmosphere which is higher than 0.541 for price.

The statements were ranked in order of their importance. Product was ranked first followed by employee competence, atmosphere, price and lastly convenience. Restaurant would be more successful if the product is of quality; if employees were competent; the atmosphere was warm and welcoming, if the prices were affordable lastly if the restaurant was strategically placed in a convenient location. The ranking is depicted in table 7.28.

Table 7.28: Ranking the order of importance of the five variables surveyed

Statement	correlation	P values	ranking
Product	0.633	0.000	1
Employee competence	0.632	0.000	2
Atmosphere	0.601	0.000	3
Price	0.541	0.000	4
Convenience	0.534	0.000	5
Average			

7.4.3 Summary of Hypotheses and Decisions

Table 7.29 gives a summary of the hypothesis and the decisions on whether to reject or accept the hypothesis.

Table 7.29: Summary of Hypotheses and Decisions

Related Hypothesis	Decision (Rejected/Not rejected)
H1a Product mix is a critical factor for the success of a franchised restaurant from customers' perspective.	Accept
H1b Product mix is the most important critical factor for the success of a franchised restaurant from customers' perspective.	Accept
H2a Convenience is a critical factor for the success of a franchised restaurant from customers' perspective.	Accept
H2b Convenience is less important than product mix as a critical factor for the success of a franchised restaurant from customers' perspective.	Accept
H3a: Employee competence a critical factor for the success of a franchised restaurant from customers' perspective	Accept
H3b Employee competence is less important than convenience as a critical factor for the success of a franchised restaurant from customers' perspective.	Reject
H4a Price is a critical factor for the success of a franchised restaurant from customers' perspective.	Accept
H4b Price is less important than employee competence as a critical factor for the success of a franchised restaurant from customers' perspective.	Reject
H5a The atmosphere of a franchised restaurant is a critical factor for the success of a restaurant from customers' perspective.	Accept
H5b The atmosphere of a franchised restaurant is less important than price as a critical factor for the success of a restaurant from customers' perspective.	Reject

7.5 Influence of Demographic factors on Frequency of visits to a franchised restaurant

Cross tabulations and chi square analysis were conducted to facilitate an in-depth understanding of whether demographic characteristics had a critical influence on the frequency of visiting a franchised restaurant.

7.5.1 Chi square Cross Tabulation between the frequency of visits to a franchised restaurant and Gender

Chi square statistics indicate that there is no significant relationship between gender and number of times a customer visited a franchised restaurant ($X^2=5.834$; $p =0.120$). The results were further confirmed by correlation which showed that there was a positive but insignificant relationship between gender and frequency of franchised restaurants visit ($R= 0.016$; $p =0.757$). This means that the frequency to a visit to the franchised restaurant was not dependent on gender. This is depicted in table 7.30.

Table 7.30: Cross Tabulation between the frequency of visits to franchised restaurant and Gender

Gender Cross Tabulation	Time Visited				Total
	Daily	Weekly	Twice weekly	Monthly	
Female	7	99	45	50	201
Male	15	74	42	52	183
Total	22	173	87	102	384
Coefficient Correlation	$X^2=5.834$ ($p=0.120$), $R=0.016$ ($p= 0.757$)				

7.5.2 Cross Tabulation between the frequency of visiting a franchised restaurant and Age

Chi square statistics indicate that there is no significant relationship between age and number of times a customer visit the restaurant ($X^2=16.820$; $p=0.156$). The results were further confirmed by correlation which showed that there was a negative and insignificant relationship between age and frequency of restaurants visit ($R=-0.003$; $p=0.960$). This means that the frequency to a visit to the franchised restaurant was not dependent on age. This is shown in table 7.31.

Table 7.31: Cross Tabulation between the frequency of visits to a franchised restaurant and Age

Age Cross Tabulation	Number of visits				Total
	Daily	Weekly	Twice weekly	Monthly	
Under 18	0	1	0	0	1
18-24	7	42	16	20	85
25-44	7	96	51	65	219
45-60	4	28	16	12	60
over 60	4	6	4	5	19
Total	22	173	87	102	384
Coefficient Correlation	$X^2=16.820(p=0.156), R=-0.003(p=0.960)$				

7.5.3 Cross Tabulation between the frequency of visits to a franchised restaurant and income

Chi square statistics indicate that there is no significant relationship between household monthly income and number of times a customer visits a franchised restaurant ($X^2=19.334; P=0.372$). The results were further confirmed by correlation which showed that there was a negative but insignificant relationship between household monthly income and frequency of restaurants visit ($R=-0.030; p=0.564$). This means that the frequency to a visit to the franchised restaurant was not dependent on household monthly income. This is depicted in table 7.32.

Table 7.32: Cross Tabulation between the frequency of visits to a franchised restaurant and Income

Household Monthly Income	Time visited				Total
	Daily	Weekly	Twice weekly	Monthly	
Below 10,000	1	6	1	5	13
11,000-25,000	3	13	10	8	34
26,000-50,000	3	24	13	27	67
51,000-75,000	5	37	15	14	71
76,000-120,000	4	44	23	14	85
121,000-250,000	3	28	17	21	69
Over 250,000	3	21	8	13	45
Total	22	173	87	102	384
Coefficient Correlation	$X^2=19.334$ ($p=0.372$), $R=-0.030$ ($p=0.564$)				

7.6 Influence of demographic factors on the success of a franchised restaurant

The study sought to establish whether demographic factors had an influence on the success of a franchised restaurant. To achieve this, Analysis of Variance (ANOVA) and t-tests were conducted.

7.6.1 Influence of Gender on Franchised Restaurant Success

T-test analysis was conducted to test whether the success of franchised restaurant depended on gender of customers. Results show that success of franchised restaurants was not dictated by the gender of the customers as indicated by a non-significant statistics of 0.553 and t statistics of 0.593. In other words gender was not statistically significant in explaining franchised restaurant success. This is shown in table 7.33.

Table 7.33: Influence of Gender on Restaurant Success

Gender	N	Mean	Std. Deviation	t statistic and p value
Female	201	4.1857	0.62676	t=0.593; p=0.553
Male	183	4.1475	0.63339	

7.6.2 Influence of Age on franchised restaurant success

ANOVA analysis was conducted to test whether the success of franchised restaurants depended on age. Results show that success of franchised restaurants was not dictated by the age of the customers as indicated by a non-significant statistics of 0.324 and F statistics of 1.169. In other words age was not statistically significant in explaining franchised restaurant patronage. Therefore targeting of customers should be done to all ages. This is shown in table 7.34.

Table 7.34: Influence of Age on franchised restaurant success

	N	Mean	Std. Deviation	F statistic and p value
Under 18	1	4.6667	.	F=1.169(p=0.324)
18-24	85	4.0608	0.70563	
25-44	219	4.2093	0.60174	
45-60	60	4.1917	0.57311	
over 60	19	4.0614	0.73537	
Total	384	4.1675	0.6294	

7.6.3 Influence of Household Income on franchised Restaurant success

ANOVA analysis was conducted to test whether the success of customers with the franchised restaurant depended on household income. Results show that success of franchised restaurants was not dictated by the household income of the customers as indicated by a non-significant statistics of 0.068 and F statistic of 1.98. This means that household income was not statistically significant in explaining franchised restaurant success. These statistics are summarized in table 7.35.

Table 7.35: Influence of Household Income on franchised Restaurant success

Household Monthly Income	N	Mean	Std. Deviation	F
Below 10,000	13	4.0769	0.52535	F=1.98(p=0.068)
11,000-25,000	34	4.0392	0.79884	
26,000-50,000	67	4.0771	0.67752	
51,000-75,000	71	4.1526	0.53951	
76,000-120,000	85	4.1098	0.60834	
121,000-250,000	69	4.2729	0.64421	
Over 250,000	45	4.3963	0.53806	
Total	384	4.1675	0.6294	

7.7 Chapter Summary

The chapter presented the survey results generated from 384 random customers who frequent franchised restaurants. The results on demographics indicate that the typical respondent was female, aged 25 to 44 years, with income of between KES 76,000-120,000 and visited a franchised restaurant weekly.

A positive and significant correlation was found between product, price, convenience, atmosphere, employee competence and success of franchised restaurants. Product, price, convenience, atmosphere, and employee competence were therefore found to be critical success factors for the success of a franchised restaurant.

The chapter results indicated that product as a critical success factor was ranked first followed by employee competence, atmosphere, price and lastly convenience. Restaurant would be more successful if the product is of quality; if employees were competent; the atmosphere was warm and welcoming, if the prices were affordable: lastly if the restaurant was strategically placed in a convenient location.

Demographics factors such as age of customer, gender of customer, the level of income do not seem to play a significant role in the frequency of visits to franchised restaurant and neither do they influence restaurant success in a significant manner.

CHAPTER 8: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

8.1 Introduction

In the previous chapter, data collected using quantitative survey method was presented, analysed and discussed. This chapter contains the summary of findings, conclusions and recommendations.

8.2 Summary of Findings

From the overall perspective, the purpose of this study was to determine the critical success factors for a restaurant franchise system entering the Kenyan Market. The summary of findings, conclusions and recommendations that are presented in this chapter are done so, as guided by the specific objectives that formed the foundation for the study.

8.2.1 Research objective 1: To establish how franchisors define, identify and evaluate success.

The findings obtained from the interviews with the franchisors have already been discussed. This section constitutes a summary of findings as well as conclusions that emerge from the various elements investigated amongst franchisors with regards to their understanding of critical success factors.

8.2.1.1 Brand power/concept

This study examined the power of brand and brand concept in influencing the success of franchised restaurant operations in Kenya. It was established that this is a critical factor and it indeed influences success or failure in the operation of franchised restaurants. This implies that for restaurants to succeed in Kenya, they need to have a well-defined brand concept that would model restaurant operations along pertinent standardization mechanisms. This should also include rules and regulations that guide daily operations towards building and maintaining the desired brand image and delivering brand promise to customers. Franchised restaurants such as K1, K3 and K2 were noted to rely on brand power. Specifically, franchisors ensure that they use competitive based CSFs such as differentiation to set the brand apart from the competitors in the restaurant market. Franchisors therefore differentiate their products by introducing quality as a concept and offer refreshed and niche menu items such as “Halal foods.” In addition, the concept

of ‘from farm to fork’ is a tagline that a franchisor with the highest number of franchisees relies upon. This philosophy informs its value chain and seems to play a key role in associating the brand with the desired product quality and safety assurance, as is illustrated by findings from K3. Brand power/concept therefore qualifies as a critical success factor and duly contributes to success of franchised restaurants. This finding is supported by the theory advanced by Day (1994) and Day (1999), as was argued earlier in paragraph 3.5 and also backed by Parsa et al. (2005), Njite (2005), and Fields (2007), again highlighted in paragraph 4.8.1.

8.2.1.2 Proper Contract management

The study established that franchisors in the restaurant industry in Kenya lay emphasis on proper contract management to ensure that they succeed. This is illustrated by K3 who, keeping in touch with the economic conditions faced by the franchisee, apply flexible contractual terms in the franchise agreement. Franchisors are quick to adjust charges to franchisees as well as to ensure that they do not breach contract terms agreed upon. Franchisors also ensure that their charges for royalties are manageable to the franchisee. They do this through charging a flat franchise fee and minimizing the procedures and processes that govern the contractual agreement for franchising. Therefore, proper contract management is a critical success factor for franchised restaurants from the franchisors’ perspective. This finding is supported by Bergen, et al. (1992); Shapiro, (2005); and Lupia (2001). These researchers have written from the perspective of the agency theory discussed in section 4.3.2. It also concurs with Klein, et al. (1978); Rubin (1978) discussed in section 4.3.2.

8.2.1.3 Competitive environment

The study established that franchisors operating in the restaurant industry in Kenya consider the competitive environment as a critical success factor. Franchisors realize the importance of studying the competition and crafting winning strategies in the face of a turbulent competitive environment. The competitive environment is an industry based CSFs as well as a strategic CSF discussed in the section 3.3.1.1 and 3.3.2.2 respectively. Franchisors such as K2 were able to enter into the market previously occupied by K3 through the strategic choices they made. On the other hand, some franchisors have been forced to close down operations as a result of stiff competition, as in the case of a number of K3 outlets. Therefore, it is important for current and

future franchisors to take into account competitive pressures as a critical success factor when entering and operating in Kenya. This is consistent with findings in Kotler et al. (1996) and Bates and Nucci (1989) discussed in section 4.8.1.

8.2.1.4 Government policies

This study established that franchisors in Kenya realize that government policies are a critical consideration in the success of restaurant franchising. Compliance with local laws and regulations is important as not doing so may present additional costs and risks to the franchisee. The ability to manage and comply with the regulations therefore determines the success of a franchise. Franchisors such as K2 cited not only tedious licensing requirements but also lack of clear and comprehensive guidelines regarding all the legal requirements for opening a business in a specific locality. This ambiguity seems to inhibit the speed of opening up franchised restaurants. These results are consistent with the host country risk management theory advanced by Miller (1992); Aydin and Kacker (1990) and Lafili et al. (1990) seen in section 4.7.2.

8.2.1.5 Cultural appeal

This study established that franchisors in Kenya realize that different product mixes and atmospheres appeal to different age groups. K2 was initially patronized by the youth but they later gave way to an older crowd that appreciate the cultural menu items on the product offerings. This older group has more purchasing power and therefore it brings higher profits to the restaurant than the younger people. The ability to capture the right market translates into the survival and success of the business. That makes cultural appeal a critical success factor for franchised restaurants. The results are consistent with those in Sashi and Karuppur (2002) discussed in section 4.7.1.

8.2.1.6 Good relationship with the franchisee

The franchisee is an important stakeholder in the franchise business, and hence the ability of the franchisor to manage the expectations of the franchisee plays a crucial role in enhancing the sustainability of the relationship and of the business. This is shown by the support that franchisors such as K2 and K1 give to their franchisees in terms of negotiating good prices with strategic suppliers. It reduces the cost of running the businesses and hence benefit the franchisee

and franchisor through improved profitability. It also implies that a good relationship with the franchisees is a crucial consideration which determines the success of a franchise. Franchisors should therefore cultivate a good relationship with their franchisees. A good relationship with the franchisee is a critical success factor for a franchised restaurant. This concurs with findings in Norwell (2010) and Nathan (2013) seen in section 4.8.1.

8.2.1.7 Site selection or location

Site selection or location is a critical success factor for a franchised restaurant as it presents a strategic advantage or disadvantage. Franchisors in the restaurant industry in Kenya take into consideration the opportunity to serve unexploited markets or to serve a market that needs the goods and services offered by a franchisee. This implies that for a franchised restaurant to be successful, it should have good criteria for site selection. For instance, one of the franchisor (K2) in the study indicated that Narok was a good site to set up a franchise outlet as it exploited an opportunity. This is consistent with findings in Parsa et al. (2005); Njite (2005), Fields (2007) and Arduser, (2003) discussed in section 4.8.1.

8.2.1.8 Excellent choice of franchisees

Franchisors in the Kenyan restaurant industry consider excellent choice of franchisees as a critical factor for the success of a franchised restaurant. Franchisors argued that the excellent choice of a franchisee should take into consideration the need to create demand for the franchise by educating potential franchisees on what franchising is all about. Currently in Kenya, restaurant franchising is not well understood. The international franchises that are in the market; KFC, Chicken Inn, Steers and Spur & Steak, have difficulties in getting good franchisees. These would be people who have the capital to purchase a franchise as well as the ability to run the franchised restaurant profitably (Bell, 2009). This has resulted in the master franchisees running all the units as multi units or mini chain restaurants as opposed to franchising them. They realize they would not succeed without good franchisees. These findings are in line with those in Norwell (2010), and Nathan (2013) discussed in 4.8.1.

8.2.1.9 Distance Management

The physical distance between the franchisor and the franchisee brings with it the burden of cost in monitoring. This is experienced by K1, K2 and K3. Fortunately, the flexibility of the franchise contract helps to address this factor where the franchisors seek to share the cost with the franchisees. K2 relocated the staff training to the franchisors premises instead of doing it at the location of the franchisees. K3 requires that franchisees share some of the costs. These findings are in line with the perspective of the agency theory advanced by Bergen, et al. (1992); Shapiro, (2005); and Lupia (2001) discussed in section 4.3.2. It also concurs with Klein, et al. (1978); Rubin (1978) seen in section 4.3.2.

Thus, the critical success factors for the success for a franchised restaurant from the franchisors perspective are; brand power/concept, proper contract management, competitive environment, government policies, a good relationship with the franchisee, site selection or location an excellent choice of franchisees and cultural appeal.

8.2.2 Research objective 2: To establish how franchisees define, identify and evaluate success.

8.2.2.1 Employee competence

Franchisees indicated that one of the critical success factors for franchised restaurants is employee competence. Employees' competence, which seems to be derived from training as well as from personality, is critical for the success of a franchised restaurant and this is evidenced by the importance that franchisees of K2 and K1 attach to educated and well trained employees. The restaurant industry by its nature is labour intensive and interaction between customers and employees is inevitable. This indicates that employee competence is an industry based CSF. Good staff selection and staff training to improve their skills was considered very important for the success of the franchised restaurants. The findings are in line with those of Berry (2000), Bergin (2002; 2003), and Njite (2005) discussed in paragraph 3.6.2.3.

8.2.2.2 Staff management

Given that the franchised restaurant industry is labour intensive, proper staff management is very important. Franchisees consider it as one of the critical success factors for franchised restaurants.

This is appreciated particularly by K2 and K1. Professional staff management involves putting in place effective human resource management practices. This may include performance related pay, training, selective hiring, promotions and employee recognition practices. From this research it was noted that caring for staff enhanced staff retention and would consequently make it easier to sustain the culture of the franchise and succeed in running a franchised restaurant. These findings are supported by Parsa et al. (2005) and Njite (2005) discussed in 4.8.2.

8.2.2.3 Brand identity

Franchisees work hand in hand with the franchisors to maintain the brand identity of a franchise and this was a critical success factor. This is seen in K3, K2 and K1. A good strong brand goes a long way in drawing customers and helping in their retention. It entails maintaining the standards of the franchise so that people can identify the brand. The brand identity serves as a communication tool to customers regarding expectations and standards. If this is maintained it contributes to the success of a franchised restaurant. These findings are supported in the theory advanced by Day (1994) and Day (1999) argued in section 3.5 and Parsa et al. (2005); Njite (2005), and Fields (2007) discussed in section 4.8.1.

8.2.2.4 Good financial management

Good financial management is considered important to the success of a franchised restaurant for two reasons. The use of a proper accounting system and the implementation of a set of controls were crucial in the mitigation of operational and financial risk such as frauds and financial distress. The preparation and availability of financial information facilitates decision making and this aids the franchise management in projecting their growth and managing resources properly. This is in line with findings in Fields (2007) and Nimemair (2004) discussed in section 4.8.2.

8.2.2.5 Management competence

The experience and skills of the franchised restaurant manager, aid in the identification and analysis of environmental information in readiness for decision making in managing operations successfully. Therefore, the ability of franchised restaurants to confront the environmental turbulence heavily depends on managerial competence. Franchisees in K3 and K2 are in full agreement. These findings are consistent with those in Porter (1980) and Gu and Gao (2000) seen in paragraph 4.9.3.

8.2.2.6 Relationship marketing

Results from a key informant interview indicate that one of the critical success factors for franchised restaurants from the franchisee perspective is relationship marketing. For customers to keep patronizing a franchised restaurant, the franchisees establish a relationship with them. For suppliers and employees to continue supporting a franchised restaurant, the franchise management make a point of establishing a good relationship with them. This impacted positively on stakeholder support as the franchised restaurant received adequate patronage from customers and got adequate support from suppliers. Relationship marketing is one of the main factors that gave K1 a very clear distinction from other franchises and contributed to its popularity before it ran into trouble. These findings are in line with those articulated by Parsa et al. (2005) and Bell (2009) discussed in paragraph 4.9.2.

Thus the critical success factors for franchised restaurants from the franchisees perspective are; employee competence, staff management, brand identity, good financial management, management competence and relationship marketing.

8.2.3 Research objective 3: To determine what makes a franchise successful from the customers' perspective.

Findings indicate that customers consider several factors before patronizing or expressing satisfaction with the offering of a franchised restaurant. These factors included convenience, product prices, products, employee competence and environment.

8.2.3.1 Convenience and Success of Franchised Restaurants

The convenience of a restaurant positively affects the success of the franchised restaurants. This study established that franchised restaurants do not keep customers waiting for a longer time compared to other restaurants. The location of franchised restaurants was convenient for them. In addition, the speed of service in franchised restaurants meets the expectations of customers. The restaurants also have ample space for parking which makes the franchised restaurants convenient for customers. The findings are consistent with those advanced by Parsa et al. (2005), Schlosser (2001), Liu and Chen (2000), discussed in paragraph 3.6.2.2.

8.2.3.2 Product's Prices and Success of Franchised Restaurants

This study established that product prices are a critical success factor for franchised restaurants. Prices of products in franchised restaurants positively affect their success. Customers feel that franchised restaurants offer food and services at good value for their money. They find that food prices are stable and they do not change abruptly. Franchised restaurants offer bonuses and discounts often, something that many customers look forward to. The findings are in line with those of Frazen and Bouwman (2001) and Richardson and Aguir (2004) discussed in paragraph 3.6.2.4.

8.2.3.3 Product and Success of Franchised Restaurants

The product offering from franchised restaurants positively affects the success of these restaurants. This study established that it is therefore a critical success factor. The menu in franchised restaurants has a large variety of choices. The products of franchised restaurants are always of the same quality and quantity. Products on the menu are always available and different combinations are possible. Franchised restaurants have new and exciting products on the menu and they practice good hygiene habits which measure up to customers' expectations. This contributes to the continued support by customers and eventual success of these restaurants. The findings concur with those of Parsa et al. (2005), Richardson and Aguir (2004), Schroder and McEachern (2005) discussed in paragraph 3.6.2.1.

8.2.3.4 Employee Competence and Success of Franchised Restaurants

Employee competence influences the success of franchised restaurants and is therefore a critical success factor for these restaurants in Kenya. It was important for customers that employees of the franchised restaurants are warm and welcoming, have adequate menu knowledge and provided prompt service and individual attention to them. Employees in franchised restaurants understand clients' specific needs, they are consistently courteous when dealing with them; they are not too busy to respond to customer requests and always have a neat appearance. The findings are in line with those of Berry (2000), Bergin (2002; 2003), and Njite (2005) discussed in paragraph 3.6.2.3.

8.2.3.5 Atmosphere and Success of Franchised Restaurants

Customers value the atmosphere of franchised restaurants. This study established that it is therefore a critical success factor that should be taken into account by restaurant franchises entering the Kenyan market. A relaxed environment with a good selection of music, an attractive décor all go to make up the good atmosphere that customers look for. Adequate spacing between tables and comfortable chairs as well as the cleanliness of the facilities also form part of the good atmosphere that customers value so much. The findings are consistent with those of Njite (2005), Zeithmal et al., (2009), Bitmer (1990) seen in paragraph 3.6.2.5.

8.2.3.6 Ranking of the success factors from customers' perspective

The reference made in extant literature and summarized in table 6 seems to imply that the product mix is the most important factor for customers visiting a franchised restaurant followed by convenience. Employee competence is third while price and atmosphere are fourth and fifth respectively. However looking at the results of the survey, product mix retains the first position followed by employee competence while atmosphere comes third followed by price. Convenience is the least important.

This implies that people are most interested in the product mix of a restaurant. Employee competence, which is made up of the component of service and soft skills in handling customers while eating out at a franchised restaurant, comes second. People were willing to pay more for the warmth and comfort (atmosphere) of a restaurant than even for the convenience of a franchised restaurant. This study therefore prioritizes the critical success factors from customers' perspective. The comparison between the hypothesized and the observed order of importance is depicted in table 8.1.

Table 8.1: Summary of comparison between hypothesized and observed order of importance of factors (customers' perspective)

	From literature and hypothesized order of importance	From research observed order of importance
Product mix	1	1
Convenience	2	5
Employee competence	3	2
Price	4	4
Atmosphere	5	3

8.2.5 Summary of CSFs

Table 59 summarizes the CSFs by listing the theoretical CSFs and the CSFs that were confirmed by the current study as applied to Kenya. The table is discussed in the following section.

- a) Brand power is considered a critical success factor by both franchisors and franchisees. This may be explained by the observation that the brand is the subject matter of a franchising agreement. The franchisee motivation in entering contractual arrangement with the franchisor is so as to exploit the brand. In the same vein, the franchisor's main asset is the brand and this facilitates revenue generation in the form of royalties or contract fees. However, the brand is not a critical success factor from the customer's point of view. The customer is interested in more specific attributes that would bring satisfaction when visiting a franchised restaurant. The results agree with literature on theoretical CSFs which note that the concept or brand is a critical success factor for franchised restaurants. This as advanced by Day (1994) and Day (1999) argued in section 3.5 and Parsa et al. (2005); Njite (2005), and Fields (2007) discussed in section 4.8.1.

- b) Contract management is a critical success factor for franchisors since they have to ensure that the contracting guidelines are adhered to. This requires proper monitoring. However, franchisees and customers do not consider contract management as a critical success factor because it is either outside their scope or they don't have an obligation of ensuring adherence to contract terms. This position agrees with theory of contract enforcement

supported by Bergen, et al. (1992); Shapiro, (2005); and Lupia (2001). These researchers have written from the perspective of the agency theory discussed in section 4.3.2. It also concurs with Klein, et al. (1978); Rubin (1978) discussed in section 4.3.2.

- c) The competitive environment is only a concern of the franchisor as he/she needs to ensure that market concentration requirements are met. This may require the franchisor to carry out environmental scanning and assess whether to grant or not to grant a franchisee a contract based on market concentration results. The theory also seems to confirm that competitive environment is a critical success factor for franchisors. This is consistent with findings in Kotler et al. (1996) and Bates & Nucci (1989) as discussed in section 4.8.1.
- d) Relationship marketing is a critical success factor from the point of view of the franchisee but not from the franchisor. The franchisee needs to build strong relationships with the customers for them to frequent the franchised restaurant. In addition, it is important to build a strong relationship with other stakeholders in order to ensure that the operations of the franchised restaurant run smoothly. For instance, it may be important for the franchisees to have a good relationship with financial institutions so as to access credit when necessary. Theory also seems to support the proposition that relationship management is key to franchised restaurant success. These findings are in line with those articulated by Parsa et al. (2005) and Bell (2009) discussed in paragraph 4.9.2.
- e) Site selection is a critical success factor considered by franchisors. The importance of site selection stems from competition and market concentration. An overconcentration of franchisees in one location may not be ideal from a franchisor's point of view. However, franchisees do not really mind being located in areas where there are other franchisees. This implies that franchisees consider other factors that come into play when selecting a site. This is consistent with findings in Parsa et al. (2005); Njite (2005), Fields (2007) and Arduser, (2003) discussed in section 4.8.1.
- f) Excellent choice of franchisees is a critical concern of the franchisor as the sustainability of the contract depends on the calibre of franchisees. The franchisees and the customer

may not really care about the choice of franchisees for obvious reasons. This is consistent with findings in Parsa et al. (2005); Njite (2005), Fields (2007) and Arduser, (2003) discussed in section 4.8.1.

- g) Government policies are a critical consideration for franchisors. The importance of government policies to franchisors stems from the fact that most franchisors are foreign and are concerned about the legal implications of the host country. Franchisees, on the other hand maintain a local presence, and are only concerned about local regulations such as local authority licensing regulations. However, these local licensing regulations affect all businesses and are therefore not unique to franchisees. These results are consistent with the host country risk management theory advanced by Miller (1992); Aydin and Kacker (1990) and Lafili et al. (1990) as seen in section 4.7.2.
- h) Management competence is important for franchisees. How well a franchised business is managed can make a difference in terms of sustainability. Competent managers are able to steer the franchised business in risky and turbulent business environments. Clearly, customers don't take into consideration this factor as they may not get into contact with the management on a day to day basis. These findings are consistent with those in Porter (1980) and Gu and Gao (2000) as seen in paragraph 4.9.3.
- i) Cultural adaptability is a critical success factor for franchisors because the majority of the franchisors are foreign. Cultural practices and trends inform the franchisor about the suitability of foreign markets. Theory seems to support this position by arguing that cultural appeal is a critical consideration for franchisors entering a foreign market. The results are consistent with those in Sashi and Karuppur (2002) as discussed in section 4.7.1.
- j) Good financial management is mainly a critical consideration for franchisees. This aspect enhances the sustainability of the franchise outlet. The resource based view of the theory of a firm also seems to support this stance. This factor does not seem to matter too much

for customers since it is beyond their scope. This is in line with findings in Fields (2007) and Nimemeir (2004) discussed in section 4.8.2.

- k) Distance management mainly is a concern for franchisors. The distance between the franchisor and franchisee implies that the monitoring costs arising out of agency problems are high. Distance management is not a key concern for the franchisee and the customer as they don't have an obligation to carry out monitoring activities. These findings are in line with the perspective of the agency theory in Bergen, et al. (1992); Shapiro, (2005); and Lupia (2001) discussed in section 4.3.2. It also concurs with Klein, et al. (1978); Rubin (1978) seen in section 4.3.2.
- l) Employee competence is a primary concern for both the franchisee and the customer. It was also identified in theory, indicating the importance of this factor. The franchisee pegs the sustainability of the business on availability of competent staff that are able to offer good customer service and also to run the operations of the franchised business smoothly. The findings are in line with those of Berry (2000), Bergin (2002; 2003), and Njite (2005) discussed in paragraph 3.6.2.3.
- m) Product, atmosphere, price and convenience are key concerns of the customer. These factor the value that the customer derives from visiting a franchised restaurant. Theory seems to support the results that product, atmosphere, price and convenience are key concerns of the customer. The findings are consistent with those advanced by Parsa et al. (2005), Schlosser (2001), discussed in paragraph 3.6.2.2; Zeithmal et al., (2009), Bitmer (1990) as seen in paragraph 3.6.2.5.; Parsa et al. (2005), Richardson and Aguir (2004), Schroder and McEachern (2005) discussed in paragraph 3.6.2.1; Frazen and Bouwman (2001) and Richardson and Aguir (2004) discussed in paragraph 3.6.2.4.

Table 8.2: Comparison of CSFs

Theoretical CSF	Confirmed CSF – Franchisors perspective	Confirmed CSF – franchisees perspective	Confirmed CSF – customer perspectives
Concept/Brand Power	Brand power/concept	Brand identity	
Contract enforcement	Proper Contract management		
Competitive environment	Competitive environment		
Relationship marketing	Good relationship with the franchisee	Relationship marketing.	
Site selection/Location	Site selection /location		
Excellent choice of franchisees	Excellent choice of franchisee		
Government Policies/host country risk management	Government policies		
Management competence		Management competence	
Cultural adaptability	Cultural appeal		
Sound financial management		Good financial management	
Distance management	Distance management		
Staff Management		Staff management	
Product			Product
Employee		Employee	Employee

Theoretical CSF	Confirmed CSF – Franchisors perspective	Confirmed CSF – franchisees perspective	Confirmed CSF – customer perspectives
competence		competence	competence
Atmosphere			Atmosphere
Price			Price
Convenience			Convenience

8.3 Summary of Conclusions

The franchising market in Kenya is steadily growing and evolving from a single master franchisee operating all the units as mini chains, to the franchisors actually franchising single outlets.

For franchised restaurants to succeed in this market, franchisors should maintain a strong brand/concept, study and apply the government policies well, make an excellent choice of franchisees, manage the contract terms very well, maintain good relationships with the franchisees, select the location of the franchise outlets well, manage the competitive environment, and have good distance management of the franchisees. The franchisors need to be sensitive to cultural appeal, be innovative and adapt the menu mix to include some cultural delicacies if they want to retain customers longer. This is a response to the first objective of the study discussed in section 8.2.1.

Franchisees should take care of the brand equity, manage the franchise outlets with competence, employ competent staff, put structures in place to ensure sound financial management, and employ constant relationship marketing. This is a response to the second objective of the study discussed in section 8.2.2

The franchised restaurants with good and quality products, that customers identify as safe, as well as a range of products for choice (menu mix) is what attracts customers the most to a franchised restaurant. Competent and friendly employees who are not only clean and well groomed, but also warm and welcoming is another critical factor in attracting and retaining

customers to franchised restaurants. Customers attach a lot of importance to how they are treated when they visit a franchised restaurant. This is a response to the third objective discussed in section 8.2.3.

The results in this study also led to the conclusion that the atmosphere of the restaurant, the physical facility cleanliness, décor and comfort also play a key role in attracting and maintaining customers consequently leading to the success of that restaurant. People sometimes want to relax and socialize with their friends and they would usually look for a restaurant that they feel free to do this in. Creating an attractive atmosphere ensures that the restaurant not only attracts but also retains customers who then become patrons. This contributes to franchised restaurants becoming successful. This is a response to the third objective discussed in section 8.2.3.5.

While product price is considered as a critical factor, people are willing to pay more for products that they consider of good quality and in a restaurant where they are well treated and which has an attractive atmosphere. However there is also a sizable number of customers who are sensitive to price and price changes. It would be important for franchised restaurants to keep the prices of their products within a competitive range so as to appeal to as broad a customer base as possible. This is a response to the third objective discussed in section 8.2.3.2.

Convenience which from the literature appears to have a lot of importance, was the least among the five critical factors that contributed to the success of franchised restaurants from the customers' perspective. It would give the franchised restaurants some advantage if the location was well selected with ample and safe parking space. Having an option of 'take out' is also part of convenience and even if the customer does not want to eat at the premises this option would increase the number of customers who frequent a restaurant. This is a response to the third objective discussed in section 8.2.3.1

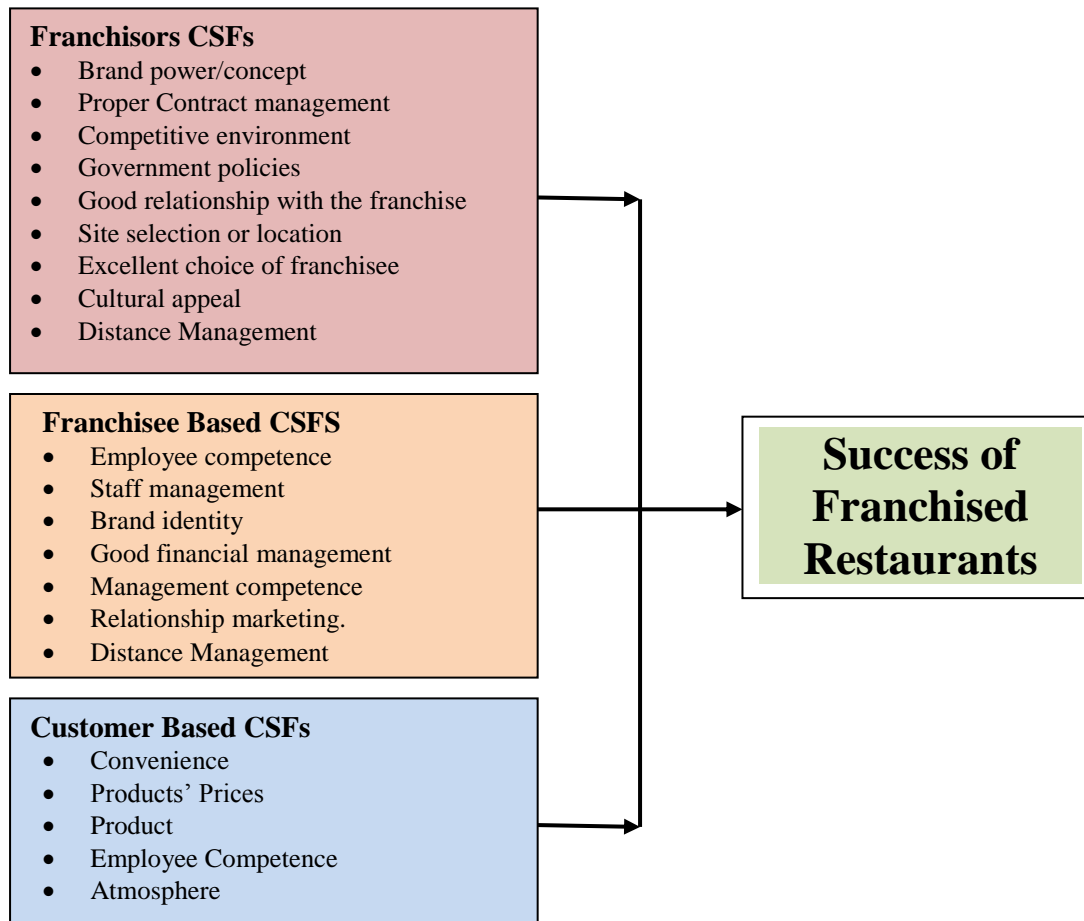
8.4 Contribution and recommendations of this study

8.4.1 Proposed market entry framework for a franchised restaurant system entering the Kenyan market using CSF approach

This study was initially motivated by the fact that franchised restaurant systems entering the Kenyan market hardly survived three to five years before considering takeover or pull out. It thus necessitated a research to establish critical success factors that can guide new entry. In this regard a series of factors have thus been identified to constitute a framework for solving this sectorial challenge. The uniqueness of the resultant framework was that none of the models identified in the extant literature used the grouping methodology applied in this study. Extant literature suggests groupings such as industry CSFs, managerial CSFs, competitive CSFs, temporal CSFs, environmental CSFs, management-position CSFs, strategic (enterprise) CSFs, operational CSFs and group CSFs. This study now proposes a framework that integrates Critical Success Factors along market and relationship oriented groupings, otherwise also referred to as stakeholder oriented CSFs.

The proposed framework borrows from the CSF categories outlined in extant literature as well as from the empirical assessment and concludes that the best approach to grouping CSFs would be to take a stakeholders approach and group the CSFs into three main categories namely: customers, franchisees and franchisors. This grouping is an expansion on the work of Gates (2010), Esteves (2004), Bullen and Rockart (1986) and Rockart and Christine (1981). Figure 17 therefore maps the proposed framework and the pertinent factors and relationships that are critical to successful market entry and operation of franchised restaurants in Kenya.

Figure 8.1: Proposed market entry framework for franchised restaurants systems entering the Kenyan market using CSF approach



Source: Author

According to the proposed framework, the success of a franchised restaurant entering the Kenyan market depends on the three illustrated relationships categorised as franchisor based CSFs, Franchisee Based CSF and the Customer based CSFs. Each category maps out factors that are typical to the group's expectation regarding successful operation of the franchised restaurant. This is an acknowledgement that overall operational success is measured largely from the expectation and perception of the three sets of critical mass. Pertinent factors raised from each relationship address the interests of the group, while at the same time highlight significant

considerations for preferences, supports and/or effective management of the franchised restaurant operations. These then integrate to determine or influence success of the operations

This framework therefore marks a critical discovery that can now be used by operators of franchised restaurants entering Kenya or already operating in Kenya. As an expansion of concept, this proposition can be used along the other CSF categories outlined in extant literature and based on industry CSFs, managerial CSFs, competitive CSFs, temporal CSFs, environmental CSFs, management-position CSFs, strategic (enterprise) CSFs, operational CSFs and group CSFs. Aside from recommending this framework to the general industry, it also goes further to help advance knowledge and application as is illustrated in the next section.

8.4.2 Other contribution made by the study

This study has established fresh contributions to knowledge that can be clustered in three other categories namely theory, policy and practice. It therefore provides recommendations along these parameters as explained in the following section.

8.4.2.1 Contribution to theory

This study contributes to literature in the restaurant industry. The study contributes in the use of CSF methodology applied to franchised restaurants, updating of the literature of CSF in general and specifically for the East African region. It contributes specifically in the prioritization of CSF from the customers' perspective depicted in table 58 and discussed in section 8.2.3.6. The study contributes in applying the integrated theory of a firm to franchised restaurants updating the literature. This study identified the need for more flexibility in the franchisor-franchisee agreement, adapting to the needs and peculiarities of the specific market. The study contributes to franchising literature in the East African region.

8.4.2.2 Contribution to Policy

The findings of the study are relevant to policy makers in the hospitality industry and specifically to those dealing with franchised restaurants. The study highlights the issues that hinder the successful development of franchised restaurants in Kenya that need to be addressed at the County level. The business registration procedure needs to be clarified and published. These

procedures should be consolidated and made easier for franchised restaurants entering the market. The County Governments in Kenya should also look into the inconsistencies noted and seal loopholes to cut out corruption in the issuance of licenses. This will encourage interested investors to gain confidence in their successful entry into the market. The Kenyan Government should look into lowering the cost of electricity among other elements of production which are prohibitively high and scare off investors. Consistent levy of taxes should be applied fairly and new investors could be given tax breaks to encourage them to enter the franchised restaurant market.

8.4.2.3 Contribution to practice

For a restaurant franchise system to succeed in Kenya, The franchisor needs to make very good selection of franchisees, maintain good and positive relationship with them, provide guidelines and support for the franchisee but most of all make the franchise agreement flexible to suit the franchisee needs. The franchise agreement should be very clear with rights and obligations well-articulated for each side, for the franchisee and for the franchisor. The franchisor should ensure that he has enough control over the franchisee so that any breach of contract agreements can be resolved in a timely manner. For the present, the franchisor would need to educate the potential franchisees very well on the franchising concept, how it works, the obligations and rights and on the consequences of breaching the contract terms in the Kenyan market. The franchisees need to realize that it is important to establish good financial management along with good operations management for franchised restaurants to succeed. The franchisees need to select and train the staff who work in their restaurants very well. For franchise restaurants systems to succeed in the Kenyan market, it is important for the franchisor to build and maintain a strong brand that conveys a clear message to the customer regarding the product range and quality, the culture of providing high standard of service by ensuring that the staff employed is competent and motivated; by maintaining an attractive environment for the customers, a place where they can socialize and relax as they dine; by avoiding abrupt price changes and communicating well to customers when prices need to be changed and by providing their services in a convenient and safe location for the customer. Relationship marketing is important if a franchise restaurant is to acquire patrons. Patronizing a franchised restaurant can contribute significantly to the success of

the restaurant. Staff of franchised restaurant should to be very well prepared to create a rapport with customers and in this way encourage them to return or even become patrons.

8.5 Limitations of the Research

The study faced several limitations. We enumerate these in the following section.

i) Old references

Many of the references we have used on critical success factors are out-dated as there has not been much published research in the more recent times. These include Choo (2003), Parsa et al. (2005), Bergin (2003), Enz (2004), Esteves (2004), Farrish (2010) and Melia (2011).

ii) Accuracy and honesty of respondents

It was not possible to gauge the honesty of the respondents; therefore, the accuracy of the results in this study is limited to that extent, (Miles & Huberman, 1994; Malhotra & Birks, 2007).

iii) Generalizability of result to other industries

The industry addressed in this study was the hospitality and specifically franchised restaurant sector. Therefore CSFs that have been identified in this study may not apply to other sectors for example to restaurants in general or to the hotel or hospitality industry in general etc.

8.6 Areas for Further Studies

A replica of the same study is suggested within local companies in the same industry to draw comparisons on the critical success factors. Additionally, using the same variables applied in this study, another study could be done on other franchised companies in Kenya to assess their contribution to success in the industry. Further studies could also consider other factors such as leadership, labour balanced to demand and participative management in determining performance of franchised restaurants. Studies on critical success factors for franchised restaurants could also be carried out in other regional markets and compared with those found in the Kenyan market yielding a cross cultural comparison. When restaurant franchises grow, it would be useful to do a quantitative study so as to prioritize the CSF from the franchisors and

franchisees perspectives. The management of CSF in franchised restaurants could also be explored as this went beyond the scope of this study.

LIST OF REFERENCES

- Aaker, D. A., 1989. Managing Assets and Skills: The key to Sustainable Competitive Advantage. *California Management Review*, Volume Winter, pp. 91-105.
- Aaker, D. A., 1995. *Strategic Market Management*. New York: John Wiley & Sons.
- Aaker, D. A., 2001. *Strategic Market Management*. 6th ed. New York: John Wiley & Sons.
- Abdullah, F. A., Lee, N., Ho, V. B., 2008. Measuring and Managing Franchisee Satisfaction: A Study of Academic Franchising. *Journal of Modelling in Management*, Volume 3, (No. 2), pp 182-199.
- Abell, M., 1991. *The Structure of International Franchising Within the European Community. A Statistical Analysis in Abell M (Ed), European Franchising: Law and Practice*. London: Waterlow.
- Agnelo, R. M. & Vladimir, A. N., 2007. *Hospitality Today: An Introduction*. Lansing, Michigan: Education Institute of the American Hotel and Lodging Association .
- Aliaga, M. & Gunderson, B., 2002. *Interactive Statistics. 2nd ed*. Upper Saddle River NJ: Prentice Hall.
- Alon, I., 2004. Global Franchising and Development in Emerging and Transitioning Markets. *Journal of Macro Marketing*, Volume 24, pp. 156-167.
- Altinay, L., 2006. Selecting Partners in an International Franchise Organization. *International Journal of Hospitality Management*. Volume 25, pp. 108-128.
- Altman, E., 1968. Financial Ratios Disriminate Analysis and the Prediction of Corporate Bankruptcy. *Journal of Finance*, 23(No. 4), pp. 589-707.
- Amberg, M., Fischl, F. & Wiener, M., 2005. *Background of Critical Success Factor Research*. Numberg: Friedrich-Alexander-Universitat.
- Anderson, E. W. & Shugan, S. M., 1991. Repositioning for Changing Preferences: The Case of Meat versus Poultry. *Journal of Consumer Research*, 18(No. 2), pp. 219-232.
- Anderson, E. W. & Fornell, C., 2000. Foundations of the American Customer Satisfaction Index. *Total Quality Management*. Volume 1(No. 7), pp. 869-883.
- Anon., 1996. *Business Failure Records*. New York: Dun and Bradstreet.

- Anon., 2007. *Why Franchises Fail*, New York: Wall Street Journal.
- Anon., 2008. *MMB News*. [Online] Available at: <http://www.mintmonday.com/news1.html> [Accessed 10th February 2008].
- Anon., 2010. *Common Market of Eastern and Southern Africa: An Overview*, Nairobi: Government Printers.
- Anon., 2010. *East African Community*. [Online] Available at: <http://www.eac.int/about-eac/> [Accessed 14th August 2013].
- Anon., 2010. *Kenya Tourism Report*. [Online] Available at: <http://www.reportlinker.co/> [Accessed 14th August 2013].
- Arduser, L., 2003. *The Foodservice Professional: Guide to Foodservice Menus*. s.l.:Atlantic Publishing Group Inc.
- Atkins, P. & Bowler, I., 2001. *Food in Society: Economy, Culture and Geography*. London: Arnold.
- Attirawong, W. & McCathy, B., 2001. *Critical Success Factors in International Location Decisions*. Orlando Twelfth Annual Conference of the production and Operations Management Society.
- Auruskeviciene, V., Salciuviene, L., Kazlauskaite, R. & Trifanovas, A., 2006. A comparison Between Recent and Prospective Critical Success Factors in Lithuanian Printing Industry. *Managing Global Transitions*, 4(No. 4), pp. 327-346.
- Aydin, N. & Kacker, N. P., 1990. International Outlook of US based Franchisors. *International Marketing Review*, 7(No. 2), pp. 43-53.
- Ayling, D., 1987. Franchising Has a Dark side. *Accountancy*, Volume 99, (No. 1112), pp. 113-114.
- Bain, D., 1986. Franchising - a Business Phenomenon. *Manitoba Business*, pp. 22
- Ball, S., 1999. Whither the Small Independent Take-away?. *British Food Journal*, 101(No. 9), pp. 715-723.
- Barney, J., 1991. Organization Resources and Sustained Competitive Advantage. *Journal of Management*, Volume 17, pp. 99-120.
- Barrientos, S. Dolan, C. & Tallontire, A., 2003. A Gendered Value Chain Approach to Codes of Conduct in African Horticulture. *World Development*, Volume 31, (No. 9), pp. 1511-26.

- Bates , T., 1995. A Comparison of Franchise and Independent Small Business Survival Rates. *Small Business Economics*, Volume 7, pp. 322-388.
- Bates, T. & Nucci, A., 1989. An Analysis of Small Business Size and Rate of Discontinuance. *Journal of Small Busiess Management*, pp. 1-7.
- Baucus, D., Baucus, M. & Human, S., 1993. Choosing Franchise: How Base Fees and Royalties Relate to the Value of Franchise. *Journal of Small Business Management*, 31(No. 2), pp. 91-104.
- Baynton, A. C. & Zmud, R. W., 1984. An Assessment of Critical Success Factors. *Sloan Management Review* (pre 1986), Volume 25, pp. 17.
- Bell, G. J., 2009. *Verbal communication with author in an interview*, Nairobi: Transcripts/notes in possession of author.
- Bergen, M., Dutta, S. & Walker, O. C., 1992. Agency Relationships in Marketing: A Review of the Implications and Applications of Agency and Related Theories. *Journal of Marketing*, 56(July), pp. 1-24.
- Bergin, B., 2002. *A Study of the Critical Success Factors and Critical Success Inhibitors impacting on Irish Restaurants*. Unpublished Masters Thesis. Dublin. Dublin Institute of Technology.
- Bergin, B., 2003. Restaurant Critical Success Factors and Inhibitors. *Hotel and Catering Review Journal*, March Dublin.
- Bernard, H. R., 1998. *Research Methods in Anthropology*. Newbury Park CA. Sage.
- Berry, L. L., 2000. Cultivating Service Brand Equity. *Journal of the Academy Marketing Science*, Volume 28(No. 1), pp. 128-137.
- Berry, L. L., Seiders, K. & Gresham, L. G., 1997. For Love of Money: The Common Traits of Successful Retailers. *Managing Srvice Quality*, 26(No. 2), pp. 7-23.
- Bills, D. B., 1998. Community of Interests: Understanding the Relationships between Franchisees and Franchisors. *Research in Social Stratification and Mobility*, Volume 16, pp. 352-369.
- Bitner, M. J., 1990. Evaluating Service Encounters: the Effect of Physical Surroundings and Employee Response. *Journal of Marketing*, Volume 54, pp. 69-82.
- Brathwaite, R., 1992. Value Chain Assessment of Travel Experience. *Cornell Hotel and Restaurant Administration Quarterly*, Volume 33(No. 5), pp. 41-9.

- Brickley, J., Dark, F. & Weisbach, M. s., 1991. An Agency Perspective on Franchising. *Financial Management*, 20(No. 1), pp. 27-35.
- Brotherton, B., 2004a. Critical Success Factors in UK Budget Hotel Operations. *International Journal of Operations Management*, 24(No. 9), pp. 944-969.
- Brotherton, B., 2004b. Critical Success Factors in UK Corporate Hotels. *The Service Industries Journal* Volume 24(No 3), pp. 19-42.
- Brotherton, B. & Shaw, J., 1996. Towards Identification and Classification of Critical Success Factors in UK Hotels Plc.. *International Journal of Hospitality Management*, 15(No. 2), pp. 103-117.
- Brown, J. R. & Dev, C. S., 1997. The Franchisor Franchisee Relationship. *Cornell Hotel and Restaurant Administration Quarterly*, 38(No. 6), pp. 30-38.
- Bruno, A. & Leidecker, J., 1984. Identifying and Using Critical Success Factors. *Long range Planning*, Volume 17(No. 1), pp. 23-32.
- Burns, N. & Groves, S. K., 2001. *The Practice of Nursing Research, Conduct Critique and Utilization* 4th ed., Philadelphia, Saunders Publishers.
- Burns, N. & Groves, S. K., 2004. *The Practice of Nursing Research*. 5 ed. Churchill, Livingstone: Elsevier Health Services.
- Camillo, A., Connelly, D. & Kim, W., 2008. Success and Failure in Northern California Critical Success Factors for Independent Restaurants. *Cornell Hospitality Quarterly*, 49(No. 4), pp. 364-380.
- Carney, M. & Gedajlovic, E., 1991. Theoretical Integration in Franchise Systems: Agency Theory and Resource Explanations. *Strategic Management Journal*, Volume 12, pp. 607-629.
- Castrogiovanni, G. J. Combs, J. G. & Justis, R. T., 2006. Resource Scarcity and Agency Theory Predictions Concerning the Continued use of Franchising in Multi-Outlet Networks. *Journal of Small Business Management*, Volume 44(No. 1),pp. 27-45.
- Castrogiovanni, G. J. & Justis, R. T., 1998. *Strategic and Contextual Influences on organization Growth: An Empirical Study of Franchisors*. San Diego, 1st Annual International Franchising Conference.
- Caves, R. & Murphy, W., 1976. Franchising Organizations, Markets and Intangible Assets. *Southern Economic Journal*, Volume 42, pp. 572-586.
- CBK, 2010a. *Fourth Bi Monthly Report of Monetary Policy Committee, April*, Nairobi: Kenya Government.

- CBK, 2010b. *Statistical Bulletin, June*, Nairobi: Kenya Government.
- CBK, 2010c. *Monthly Economic Review August 2010c*, Nairobi: Government Printers.
- CBK, 2012. *Monthly Economic Review, August*, Nairobi: Government Printers.
- CBK, 2013. *Monthly Economic Review, May*, Nairobi: Government Printers.
- CBK, 2014, *Monthly Economic Review, August*, Nairobi: Government Printers.
- CBK, 2015, *Statistical Bulletin, February*, Nairobi: Government Printers
- Ceswell, J. W. & Plano Clark, V. L., 2007. *Designing and Conducting Mixed Methods Research*. Thousand Oaks CA: Sage.
- Chang, Z. Y., Yeong, W. Y. & Loh, L., 1997. Critical Success Factors for In-flight Catering Services: Singapore Airport Terminal Services' Practices as Management Benchmarks. *The TQM Magazine*, 9(No. 4), pp. 255-259.
- Choo, S., 2003. *Determining the Critical Success Factors of International Franchising: Cases of Franchisors in East Asia*. Perth: Curtin University of Technology.
- Christiansen, T. & Walker , B., 1990. *Comparison of Attributes of Franchising and the Challenged of Iinternational Expansion*. Scottsdale, Annual Conference of the Society of Fanchising.
- Christie, J.D. & Shah, C.V., 2010 Plasma levels of receptor for advanced glycation end Plasma levels of receptor for advanced glycation endproducts, blood transfusion, and risk of primary graft dysfunction. *Am J Respir Crit Care Med*, Volume 180(10), pp. 1010-1015, ISSN 1073-449X.
- Clute , R. & Garman, G., 1980. The Effect of the US Economic Policies on the Rate of Small Business Failure. *American Journal of Small Business Management*, Volume 5, pp. 6-12.
- Combs, J. & Castrogiovanni, G., 1994. Franchisor Strategy: A Proposed Model and Empirical Test of Franchise Versus Company Ownership. *Journal of Small Business Management*, Issue April-June, pp. 37-48.
- Combs, J. G., Ketchen, D. J. & Hoover, V. L., 2004. A Strategic Groups Approach to the Franchising Performance Relationship. *Journal of Business Venturing*, 19(6), pp. 877-897.
- Combs, J., Micheal, S. C. & Castrogiovanni, G. J., 2004. Franchising: A Review and Avenues to Greater Theoretical Diversity. *Journal of Management*, Volume 30, pp. 907-931.

- Conner, K., 1991. An Historical Comparison of Resource Based Theory of the Organization: Knowledge versus Thought within Industrial Organization Economics: Do We Have a New Theory of the Organization? *Journal of Management*, Volume 17(No. 1), pp.121-154.
- Conner, K. & Prahalad, C., 1996. A Resource Based Theory of the Organization: Knowledge versus opportunism. *Organization Science*, Volume 7(No. 5), pp. 477-501.
- Cooper, D. R. & Schindler, P. S., 2008. *Business Research Methods*. New York: McGraw-Hill Publishers.
- Creswell, J. W., 2003. *Research Design, Qualitative, Quantitative and Mixed Method Approaches*. 2nd ed. Sage: Sage Publications.
- Creswell, J.W., Plano, A. and Clark, V.L., 2007. *Designing and conducting mixed methods research*, Thousand Oaks, CA: Sage.
- Cronbach, L., 1951. Coefficient Alpha and the Internal Structure on Tests. *Psychometrika* Volume 16(No. 3).
- Dalton, D.R., Hitt, M.A., Certo, S.T. and Dalton, C.M. 2007. The fundamental agency problem and its mitigation: Independence, equity, and the market for corporate control. *Academy of Management Annals*, 1(1), pp. 1–64.
- Daniel, D.R., 1961. Management information crisis. *Harvard Business Review*, Volume 39, pp. 111-121.
- Dant, R. P., Paswan, A. K. & Kaufman, P. J., 1996. What we Know About Ownership Redirection in Franchising. *Journal of Retailing*, 72(No. 4), pp. 429-444.
- Dant, R. P., Perrigot, R. & Cliquet, G., 2008. A Cross Cultural Comparison of Plural Forms of Franchise Networks: United States, France and Brazil. *Journal of Small Business Management*, 46(No. 2), pp. 286-311.
- Davis, G. B., 1980. From Our Readers. *MIS Quarterly*, Volume 4, pp. 69.
- Day, G. S., 1994. The Capabilities of Market Driven Organizations. *Journal of Marketing*, 58(Oct), pp. 37-52.
- Day, G. S. & Van den Bulte, C., 2002. *Superiority in Customer Relationship Management: Consequences for Competitive Advantage and Performance*. Marketing Science Institute, the Wharton School, University of Pennsylvania.
- Dickson, R., Ferguson, C.R. and Sircar, S., 1984a. Critical success factors approach for the design of management information systems. *American Business Review*, 1(2), pp. 23- 29.

- Dillon, W. R., Madden, T. J. & Firtle, N. H., 1990. *Marketing Research in a Marketing Environment*. 2nd ed. Boston, MA: Times Mirror/ Mosby College Publishing.
- DiPierro, R. B., Murphy, K. S., Riviera, M. & Muller, C. C., 2007. Multi-Unit Management Key Success Factors in the Casual Dining Restaurant Industry. *International Journal of Contemporary Hospitality Management*, 19(No. 7), pp. 524-536.
- Dittmer, P. R., 2002. *Dimensions of Hospitality*. 3rd ed. New York: John Wiley & Sons.
- Dodge, R. & Robbins, J., 1992. An Empirical Investigation of the Organizational Life Cycle of Small Business Development and Survival. *Journal of Small Business Management*, 30(No. 1), p. 27.
- Doherty, A. M. & Quinn, B., 1999. International Retail Franchising: An Agency Theory perspective. *International Journal of Retail and Distribution Management*, 27(No. 6), pp. 224-236.
- Doherty, A.M., 2007. The internalization of retailing. Factors influencing the choice of franchising as a market entry strategy. *International Journal of Service Industry Management*, Volume 18(2), pp. 184-205.
- Duchessi, M., Scanninger, C. M. & Hobbs, D. R., 1989. Implementing a Manufacturing Planning Control System. *California Management Review*, 31(No. 3), pp. 75-90.
- Elango, B. & Fried, B. H., 1997. Franchising Research: A Literature Reiview and Synthesis. *Journal of Small Business Management*, Issue July, pp. 68-81.
- Elango, B., 2007. Building capabilities for international operations through networks: a study of Indian organizations. *Journal of International Business Studies*, Volume 38, pp. 541-555.
- Enz, C.A., 2004. The antecedents of customer-contact employees' empowerment. *Employee Relations*, 26(1), pp. 72 - 93.
- Eser, Z., 2012. Inter-organizational Trust in Franchise relationships and the performance outcomes: The Case of Fast-Food Restaurant in Turkey. *International Journal of Contemporary Hospitality*, 24(No. 5), pp. 774-790.
- Erramilli, K.M., Agarwal, S. & Chekian, S.D., 2002. Choice between non-equity entry modes: an organizational capability perspective. *Journal of International Business Studies*, 33(2), pp. 223-242.
- Esteves, J., 2004. *Definitaion and Analysis of Critical Success Factors for ERP implementation projects*. Barcelona: Universitat Politecnica de Catalunya.
- Esteves, J. and Pastor, J., 2000. *Towards a unification of critical success factors for ERP implementation*. 10th Annual BIT Conference, Manchester, UK, 44.

- Farrish, J.R., 2010. Critical success factors in barbecue restaurants: Do operators and patrons agree? *UNLV Theses/Dissertations/Professional Papers/Capstones. Paper 707. Critical.*
- Fasse, A., Grote, U. and Winter, E., 2009. *Value Chain Analysis Methodologies in the Context of Environment and Trade Research.* Discussion Paper No, 429.
- Felstead , A., 1993. Shifting the Frontier Control: Small Organization Autonomy Within a Franchise. *International Journal of Small Business*, 12(No. 2), pp. 50-62.
- Ferguson, J. & Khandewal, V., 1999. *An ERP lifecycle-based research Agenda.* Venice: First International Workshop on Enterprise Managemnet Resource and Planning Systems EMRPS.
- Flanagan, C., 2005. *An investigation into performance measurement practices of Irish Hotel groups.* Dublin: Unpublished Msc Thesis, Dublin Institute of Technology.
- Fields, R., 2007. *Restaurant Success by Numbers.* New York: Crown Publishing Group.
- Finlay, L., 2009. A dance between the reduction and reflexivity: Explicating “phenomenological psychological attitude. *Journal of Phenomenological Psychology*, Volume 39, pp. 1-32.
- Foss, N., 2007. Knowledge-based approaches to the theory of the organization some critical comments. *Organization Science*, vol. 7, no. 5, pp. 470-476.
- Frazen , G. & Bouwman, M., 2001. *The Mental World of Brands.* s.l.:NTC Publications.
- Gachenge, B., 2007. More Kenyan families opting for fast foods. *Business Daily Africa, Nation Media Group.*
- Gates, S., 2010. *Child Soldiers in the Age of Fractured States.* Pittsburgh: University of Pittsburgh Press.
- Gates, C.C. and Aune, K., 2008. *Bison bison. 2008 IUCN Red List of Threatened Species,* [Online], Available: [HYPERLINK "file:///C:/Users/LGikonyo/AppData/Roaming/Microsoft/Word/www.iucnredlist.org " www.iucnredlist.org](http://www.iucnredlist.org) [25 August 2013].
- Gilbert, G., Veloutsou, C., Goode, M. & Moutinho, L., 2004. Measuring Customer Satisfaction in Fast Food Industry: A Cross National Approach. *Journal of Services Marketing*, 18(No. 5), pp. 371-383.
- Golafshani, N., 2003. Understanding reliability and validity in qualitative research. *The Qualitative Report* , Volume 8(4), pp. 597-607.

- Goldman, K.L. and Eyster, J.J., 1992. Hotel F&B leases: the view from the restaurant. *The Cornell Hotel and Restaurant Administration Quarterl*, Volume 33(5), pp. 72-83.
- Government, K., 2003. *Economic Recovery Strategy*, Nairobi: Government Printers.
- Government, K., 2007. *Vision 2030*, Nairobi: Government Printers.
- Griffin, E.A., 2013. A first look at communication theory. New York: NY:McGraw-Hill.
- Groenewald, T., 2004. A phenomenological research design illustrated. *International Journal of Qualitative Method*, , Volume 4(1), pp. 1-26.
- Gross, B.L. and Sheth, J.N., 1989. Time –oriented advertising: A content analysis of United States Magazine advertising, 1890-1988. *Journal of Marketing*, No. 59, pp. 76-83.
- Gu, Z., 2002. Analyzing bankruptcy in the restaurant industry: a multiple discriminant model. *International Journal of Hospitality Management*, Volume 2(1), pp. 25-42.
- Gu, Z. and Gao, L., 2000. A multivariate model of predicting business failures of hospitality organizations Tourism and Hospitality Research. *The Surrey Quarterly Review*, Volume 2(1), pp. 37-50.
- Guion, L.A., Diehl, D.C. & McDonald, D., 2011. Conducting an in-depth interview. Florida:Department of Family, Youth and Community Services, Florida Cooperative Extension Service. *Institute of Food and Agricultural Sciences*, University of Florida.
- Gunter, M.M., 2000. The Continuing Kurdish Problem in Turkey after Öcalan's Capture. *Third World Quarterly*. , Volume 21, pp. 849-869.
- Hambrick, D. & Crozier, L., 1985. Stammers and Stars in the Management Rapid Growth. *Journal of Business Venturing*, 1(No. 1), pp. 31-45.
- Harman, T. R. & Griffiths, M. A., 2008. Franchise Perceived Relationship Value. *Journal of Business and Industrial Marketing*, 23(No. 4), pp. 256-263.
- Harris, N. & France, M., 1997. Franchisees get Feisty. *Business Week*, 24(February), pp. 65-66.
- Hassell, L., 2007. A continental philosophy perspective on knowledge management. *Information Systems Journal*, vol. 17, pp. 185-195.
- Heracleous, L. and Lan, L.L., 2010. The myth of shareholder capitalism. *Harvard Business Review*, 24 April.
- Hoeffler, S. and Keller, K.L., 2002. Building brand equity through corporate societal marketing. *Journal of Public Policy and Marketing*, Volume 21(1), pp. 78-89.

- Hoffman, R. C. & Preble, J. F., 2004. Global Franchising Current Status and Future Challenges. *The Journal of Services marketing*, 18(No. 2), pp. 101-113.
- Holtzhausen, S., 2001. *Triangulation as a powerful tool to strengthen the qualitative research design*. The Resource-based Learning Career Preparation.
- Hoover, V. R., Ketchen, D. J. & Combs, J. G., 2003. Why restaurants organizations franchise: An Analysis of two possible explanations. *Cornell Hotel and Restaurant Administration Quarterly*, 44(No. 9).
- Hopkins, D. M., 1996. International Franchising:Standardization versus adaptation to cultural differences. *Franchising Research :An International Journal*, 1(No. 1), p. 15=24.
- Hoy, F., 1994. The dark side of Franchising or appreciating the flaws in an imperfect world. *International Small Business Journal*, Volume 12(2), pp. 26-28.
- Hua, W., Chan, A. & Mao, Z., 2009. Critical success factors and customer expectation in budget hotel segment: A case of China. *Journal of Quality Assurance in Hospitality and Tourism*, Volume 10(1), pp. 59-74.
- Hunt, S.D., 1999. The strategic imperative and sustainable competitive advantage: Public Policy implications of resource-advantage theory. *Journal of the Academy of Marketing Science*, Volume 27(2), pp. 144-159.
- Huszagh, S. M., Huszagh, F. W. & McIntyre, F. S., 1992. International Franchising in the Context of Competitive Strategy and the theory of a Organization. *International Marketing Journal*, 12(No.1), pp. 26-48.
- IFC., 2004. Adding value to private sector investment. *Annual Report*, Volume 1 of 2.
- Jack, E.P. & Raturi, A.S., 2006. Lessons learned from methodological triangulation in management research. *Management Research News* , Volume 29, pp. 345-357.
- Johannesson, J., 2010. The Dynamics of East African Market. *International Journal of Marketing Studies*, 2(1).
- Justis, R. T. & Judd, R. J., 1998. *Franchising*. Revised ed. Houston TX: Dame Publications.
- Kaiza, D., 1998. *Steers, Nandos Fast Food chains enter Dar and Kampala*. The East African Business Week, Nation Media Group.
- Kandampully, J., 2006. The new customer-centered business model for the Hospitality Industry. *International Journal of Contemporary Hospitality Management*, Volume 18(3), pp. 173-187.
- Kaplinsky, R. and Morris, M., 2002. *A handbook for value chain research*. *International DevelopmentResearch Centre (IDRC)*, [Online], Available:

- HYPERLINK "<http://www.globalvaluechains.org/docs/VchNov01>"
<http://www.globalvaluechains.org/docs/VchNov01> .
- Karuppasami, G. & Gandhinathan, R., 2006. Pareto Analysis of Critical Success Factors of Total Quality Management. *The TQM Magazine*, 18(No. 4), pp. 372-385.
- Kassa, H. B., Tefera & Fitwi, G., 2011. *Preliminary Value Chain Analysis of Gums and Resins Marketing in Ethiopia: Issues for Policy and Research*, Bogor: CIFOR.
- Kaufman, R., 1992. *Strategic planning plus: An organizational guide*. Revised. Newbury Park: CA: Sage.
- Kent , R., 2007. *Research Marketing: Approaches, Methodologies and Applications in Europe*. Belmont CA: Thomson Learning.
- Kenya Government, 2003. *Economic Recovery Strategy*, Nairobi: Government Printers.
- Kenya Government, 2005. *Export Processing Zones Authority "Doing Business in Kenya"*, Nairobi: Government Printers.
- Kenya Government, 2007. *Vision 2030*, Nairobi: Government Printers.
- Kenya Government, 2009. *Kenya National Bureau of Statistics, Economic Survey*, Nairobi: Government Printers.
- Kenya Government, 2010. *Export Processing Zones Authority Website*. [Online] Available at: <http://www.epza.kenya.com> [Accessed 14th December 2012].
- Ketchen, D. J., Combs, J. G. & Upson, J. W., 2006. When Does Franchising Help Restaurant Chain Performance?. *Cornell Hotel and Restaurant Administration Quarterly*, 46(No. 1), pp. 14-26.
- Khan, M., 1990. *Restaurant Franchising*. New York: Van Nostrand.
- Khandewal, V. & Miller., 1999. *Information System Study, Opportunity Management Program*, New York: IBM Corporation.
- Klein, B., Crawford, R. & Alchian, A., 1978. Vertical Intergration, Approriable Rents and Competitive Contracting Process. *Journal of Law and Economics*, Volume 21, pp. 295-326.
- KNBS, 2009. *Economic Survey* , Nairobi: Government Printers.
- KNBS, 2010. *Economic Survey*, Nairobi: Government Printers.
- KNBS, 2011. *Economic Survey* , Nairobi: Government Printers.

- KNBS, 2012. *Economic Survey*, Nairobi: Government Printers.
- KNBS, 2013. *Economic Survey*, Nairobi: Government Printers.
- KNBS, 2014. *Economic Survey*, Nairobi: Government Printers.
- KNBS 2015. *Economic Survey*, Nairobi: Government Printers.
- Knight, D., 1986. Functional analysis and treatment of severe pica', *Journal of Applied Behavior Analysis*, Volume 19, pp. 411-416.
- Kobjoll, K., 2007. *Maximizing networks to develop your enterprise: The case of the Schindlerh of Hotel*. National Tourism Networks Conference Paper, Falite Ireland, Kilkenny.
- Kogut, B. and Zander, U., 1992. Knowledge of the organization combinative capabilities and the replication of technology. *Organization Science*, Volume 3, pp. 383-397.
- Kotler, P., Bowen, J. & Makens, J., 1996. *Marketing for Hospitality and Tourism*. Upper Saddle River NJ: Prentice Hall.
- Lafili, L. & Van Crombrughe, N., 1990. Intellectual Property Rights. In editor', in Abell, M. (ed.) *The International Franchise Option*, London: Waterlow Publishers.
- Lafontaine, F., 1992a. Agency Theory and Franchising: Some Emperical Results. *Journal of Economics*, 23(No. 2), pp. 263-283.
- Lam, W., 2005. Investigating Success Factors in Enterprise Application Integration: A Case-driven Analysis. *European Journal of Information Systems*, Volume 14, pp. 175-187.
- Lashley, C. & Morrison, A., 2000. *Franchising Hopsitality Services*. Oxford: Butterworth-Heinemann.
- Lee, D.R., 1987. Factors of restaurant success', *The Cornell Hotel and Restaurant Administration Quarterly*, Volume 28(3), pp. 32-37.
- Lee, M. & Ulgado, F., 1997. Consumer Evaluations of Fast Food Services: A Cross National Approach. *Journal of Services Marketing*, 11(No. 1), pp. 39-52.
- Liu, C. M. & Chen, K. J., 2000. A look at Fast Food Competition in the Philippines. *British Food Journal*, 102(No. 2), pp. 122-133.
- Lohr, S. L., 1999. *Sampling Design and Analysis*. Stanford, Connecticut: Thopmson Publishing Company.
- Louvieris, P., Phillips, P., Warr, D. & Bowen, A., 2003. Balanced Scorecards for Performance Measurements in SMEs. *The Hospitality Review*, 5(No.3), pp. 49-57.

- Luangsuvimol, T. & Kleiner, B. H., 2004. Effective Franchise Management. *Management Research News*, 27(No.4/5), pp. 63-71.
- Lupia, A., 2001. Shortcut Versus Encyclopedias: Information and Voting Behavior in California Insurance Reform Elections. *American Political Science Review*, Volume 88, pp. 63- 76.
- Malhotra, N. K. & Birks, D. F., 2007. *Marketing research: An Applied Approach*. England: Prentice Hall.
- Mamalis, S., 2009. Cultural differences as a marketing tool. A case study in the food-service industry, *Advances in Higher Education*. Volume 2(1), pp. 23-34.
- Maringa, O.L., 2003. *Food security in Kenya's semi Arid. Underpinning incidence and copying strategic*, copying strategic. A paper prepared for IFPRI 2020 network.
- Martin, R.E., 1988. Franchising and risk management, *American Economic Review*, pp. 954-968.
- Mason, K., Jones, S., Benefield, M. and Walton, J., 2012. *Quick Service Restaurant Success Factors*, ocl3086.
- McDaniel, C. & Gates, R., 2004. *Marketing Research Essentials*. 4th ed. Riverstreet, Hoboken, NJ: John Wiley & Sons.
- McDowell, G., 2004. *The Agricultural Establishment: giving farmers too much what they want and not enough what they need*. Choices and the American Economic Association website.
- McKennell, A.C., 1978. Surveying attitude structures: A discussion of principles and procedures. *Quality and Quantity*, Volume 7(2), pp. 203-294.
- Melia, S., 2011. *Students car use and its effect on environmental attitudes*. University of the West of England, Bristol. [Submitted].
- Mendelsohn, E., 2004. *The Guide to Franchising*. 7th ed. London: Thomson Learning.
- Miles, M. B. & Huberman, A. M., 1994. *Qualitative Data Analysis*. Thousand Oaks CA: Sage.
- Miller, D., 1992. *Generic Strategies: Classification, Combination and Context*. In Shrivastava, Huff and Dutton (Eds), *Advances in Strategic Management*. Greenwich CT: Jai Press.
- Minkler, A., 1990. An Empirical an alysis of a organizations decision to franchise. *Economic Letters*, Volume 34, pp. 77-82.

- Moodley, S., 2002. E-business in South Africa apparel sector: a Utopian vision of efficiency? *The developing Economies*, Volume 11(1), pp. 67-100.
- Mueller, J. & Kleiner, B., 2004. Determining Exempt and non-Exempt Status in the Fast Food Industry. *Management Research News*, 27(No. 10), pp. 51-57.
- Muijis, D., 2004. *Doing Qualitative Research in Education with SPSS*. Newbury Park, CA: Sage.
- Mukewa, C.M., 2010. *Differentiation strategies used by classified hotels in major cities in Kenya*, [Online], Available: HYPERLINK "%20http://erepository.uonbi.ac.ke:8080/xmlui/handle/123456789/22672%20" <http://erepository.uonbi.ac.ke:8080/xmlui/handle/123456789/22672> .
- Muller, C. C. & Woods, R. H., 1994. An Expanded Restaurant Topology. *Cornell Hotel and Restaurant Administration Quarterly*, 35(No. 3), pp. 27-37.
- Munro, M.C. and Wheeler, B.R., 1980. Planning critical success factors and management's information requirement MIS Quarterly. Volume 4, pp. 27-38.
- Nathan , G., 2000. *Profitable Partnerships*. Brisbane: Nathans Corpotate Psychology.
- Nathan, G., 2013. *Love Me ... Love Me Not — Measuring the Franchise Relationship*. Retrieved from <http://shop.franchiserelationships.com/articles/LoveMeLoveMeNot.html> January 11, 2014
- Nimemeir, D. J., 2004. *Planing and Control for Food and Beverage Operations*. 6th ed. New York: Educational Institute of Hotel and Lodging Association.
- Njite, D., 2005. *Examining Brand Associations that Influence Restaurant Preferences*. Ohio: The Ohio State University.
- Nooteboom, B., 2007. Service Value Chains and Effects of Sales. *Service Business*, Volume 1(No. 2), pp.119-139.
- Norbark, P. G. & Norback, C. T., 1982. *Guide to Franchise*. Boston MA: Irwin.
- Norton, S. W., 1988a. An Empirical look at Franchising as an Orginazational Form. *Journal of Business*, 61(April), pp. 197-218.
- Norton, S. W., 1988b. Franchising Brand Name and the Entrepreneurial Capacity Problem. *Strategic Management Journal*, 61(April), pp. 197-218.
- Norwell, T., 2010. *How to Choose the Right Franchisee. Top Three Franchisor Considerations*. Retrieved from <http://www.boardroommetrics.com/blog/how-to-choose-the-right-franchisee-top-three-franchisor-considerations>. Retrieved September 12, 2012.

- O'Donoghue, D. & Lubby, A., 2006. *Management Accounting for the Hospitality Tourism and Retail Sectors*. Dublin: Blackhall Publishers.
- O'Gorman, K., 2009. Origins of the commercial hospitality industry: from fanciful to factual. *International Journal of Contemporary Hospitality Management*. Volume 21 (No. 7) pp. 777-790.
- O'Reilly, C.A. & Main, B.G., 2010. Economic and psychological perspectives on CEO compensation: A review and synthesis. *Industrial and Corporate Change*, p. 19.
- Oslen, M.D., Chung, Y., Graf, N., Lee, K. & Madanoglu, M., 2005. Branding: Myth or reality in the Hotel Industry. *Journal of Retail and Leisure Property*, Volume 2(No. 2), pp. 146-162.
- Olsen, M., Sharma, M., Echeveste, I. & Tse, E., 2008. Strategy for Hospitality Businesses in the Developing World. *Hospitality Review*, 26(No.1), pp. 32-46.
- Ottbacher, M., Harrington, R. and Parsa, H., 2009. Defining the hospitality discipline: a discussion of pedagogical and research implications. *Journal of Hospitality & Tourism Research*. Volume 33 (No 3), pp. 263-83.
- Oxenfeldt, A. & Kelly, A., 1968. Will Successful Franchise Systems Ultimately Become Wholly-owned Chains?. *Journal of Retailing*, 44(No. 49), pp. 69-83.
- Parsa, H. G., Self, J. T., Njite, D. & King, T., 2005. Why Restaurants Fail. *Cornell Hotel and Restaurants Administration Quarterly*, Issue August.
- Peterson, A. and Dant, R.P., 1990. Perceived advantages of the franchise option from the franchisee perspective: Empirical insights from a service franchise. *Journal of Small Business Management*, 28 July, pp. 46-61.
- Pinto, J. and Slevin, D., 1987. Critical factors in successful project implementation. *IEEE Transactions and on Engineering Management*, Volume 34, pp. 22-27.
- Pizam, A. & Shani, A. 2009. The nature of the hospitality industry: present and future managers' perspectives. *An International Journal of Tourism and Hospitality Research*, Volume. 20 (No. 1), pp. 134-50.
- Pizanti, I. & Lerner, M., 2003. Examining the Control and Autonomy in the Franchisor Franchisee Relationship. *International Small Business Journal*, Volume 21.
- Porter, M. E., 1985. *Competitive Advantage*. New York: Free Press.
- Porter, M. E., 1980. *Competitive Strategy*. New York: Free Press.
- Preble, J. F. & Hoffman, R. C., 1995. International Franchising Systems Around the Globe: A status Report. *Journal of Small Business Management*, 33(No. 2), pp. 80-88.

- Price, S., 1997. *The UK Fast Food Industry*, Cassell, London.
- Quinn, B., 1999. Control and Support in an International Franchise Network. *International Marketing Review*, 16(No. 4/5), pp. 345-62.
- Quinn, B. & Alexander, N., 2002. International Retail Franchising: A Conceptual Framework. *International Journal of Retail and Distribution Management*, 30(No. 5), pp. 264-276.
- Rapport, M.J., 2006. Activity-focused motor interventions for infants and young children with neurological conditions. [Article]. *Infants and Young Children*, Volume 19(4), pp. 292-307.
- Remus, U. & Wiener, M., 2008. A Multi-method Holistic Strategy for Researching Critical Success Factors in IT Projects. *Information systems Journal*, 20(No. 1), pp. 25-52.
- Richardson, J. & Aguir, L., 2004. Change in Consumer Preference for Fast Food. *British Food Journal*, 11(No. 3), pp. 77-85.
- Rima, F., 2008. *Verbal communication in an interview with author*, Nairobi: Transcript notes in possession of author.
- Ritzer, G., 1996. *The McDonaldization of Society*. London: Pine Forge Press.
- Rockart, J. & Christine, V. A., 1981. *A Primer on Critical Success Factors*. Cambridge MA: Centre for Information Systems Research, Massachusetts Institute of Technology.
- Rockart, J. F., 1979. Chief Executives Define Their Own Information Needs. *Harvard Business Review*, 57(No. 2), pp. 81-93.
- Rockart, J.F., 1979. Chief Executives Define Their Own Data Needs. *Harvard Business Review*, pp. 81-92.
- Romanelli, E., 1989. Environments and Strategies of Organizations start-up: Effects of Early Survival. *Administrative Science Quarterly*, Volume 34, pp. 369-387.
- Rubin, P., 1978. The Theory of the Organization and the Structure of the Franchise Contract. *Journal of Law and Economics*, Volume 21, pp. 223-233.
- Rumsey, J.K., 2011. *Reasons for Russia's high adult mortality rate: correlations with health care, the economy and individual behavior*, Unpublished thesis.
- Samuel, A., 2013. *America's World Class Beer*, [Online], Available: HYPERLINK"file:///C:\\Users\\LGikonyo\\AppData\\Roaming\\Microsoft\\Word\\N.p.,%20n.d.%20Web.%3chttp:\\www.samueladams.com\\index.aspx%3e" [N.p., n.d. Web.](http://www.samueladams.com/index.aspx)
- Sashi, C. M. & Karuppur, D. P., 2002. Franchising in Global Markets: Towards a Conceptual Framework. *International Marketing Review*, 17(No. 5), pp. 499-524.

- Schlosser, E., 2001. *Fast Food Nation*. St Ies: The Penguin Press.
- Schroder, M. J. & McEachern, M. G., 2005. Fast Food and Ethical Consumer Value: A Focus on McDonald's and KFC. *British Food Journal*, 107(No. 4), pp. 212-222.
- Shapiro, A., 2005. How including prior knowledge as a subject variable may change outcomes of learning. *Research. American Educational Research Journal*, Volume 41(No. 1), pp. 159-189.
- Sharma, A. & Christie, I.T., 2010. Performance assessment using value-chain analysis in Mozambique. *International Journal Of Contemporary Hospitality Management Volume*, Volume 22(No. 2-3) , pp. 282-299.
- Slater, M. & Wilbur, S., 1997. A Framework for Immersive Virtual Environments (FIVE): Speculations on the Role of Presence in Virtual Environments, Presence. *Tele operators and Virtual Environments*, Volume 6(No. 6), pp. 603-616, MIT Press.
- Sedera, D., Gable, G. & Chan, T., 2004. *Measuring Enterprise Systems Success: the importance of a Multiple Stakeholder Perspective*. Turku, European Conference in Information Systems (ECIS, 2004)..
- Sen, K. C., 1998. The Use of Franchising as a Growth Strategy by US Restaurant Franchisors. *Journal of Consumer Marketing*, 15(No. 4), pp. 397-407.
- Shah, M. and Siddiqui, F., 2002. *A Survey of Research Methods used to Investigate Critical Factors*. European Conference on Research Methodology for Business and Management Studies, Reading, UK.
- Shane, S., 1996a. Hybrid Organizational Arrangements and their Implications for organization Growth and Survival a Study of New Franchisors. *Academy of Management Journal*, Volume 39, pp. 216-234.
- Shane, S., 1996b. Why Franchise Companies Expand Overseas. *Jouranal of Business Venturing*, 11(No. 2), pp. 73-88.
- Stanworth, J., 1999. Customer Service Franchising. *International Small Business Journal*, 27(No. 3), pp. 74-78.
- Sharman, R., 2007. *Class Acts: Service and Inequality in Luxury Hotels*. University of California Press, Berkeley, CA.
- Stevens, J. F., Wilke, B. J. & Wilson, W. R., 2004. *The Critical Success Factor method: Establishing a Foundation for Enterprise Security Management*. Pittsburgh: Carnegie Mellon Software Engineering Institute.

- Stokes, D., 1995. *Small Business Management: An Active –Learning Approach*, Coventry, Warwickshire: DP Publications.
- Sturgeon, T. F., 2008. [From commodity chains to value chains: interdisciplinary theory building in an age of globalization](#). *Frontiers of Commodity Chain Research*, pp. 110-135.
- Taylor, W.P., 2013. *Empirical investigation into the use of complexity levels in marketing segmentation and the categorisation of new automotive products*. [Online], Available: HYPERLINK "https://dspace.lboro.ac.uk/2134/13985" <https://dspace.lboro.ac.uk/2134/13985> .
- Thompson, R., 1994. The Franchise Life Cycle and the Penrose Effect. *Journal of Economic Behaviour and Organization*, 24(No. 2), pp. 207-218.
- Van Bullen, C. & Rockart, J. &., 1986. A Primer on Critical Success Factors In Rockart, J. & Van Bullen, C. (Ed), *The Rise of Management Computing*. Homewood, Irwin.
- Van der Meer, J. & Calori, R., 1989. Strategic Management in Technology Intensive Industries. *International Journal of Technology Management*, 4(No. 2), pp. 127-139.
- Vargo, S.L. & Lusch, R.F., 2004. Evolving to a New Dominant Logic for Marketing. *Journal of Marketing*, 68(January), pp. 1-17.
- Vignali, C., 2001. McDonalds: Think Global Act Local, the Marketing Mix. *British Food Journal*, 103(No. 2), pp. 97-111.
- Voss, S.E., Rosowski, J.J., Merchant, S.N., Thornton, A.R., Shera, C.A. & Peake, W.T., 2000. Middle ear pathology can affect the ear-canal sound pressure generated by audiologic earphones. *Ear and Hearing*, vol. 21, pp. 265-274.
- Wahome, M., 2010. EPZs Seeocal Market Space. *Daily Nation*.
- Waithaka, W., 2007. *Business Daily Africa*. [Online] Available at: <http://www.bdafrica.com> [Accessed 8th May 2012].
- Webber, C. M. & Labaste, P., 2009. *Building Competitiveness in Africa's Agriculture: A guide to Value Chain Concepts and Applications*, Washington DC.: The World Bank.
- Wigley, S. M., Moore, C. M. & Birtwistle, G., 2005. Product and Brand: Critical Success Factors in the Internationalization of Fashion Retailer. *International Journal of Retail and Distribution Management*, 33(No. 7), pp. 531-544.
- Wilson, J. and Dover, P., 2009. The discursive construction of professionalization in British management. *International Journal of Critical Accounting*, Volume 2(No. 3), p. 319.

- Woodall, T., 2003. Conceptualising "Value for the Customer" : an attributional, structural and dispositional analysis. *Academy of Marketing Science Review*, Volume 12, pp. 1-41.
- World Bank & IFC., 2009. *Doing Business in Kenya*, Nairobi: World Bank and IFC.
- World Bank, 2012. *Kenya Economic Update, Ed. 7*, Nairobi: A World Bank Publication.
- World Bank, 2014. *Kenya Economic Update, Ed 10*, Nairobi: A World Bank Publication.
- World Bank & IFC., 2010. *Doing Business in Kenya*, Nairobi: World Bank and International Finance Corporation Publications.
- Xu, P., 2012. *Success factors of a chinese restaurant, Savonia university of applied sciences unit of business and administration*. Kuopio.
- Yin, R.K., 1994. *Case Study Research Design and Methods* , 2nd edition, California: Sage Publications, Inc.
- Zacharakis, A., Meyer, D. & DeCastro, J., 1999. Differing Perceptions of New Venture Failure: A Matched Exploratory Study of Venture Capitalists and Entrepreneurs. *Journal of Small Business management*, 37(No. 3), pp. 1-14.
- Ziethaml, V. A., Bitner, M. J. & Gremler, D. D., 2009. *Services Marketing*. 4th ed. New York: McGraw-Hill Companies.
- Zwolak, R., 2010. *Full Restaurants in the US*. IBISWorld Industry Report 72211.

APPENDICES

Appendix i: Introductory letter for the questionnaire

STRATHMORE UNIVERSITY HEADED PAPER

VOLUNTARY PARTICIPATION IN DATA COLLECTION

RESEARCH INTO THE CRITICAL SUCCESS FACTORS FOR A RESTAURANT FRANCHISE SYSTEM ENTERING THE KENYAN MARKET

My name is Lucy Gikonyo from the Centre for Tourism and Hospitality at Strathmore University. The aim of this voluntary survey is to obtain feedback on your views on restaurant dining. The findings will help in determining the **critical success factors for a restaurant franchise system entering the Kenyan market**. The data is being collected for research purposes only.

The research takes the form of a survey which should take not more than 15 minutes of your time. **Being in this study is voluntary and you are under no obligation to take part.** However, if you do consent to participate, you may only withdraw prior to the questionnaire being submitted. All responses received are anonymous, and information collected will not be distributed to any other party.

The survey consists of eight questions. When evaluating the questions, please answer the question from your own perspective. Place a TICK (✓) in the appropriate box.

Thank you for taking the time to complete this survey. Should you have any questions or if you would like a copy of the final research report, please feel free to contact: Ms Lucy Gikonyo telephone number is 0724273296 or email me on LGikonyo@strathmore.edu

If you have a complaint concerning the manner in which this research is being conducted, please contact:

Dr V Gichuru
Research Director
Strathmore University
P.O. Box 59857, 00200, City Square
NairobiTel: 6006155

Thank you for your assistance.

Lucy Gikonyo

Appendix ii: Draft copy of the questionnaire

Critical success factors for franchised restaurants entering the Kenyan market.

Please enter today's date _____

1. How often on average do you visit this restaurant? TICK (✓) the relevant box

Daily Weekly Twice weekly Monthly

2. How would you rate the following for this restaurant?

Please TICK (✓) the aspects of convenience that lead you to choose this restaurant:

Ratings: 5 – strongly agree, 4 – agree, 3 – moderately agree, 2 – disagree, 1– strongly disagree

2.1 Convenience

	5	4	3	2	1
a) They do not keep customers waiting for a longer time compared to other restaurants					
b) The location of the restaurant is convenient					
c) The speed of service meets my expectations					
d) They have adequate parking space					
e) They always have what I expect					

Please TICK (✓) the aspects of price that lead you to choose this restaurant:

Ratings: 5 – strongly agree, 4 – agree, 3 – moderately agree, 2 – disagree, 1 – strongly disagree

2.2 Price

	5	4	3	2	1
a) They offer food at lower prices compared to other restaurants					
b) The food and services offered are very good value for my money					
c) The food and services offered are very good bargain considering the prices					
d) The food prices are stable they do not change abruptly					
e) The restaurant offers bonuses and discounts often					
f) They inform the customers about the change of prices in good time before they change					

Please TICK (✓) the aspects of product that lead you to choose this restaurant:

Ratings: 5 – strongly agree, 4 – agree, 3 – moderately agree, 2 – disagree, 1 – strongly disagree

2.3 Product

	5	4	3	2	1
a) The menu has a large variety of choices					
b) The products are always the same quality					
c) The products are always the same quantity					
d) The products on the menu are always available					
e) The menu is flexible to my tastes and combinations					
f) They often have new and exciting products on the menu					
g) The food hygiene standards are according to my expectations					
h) I feel safe from food poisoning in this restaurant					

Please TICK (√) the aspects of employee competence that lead you to choose this restaurant:

Ratings: 5 – strongly agree, 4 – agree, 3 – moderately agree, 2– disagree, 1 – strongly disagree

2.4 Employee competence

	5	4	3	2	1
a) The employees are warm and welcoming					
b) The employees have the knowledge to answer my questions					
c) The employees provide prompt service					
d) The employees give me individual attention					
e) The employees understand my specific needs					
f) The employees are consistently courteous with me					
g) The employees are never too busy to respond to customer requests					
h) The employees have a neat appearance					

Please TICK (✓) the aspects of atmosphere that lead you to choose this restaurant:

Ratings: 5 – strongly agree, 4 – agree, 3 – moderately agree, 2 – disagree, 1 – strongly disagree

2.5 Atmosphere

	5	4	3	2	1
a) The environment in this restaurant is relaxing					
b) The music in this restaurant is well selected					
c) The décor in this restaurant is attractive					
d) The spacing between tables is adequate					
e) The chairs in the restaurant are comfortable					
f) The physical facilities of are visually attractive					
g) I feel safe in my transactions at this restaurant					

3. I would continue to go to a restaurant if the following components are present:

Please TICK (✓) the various components of restaurant dining experience in order of importance to you: Ratings: 5 – most important, 4 –important, 3 – average, 2 – less important, 1 - least important

	5	4	3	2	1
a) Convenience					
b) Price					
c) Product					
d) Staff competence					
e) Atmosphere					

4. I would stop going to a restaurant if the following components are not present:

Please TICK (√) the various components of restaurant dining experience in order of importance to you:

Ratings: 5 –most important, 4 – important, 3 – average, 2 – less important, 1– least important

	5	4	3	2	1
a) Convenience					
b) Price					
c) Product					
d) Staff competence					
e) Atmosphere					

5. Success of franchised restaurants

Please TICK (✓) to indicate the degree to which you agree with the statements below:

Ratings: 5 – strongly agree, 4 – agree 3 – average, 2– disagree, 1 – strongly disagree

	5	4	3	2	1
a) I like this restaurant					
b) I will keep on coming to this restaurant					
c) I will bring my family to this restaurant					
d) I would recommend this restaurant to my friends					
e) The restaurant has my best interests at heart					
f) The restaurant delivers what it promises					

Please TICK (✓) the box which represents your gender.

6. Tell us about yourself.

Are you Male or Female

Please TICK (✓) the box within which your age ranges

7. In which age bracket do you fall?

Under 18 25 – 44 Over 60
18 – 24 45 - 60

Please TICK (✓) the box within which your household income ranges.

8. What is your household monthly income in Kenya Shillings?

- a) Below 10,000
- b) Between 11,000 – 25,000
- c) Between 26,000 – 50,000
- d) Between 51,000 – 75,000
- e) Between 76,000 – 120,000
- f) Between 121,000 – 250,000
- g) Over 250,000

Thank you very much for your support!

Appendix iii: Draft copy of semi-structured interview guide for franchisors and franchisees of restaurants

The purpose of this research is to establish the critical success factors restaurant franchise systems entering the Kenyan market. The results of this study will contribute to the academic thesis for the award of Doctor of Philosophy in Hospitality Management at Strathmore University.

The duration of the interview session will be about one hour and will be audio recorded for purposes of analysis and report writing. The information given will be treated with utmost confidentiality and will be used for academic purposes only.

1. What does success mean to you?
2. How do you measure success?
3. What are the key areas which, as a franchisor/franchisee in the restaurant industry you must manage in a special way in order to ensure that your business succeeds?

Appendix iv: Screening questions for identifying focus group participants

Screening questions (adapted from McDaniel & Gates (2004))

1. Have you ever participated in:
 - a) One on one in person depth interview 1
 - b) Group interview with two or more participants 2
 - c) Mall interview 3
 - d) Telephone survey 4
 - e) Taste test 5
 - f) Other (specify) 6
 - g) None 7

1A. When was the last time you participated in a group interview with two or more participants

IF WITHIN THE LAST SIX MONTHS THANK AND TERMINATE.

1B. What were the topics of the group interview in which you participated?

IF ONE OF THE TOPICS LISTED BELOW IS MENTIONED, THANK AND TERMINATE

() Restaurant

() Franchises

1C. Are you currently scheduled to participate in any type of market study?

Circle

Yes 1 (THANK AND TERMINATE)

No 2 (CONTINUE)

1D. Have you eaten in a restaurant in the last month?

Circle

No 1 (THANK AND TERMINATE)

Yes 2 (CONTINUE)

1E. Would you like to take part in a focus group discussion on restaurant franchises

Circle

No 1 (THANK AND TERMINATE)

Yes 2 (CONTINUE)

1F. What is your age?

Under 20 21-25 26 – 30 30-35 36-40 over 40

1G. Are you male or female?

Male Female

1H. What is your occupation?

Kindly write down in the space below your full name, address and telephone contact:

Name: _____

Address: _____

Phone number: _____

THANK YOU VERY MUCH FOR YOUR COOPERATION. WE SHALL GET INTOUCH
WITH YOU ON THE SCHEDULE DETAILS OF THE FOCUS GROUP DISCUSSIONS

Appendix v: Focus group discussion questions

Question 1

What is your opinion about the eating out trend in Kenya?

Question 2

Why do people choose to eat out?

Question 3

Why do you choose to eat at the restaurant you go to?

Question 4

What keeps you going to the restaurant you have visited?

Question 5

What would make you never return to a restaurant you have visited?

Question 6

What is your experience with franchised restaurants?

Appendix vi: Restaurant Franchises in Kenya

Franchise Name	Max number of franchisees or outlets	Status by 2014
1. Kengeles	6	Only main one operating all the rest closed down by end of 2009.
2. Kula Korner	5	4 outlets were still running
3. Kenchic	32	Many opened and closed often (high turnover)
4. KFC (from 2011)	5 (all owned by one company)	Returned to the market and were still expanding
5. Steers (along with Debonairs Pizza)	8 (all owned by one company)	Stable but changed locations of some outlets from time to time
6. Wimpy	4	All closed by August 2013
7. Chicken Inn (Pizza Inn, Creamy Inn, Bakers Inn, Galitos)	10 (all owned by the same company Insscor Zimbabwe)	Stable and expanding but still owned by one company
8. Spur	3 (owned by one company)	Two still open
9. Subway	1	Entered market October 2013

Source: Developed for the study

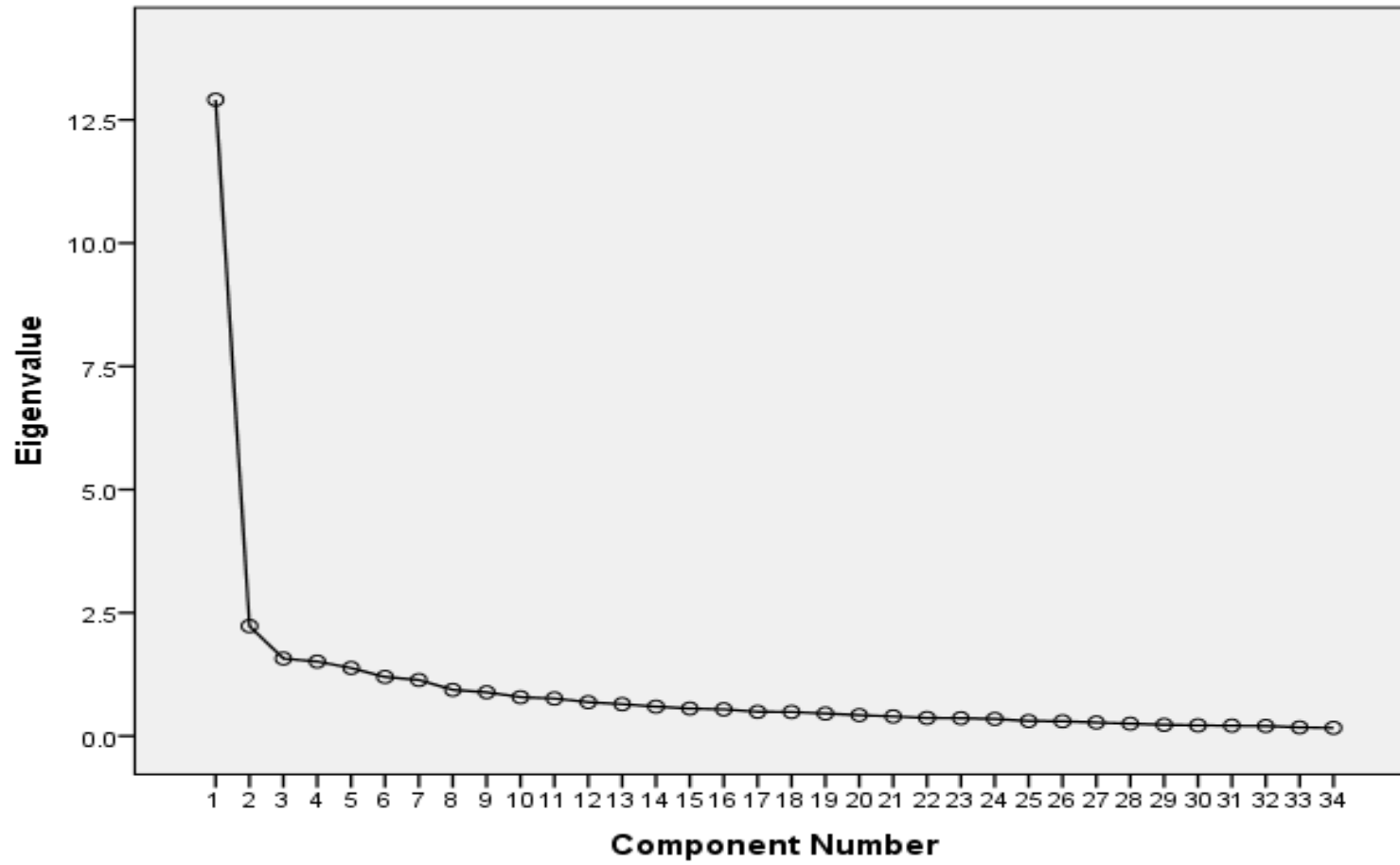
Appendix vii: Factor Analysis results

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	12.910	37.971	37.971	12.910	37.971	37.971	5.161	15.180	15.180
2	2.230	6.558	44.529	2.230	6.558	44.529	4.897	14.402	29.582
3	1.570	4.619	49.148	1.570	4.619	49.148	3.603	10.596	40.178
4	1.511	4.443	53.591	1.511	4.443	53.591	2.265	6.663	46.841
5	1.380	4.058	57.649	1.380	4.058	57.649	2.180	6.411	53.252
6	1.198	3.523	61.172	1.198	3.523	61.172	1.939	5.703	58.955
7	1.137	3.344	64.516	1.137	3.344	64.516	1.891	5.561	64.516
8	.937	2.755	67.272						
9	.889	2.613	69.885						
10	.789	2.319	72.204						
11	.760	2.237	74.441						
12	.688	2.024	76.465						
13	.646	1.899	78.364						
14	.597	1.756	80.120						
15	.558	1.642	81.762						
16	.541	1.590	83.352						
17	.492	1.447	84.799						
18	.488	1.434	86.233						
19	.456	1.343	87.575						
20	.424	1.248	88.824						
21	.397	1.169	89.993						

22	.366	1.077	91.070						
23	.362	1.066	92.135						
24	.347	1.022	93.157						
25	.305	.896	94.053						
26	.299	.878	94.931						
27	.274	.805	95.736						
28	.251	.738	96.474						
29	.228	.671	97.145						
30	.216	.635	97.780						
31	.210	.619	98.399						
32	.202	.594	98.993						
33	.176	.518	99.511						
34	.166	.489	100.000						

Extraction Method: Principal Component Analysis.

Scree Plot



Rotated Component Matrix ^a							
	Component						
	1	2	3	4	5	6	7
The décor in this restaurant is attractive	.775	.189	.143	.124	.207	.073	.119
The spacing between tables is adequate	.748	.191	.146	.201	.185	.030	.062
The chairs in the restaurant are comfortable	.739	.218	.145	.123	.232	.057	.131
The physical facilities of are visually attractive	.704	.241	.184	.099	.138	.010	.230
The music in this restaurant is well selected	.704	.219	.021	.031	.113	.082	.015
I feel safe in my transactions at this restaurant	.663	.291	.247	.109	.020	.006	.172
The environment in this restaurant is relaxing	.663	.144	.337	-.020	.002	.091	.019
The employees give me individual attention	.323	.718	.083	.183	.142	-.044	.115
The employees provide prompt service	.275	.710	.238	.208	.142	.091	-.005
The employees understand my specific needs	.139	.674	.068	.144	.347	-.013	.202
The employees have the knowledge to answer my questions	.337	.668	.169	.082	.182	.145	.013
The employees are consistently courteous with me	.414	.652	.189	.154	-.036	.096	.221
The employees are warm and welcoming	.249	.633	.295	-.010	.073	.252	.056
The employees are never too busy to respond to customer requests	.285	.627	.339	.131	.002	.148	.117

Rotated Component Matrix ^a							
	Component						
	1	2	3	4	5	6	7
The employees have a neat appearance	.480	.499	.198	.001	-.032	.103	.037
The products are always the same quality	.162	.311	.724	.132	.069	.222	.036
The products are always the same quantity	.223	.285	.672	.169	.102	.117	.143
The food hygiene standards are according to my expectations	.302	.193	.665	.061	.262	-.004	-.021
I feel safe from food poisoning in this restaurant	.265	.232	.640	.079	.240	-.037	-.085
The food prices are stable they do not change abruptly	.237	-.093	.510	.260	-.043	.150	.404
The products on the menu are always available	.100	.297	.508	.218	.357	-.253	.236
The location of the restaurant is convenient	.125	.054	.239	.729	-.142	.138	.128
They have adequate parking space	.249	.144	-.061	.629	.251	-.191	.268
They do not keep customers waiting for a longer time compared to other restaurants	.075	.230	.123	.552	.143	.264	-.314
The speed of service meets my expectations	.163	.375	.272	.542	.099	.343	.067
They always have what I expect	-.022	.413	.227	.427	.139	.157	.172
The menu has a large variety of choices	.287	.047	.125	.099	.694	.225	-.146
They often have new and exciting products on the menu	.253	.166	.198	.056	.658	.083	.324
The menu is flexible to my tastes and combinations	.135	.300	.327	-.012	.622	.143	.177

Rotated Component Matrix ^a							
	Component						
	1	2	3	4	5	6	7
They offer food at lower prices compared to other restaurants	.066	.048	-.058	.076	.226	.742	.109
The food and services offered are very good value for my money	.159	.300	.400	.198	.024	.574	.089
The food and services offered are very good bargain considering the prices	.027	.321	.277	.212	-.005	.500	.411
The restaurant offers bonuses and discounts often	.249	.207	.049	.046	.120	.103	.724
They inform the customers about the change of prices in good time before they change	.237	.257	.070	.210	.207	.376	.559
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.							
a. Rotation converged in 9 iterations.							

Table app.1: Success of franchised restaurants

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I like this restaurant	0.00%	0.26%	9.66%	38.90%	51.17%
I will keep on coming to this restaurant	0.26%	1.30%	13.54%	48.44%	36.46%
I will bring my family to this restaurant	0.78%	2.34%	15.62%	49.48%	31.77%
I would recommend this restaurant to my friends	0.52%	1.56%	11.98%	47.14%	38.80%
The restaurant has my best interests at heart	0.26%	5.21%	23.96%	40.89%	29.69%
The restaurant delivers what it promises	0.52%	2.08%	16.67%	44.01%	36.72%

Table app.2 : Summary of responses and descriptive statistics on convenience

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	SD
They do not keep customers waiting for a longer time compared to other restaurants	0.52%	1.82%	19.53%	43.75%	34.38%	4.10	0.81
The location of the restaurant is convenient	1.30%	1.56%	8.33%	30.99%	57.81%	4.42	0.81
The speed of service meets my expectations	0.52%	2.08%	19.01%	36.72%	41.67%	4.17	0.84
They have adequate parking space	4.43%	10.94%	21.35%	34.90%	28.39%	3.72	1.12
They always have what I expect	1.82%	2.86%	16.67%	31.77%	46.88%	4.19	0.94
Average						4.12	0.90

Table app.3 : Summary of responses and descriptive statistics on price

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	SD
They offer food at lower prices compared to other restaurants	5.99%	14.06%	29.95%	37.24%	12.76%	3.37	1.06
The food and services offered are very good value for my money	1.82%	2.34%	13.02%	44.79%	38.02%	4.15	0.86
The food and services offered are very good bargain considering the prices	2.60%	4.69%	20.05%	40.10%	32.55%	3.95	0.97
The food prices are stable they do not change abruptly	0.78%	1.30%	13.02%	42.97%	41.93%	4.24	0.78
The restaurant offers bonuses and discounts often	8.85%	12.50%	18.23%	35.94%	24.48%	3.55	1.23
They inform the customers about the change of prices in good time before they	6.25%	11.72%	16.93%	30.47%	34.64%	3.76	1.22
Average						3.84	1.02

Source: Developed for this study from data obtained from questionnaire in appendix ii

Table app.4 : Summary of responses and descriptive statistics on product mix

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std
The menu has a large variety of choices	1.04%	4.43%	18.75%	44.27%	31.51%	4.01	0.88
The products are always the same quality	0.52%	1.04%	13.28%	45.31%	39.84%	4.23	0.75
The products are always the same quantity	0.52%	2.34%	17.97%	38.54%	40.62%	4.16	0.84
The products on the menu are always available	1.30%	4.17%	20.57%	38.28%	35.68%	4.03	0.92
The menu is flexible to my tastes and combinations	1.83%	4.96%	21.67%	42.30%	29.24%	3.92	0.93
They often have new and exciting products on the menu	4.17%	10.16%	32.55%	33.33%	19.79%	3.54	1.05
The food hygiene standards are according to my expectations	0.26%	1.04%	11.72%	39.58%	47.40%	4.33	0.74
I feel safe from food poisoning in this restaurant	0.78%	1.04%	10.42%	39.32%	48.44%	4.34	0.77
Average						4.05	0.88