

Karolina Grzelak, Marek Matejun
Department of Management, Lodz University of Technology

FRANCHISING AS A CONCEPT OF ENTREPRENEURSHIP DEVELOPMENT IN THE SME SECTOR

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1. Introduction

Franchising is a concept whereby independent entities embark upon mutual cooperation, as a part of which the franchisor (as the system's organiser) transfers onto the franchisees, in exchange for an appropriate fee, the recipe for a particular business activity and how it should be operated. The relationships between those entities are based on a contract and lead to the creation of a franchise network, constituting of entities that are independent legally, in terms of ownership and financially, who are at the same time homogeneous from the point of view of those purchasing offered products or services [compare to Chmielarski 2002, p. 218-219]. The core type of entities that operate as franchisees in majority of networks are micro, small and medium-sized enterprises (SMEs), who find the franchising concept to be a great opportunity of obtaining support towards their entrepreneurial activities.

Taking the above into account, the **aim of this paper** is to present the capabilities of applying the concept of franchising in the development of entrepreneurship in the SME sector. In order to achieve this aim, empirical research has been conducted in form of a case study, having selected by means of purposive sampling the „Iza” enterprise, a franchisee operating as a part of the “Żabka” network. A detailed research method used was the unstructured interview with the company owner and the method of document analysis. During the empirical work particular attention was paid to the conditions, determinants and effects of franchising in stimulating the entrepreneurial activities of the researched company.

2. Characteristics and importance of franchising in entrepreneurship development

The development of entrepreneurship in the SME sector is closely related to the release of private initiative and intellectual activity that focuses on generating wealth through the synergy of properly combined manufacturing factors. It is directly linked to making the most of opportunities and avoiding market threats, implementation of new ideas and innovation, as well as readiness to take calculated risks [Borowiecki, Siuta-Tokarska 2008, p. 32]. As a result of these activities, one can observe not only the increase in the number of active enterprises, but also greater development perspectives for many micro, small and medium-sized enterprises. This further leads to a great number of positive economic and social effects [see further in: Lachiewicz 2003, p. 16-20; Piasecki 2001, p. 76-79].

Activities of the SME sector companies are however limited by a multitude of external [see further in: Matejun 2007a, p. 110-118] and internal [see further in: Matejun 2007b, p. 122-124.] development barriers. What can also appear in the process of entrepreneurship [Safin 2008, p. 11-13] is the deficiency of creativity, lack of competencies, or limitations in terms of motivation of resources. Should such situation occur, the entrepreneurs should focus on identifying and making the most of the opportunities resulting from the application of various forms of supporting private initiative, resourcefulness and generating income.

One of such **concepts is franchising**, which is the system of selling goods, services and/or technology operating based on a written contract signed between two legally, financially and fiscally separate and independent enterprises – a franchisor and each of his individual franchisees, a system through which the giver allows the recipient the right, at the same time imposing an obligation, of running a business in accordance with the franchisor's concept and business model [Franchising: a Vector... 2011, p. 2]. The basic **characteristic features** of system defined in such a way are [Tokaj-Krzewska 1999, p. 11-12; Ziółkowska 2010, p. 24-31]:

- originality and uniqueness of the proven and standardised business idea the concept is based on,
- the brand that works as the factor stimulating demand,
- licencing of the manufacturing or intellectual property rights package and the operating system, that is composed of: know-how, patents, copyright, trademarks, operating manual, a set of developed operating schemes and business procedures,
- support for the recipients provided by the giver of the system, in a continuous and comprehensive manner,
- the network nature of cooperation developed as a part of vertical integration between the partners,

- fees issued by the recipient to the franchisor in return for the services determined by the contract, that are related to the use of the concept.

As opposed to other types of trade contracts, voluntary relationships and ventures, franchising focuses primarily on marketing and is related to such areas as: financing, consulting, accounting, or management. It is often described as the “cooperative marketing system”, and the feature that distinguished it from other contracts is the sale of a complete marketing system [Famielec 1992, p. 67-69].

Despite the general framework of characteristics, franchising is a very non-homogeneous concept, which leads to identification of **its specific types**. These can be classified based on criteria such as [Stecki 1994, p. 108-110; Wojnarska, Bublewicz 2007, p. 127-128; Tokajuk 2008, p. 287; Filipiak, Ruszała 2009, p. 197-198]:

- the type (subject) of business activity, based on this criterion one can distinguish: production, service, distribution and mixed franchising,
- forms of relationship (organisation) between the giver and the recipient, which becomes the basis of division of franchising into: direct, indirect, individual, subordinate, multiple or subfranchising,
- the type of know-how transferred, in case of which one can identify: product distribution franchising or business formula franchising,
- territorial range, which leads to the division into national and international franchising,
- other criteria, applying which one can list e.g.: conversion franchising, mini franchising, interrelated, “turnkey” or cooperational franchising.

Due to its specific character and broad possibilities of application in economic practice, franchising is often described as a form of close, **long-term contractual cooperation** between two legally independent entities [Haus, Lichtarski 2001, p. 357]. What is stressed is the very strong, functional character of cooperation, as a result of which the market identification of the franchisee disappears [Połomska-Jasienowska 2011, p. 220-221]. The discussed concept is also treated as **a source of long-term financing** for the enterprise, as a part of which fees issued by the franchisees become a defined and often significant source of capital [Skowronek-Mielczarek 2003, p. 83-85]. While from the point of view of the recipients, franchising allows to obtain means, equipment, consultancy, cheaper resources, materials, and even an easier and cheaper access to other sources of funding, which the franchisee would normally have to pay for himself [Piecuch 2010, p. 128].

The concept of franchising is often closely related to **the development of entrepreneurship in the SME sector**. The giver of an original, proven and standardised business idea is in most cases a large enterprise, renowned and respected in the market, its worth (trademark, brand, operating procedures, organisation, know-how) being the subject of franchising [Banachowicz, Nowak, Starkowski 1999, p. 23]. Yet when it comes to franchisees, most of them are micro, small and sometimes medium-sized enterprises, for which the concept described becomes one of the forms of supporting their activities.

Source: Grzelak, K., & Matejun, M. (2013). Franchising as a Concept of Entrepreneurship Development in the SME Sector, In M. Matejun & A. Walecka (Eds.), *Modern Entrepreneurship in Business Practice: Selected Issues* (pp. 47-61). Lodz: Lodz University of Technology Press.

Such companies contribute at the same time to the development of the whole franchise system through their activity, entrepreneurship and initiative, knowledge of the local specificity and continuous attempts to achieve market success. What can be therefore observed is the synergy of connection between the large scale of operation with the entrepreneurial manner of operation on a micro scale, focused on decentralisation, flexibility, while at the same time being able to benefit from the economies of scale [compare to Ziółkowska 2010, p. 25-26].

Cooperation understood in such a way, as a part of franchising, is a source of a number of benefits enabling the development of entrepreneurial activities in micro, small and medium-sized enterprises. On the other hand its application may also become a source of some barriers and threats. Positive and negative aspects of applying the above discussed concept of developing entrepreneurship of the SME sector companies are presented in table 1.

Table 1. Positive and negative aspects of applying the concept of franchising in the development of entrepreneurship in SME sector companies

Benefits	Drawbacks
of using franchising in entrepreneurship development in the SME sector	
<ul style="list-style-type: none"> – opportunity to base one’s business activities on proven market concept and a known brand. Enables to e.g. limit the entry barriers and lower the level of risk of running a business – opportunity to start a business activity also in case of a person without the proper preparation in terms of knowledge and capabilities, – content-related, technical and organisational knowledge provided to the recipients by the franchisor, – access to the benefits of the economies of scale, – opportunity to gain experience in running one’s own business, based on the modern management methods, – opportunity to gain stable economic and financial benefits. 	<ul style="list-style-type: none"> – limitation to one’s own initiative and innovativeness resulting from the necessity to work based on a model proposed by the system’s provider, – necessity to engage relatively large amount of finance in order to join the system, – significant dependence on the franchisor’s strategy and economic as well as financial condition, – lack of full freedom in managing one’s own business, with respect to e.g. ownership changes, restructuring or selling one’s company, – growth limitations imposed on the company, referring to e.g. product or market development, or territorial expansion.

Source: Author’s own work based on [Malara 2009, p. 283-284; Piecuch 2010, p. 129; Ziółkowska 2010, p. 48-55].

Should a SME sector company operate for a longer period of time in a franchise network, this may be related to assuming different directions of development:

1. **Decline orientation**, in case of which the entrepreneur is planning on resigning from the business activity. It is a result of there being a majority of unfavourable effects of using franchising and it leads to e.g. the owner considering taking on a job working for somebody else.
2. **Conservative orientation**, as a part of which the company continues cooperation within the current scope of activities, not embarking on pro-developmental activities. Such approach is in particular dangerous as it leads to the increase of dependency on the system's provider.
3. **Developmental orientation within the current network**, in case of which the entrepreneur plans for opening further posts or significant increase of the scale and scope of activities as opportunities appear provided by the franchisor.
4. **Developmental orientation within a new network**, which is related to the entrepreneur deciding to change the franchising system. Such a decision can result from the fact that a new, attractive system appears, and the important benefit of the company is in this case the experience gained throughout the current cooperation as a part of franchising.
5. **Developmental orientation within one's own network**, in case of which the entrepreneur resigns from activities within the current franchise system and focuses instead on creating and developing their own concept of business, offered later on in the form of a franchise. Such direction of development results from the entrepreneurial and innovative nature of the entrepreneur and significant business experience gained through current activities. However it is related to the necessity to invest significant amount of money in order to develop the concept and recruit the first franchisees.
6. **Developmental orientation outside of the franchise network**, in case of which the entrepreneur resigns from cooperation in form of franchising and based on the market experience gained starts to run their own, conceptually independent, business.

Suggested directions of development are linked to undertaking activities that have a varied intensity when it comes to acting entrepreneurially, and the different types of orientation are characterised by the increase of activity, creativity and innovativeness. Embarking on them is also related to different development perspectives when it comes to one's own business, which is presented in table 2.

As it can be concluded from the above considerations, use of franchising can bring numerous benefits related to the development of entrepreneurship in the SME sector. Despite the presence of certain limitations, this concept is a form of supporting micro, small and medium-sized enterprises that is very willingly applied and used. First of all it grants the possibility of running one's own business to those, who may not have the appropriate experience and/or sufficiently large amount of funding. Moreover it should be stressed that operating in a franchise network for a longer period of time can become the basis for embarking upon entirely new initiatives with high level or

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entrepreneurship and very high perspectives for the development of one's own business.

Table 2. Entrepreneur's directions of development resulting from longer operation in the franchise network

Type of orientation	Intensity of entrepreneurial activities	Perspectives for the development of one's own company
Decline orientation	negative	highly unfavourable
Conservative orientation	very low	little
Developmental orientation within the current network	medium	high
Developmental orientation within a new network	medium	high
Developmental orientation within one's own network	very high	very high
Developmental orientation outside of the franchise network	very high	unlimited

Source: Author's own work.

3. Research methodology and characteristics of the analysed business entity

In order to achieve the aim of the paper, empirical research has been conducted in form of the case study of the "Iza" company, a franchisee (franchise holder) running a business as a part of the network created by Żabka Polska S.A. The company was selected by means of purposive sampling, taking into account factors such as:

- personal relationship with the company enabling to gather the materials necessary to conduct further analysis,
- relatively long period of operating and substantial experience of the company within the franchise network,
- operating a business on a small scale and the fact, that the business can be classified as a micro-enterprise.

Conducting the research, two detailed research methods were used: **interview method** and the **method of document analysis**. In case of the interview, the unstructured interview technique was applied, as a part of which the research tool was the interview disposition sheet. The aim of this part of research was to assess the conditions, determinants and effects of the selected enterprises' existence within the franchise system with particular focus on the influence this concept has on the development of entrepreneurial activities. The respondent providing answers was the business owner of "Iza". She is aged between 40 and 50, with higher education degree in economy.

During the document analysis two research techniques were used: formal analysis and the content analysis. In this case the source of information for this

part of research was the franchising agreement signed by the analysed company. The formal analysis covered the form of the contract agreement, date of signing, signatures, determination of the duration of the contract, number of copiers, as well as confirmation that the contract contains the relevant attachments and annexes. The content analysis focused mainly on the assessment of contract clauses and their influence on the researched business entity's operations.

"Iza" started its operations in 2001 by opening a grocery store. After 3 years the owner opened a new store, and since 2006 she has been cooperating with "Żabka" network, as a part of franchise system. Currently the company runs two stores in this system, and the area of its operations is Turek, a town in Greater Poland voivodeship, in Poland. The company now hires 4 people, 3 of them on a full-time basis and the other part-time. It is an example of a family business, as members of the family help out in running the store: the mother, husband and owner's daughter.

"Iza" is a franchisee operating as a part of the "Żabka" network, owned by Żabka Polska S.A. It is a network of nearly 2400 convenience stores, offering selected known brand products and a wide range of additional services, under the label of Green Counter. In 2009 Żabka Polska started creating a new network of convenience stores in a deli style, branded Freshmarket. At present there are circa 60 shops of this type all over Poland.

Stores belonging to the Żabka network are managed by franchise holders as their own businesses, based on a cooperation agreement signed with Żabka Polska S.A. The people who may become franchisees are those wishing to set up their own business and who pass the recruitment and training process. Positive result of the recruitment process depends largely on the individual predispositions of the candidate in terms of working in trade, entrepreneurship and interpersonal skills.

Żabka Polska is a company managed in a modern way, based on proven rules. Use of the best trade practices is one of the priorities of the management, who are high-class specialists in the area of management, marketing, finance and sales. The key element of the network is the central system of administration, based on the matrix structure. Thanks to such a model it is possible to exert control effectively when it comes to the administrative, logistic, marketing and financial side of the business, as well as to execute the rules of corporate governance and best practices that are valid in the company.

A great challenge in the management of Żabka Polska S.A. is decentralisation of the assortment policy in terms of local products. Żabka stores have different location – these are both shopping centres, city housing estates or suburbs on the outskirts of large agglomerations. Competitiveness is dependent on the particular location, therefore the selection of a part of the products on offer is entirely up to the franchisee, who is far more aware of the competitive structure in their environment and compliments the shop's offer with the most popular regional products.

This concept creates favourable conditions for stable employment for the Franchisee and a possibility to maintain attractive remuneration and a wide range of support. It seems people prefer solutions, whereby “Żabka” becomes the workplace for both the franchise holder, as well as their family, therefore it becomes a family store.

In case of their product manufacturers and suppliers, Żabka Polska S.A. offers the opportunity of entering a large and modern chain of convenience stores in Poland. As a result each company cooperating with Żabka Polska S.A. is able to sell their products to hundreds of customers of the network, all around the country every single day. Each manufacturer embarking upon their cooperation with Żabka Polska S.A. becomes a part of the goods distribution system, originating in two central warehouses, to Żabka stores all around the country. Such a solution implemented by the company enables efficient organisation of all promotional activities and trouble-free introduction of new products to the offer. A national scope of the network enables the manufacturers to reach a large group of customers in nearly 2400 stores. An additional benefit for the manufacturers is the option of advertising their own products via the promotional materials that are made visible thanks to proper exposition in each of the stores in the network.

4. Contract as the basis of operation in the franchise system

The contract is the foundation based on which relationships between the franchisor and franchisee are created. The franchise agreement is one of the so called an **innominate contracts**, e.g. those that are governed by the regulations in the civil law. Both of the parties signing the contract can quite freely shape their content. Lack of regulations does not however mean total freedom in formulating the clauses. As per the rule of freedom of contract that is in effect in Polish law, the parties may sign an agreement according to their wishes, provided its contents or aim does not contradict the nature of the legal relationship, the act or the rules of social conduct. The freedom of contract, when described in such a way, sets the boundaries in creating franchising contract agreements.

The contract signed by “Iza” has been subjected both to the formal analysis as well as the content analysis. **The formal analysis** indicates that the contract is in the form of a regular written agreement. It has been signed on 22nd February 2006 in Turek, Poland. The contract specifies the parties: franchise holder (franchisee) which is the entity running the store, and the Head Office (franchisor), which is Żabka Polska S.A. The next element of the contract is the preamble containing the characteristics of the franchisor and the aim of the agreement, which is to establish cooperation with regards to business operations in the “Żabka” network. The formal element is also the determined duration of the contract, which in this case is indefinite. Two copies of the contract have been drawn up, one for each of the parties and both have been signed by: the

franchise holder and the members of the board of directors of Żabka Polska S.A. The contract also contains the definitions in use as well as attachments (e.g. the list of trade goods, the list of suppliers).

The **content of the contract agreement** there are clauses that bear significant importance to the development of entrepreneurship in the analysed company: the clause on underlying assumptions of the contract, franchisee's duties, sublet, franchisee's income and guarantees made by Żabka Polska S.A., penalty charges, duration of the contract and final decisions.

As a part of the **underlying assumptions of the contract** the parties state, that they establish business cooperation that is the franchisee operating a trade and service business in the premises Żabka Polska S.A. is legally entitled to. Moreover the parties jointly decide that they predict in the future the possibility of the franchise holder to operate further trade and service business in consecutive premises and such cases shall be noted in the annexes to the contract. Such an annex will be attached to the contract and refer to the second store operated by the analysed company as a part of Żabka network.

The franchisee operates the business at their expense and in their own name. Their task is to run the store within the following assortment groups of products: press and magazines, tobacco, alcoholic beverages, confectionery, ready to serve meals, fresh baker's goods, groceries, cosmetics and household chemistry, as well as services rendered at the premises.

The next section of the contract describes the **franchisee's responsibilities**. The franchise holder should possess and develop their professional knowledge as to the regulations on business operations and may at any given time be audited by the Head Office. The premises should be kept in good technical condition and there may be no changes and improvements introduced without approval by the Head Office. The franchise holder is obliged to maintain contact with the franchisor, participate in any control activities and in training organised by the Head Office.

The franchisee's duties are to order, purchase and sell products in a manner agreed by Żabka Polska S.A., as well as provide services defined by the Head office. The franchise holder operates a trade and service business in "Żabka" stores applying and adhering to the Instruction and Guidelines prepared and supplied by the Head Office. He/she must hold at least one item of each of the products on the Trade Goods List and strictly adhere to payment deadlines for goods and services.

Another of franchisee's responsibilities is to make every effort and perform all necessary actions in order to ensure a maximum level of net turnover throughout the time of running a business. The franchise holder is also obliged to send reports on sales and to provide access to printouts from the cash register when requested by an authorised representative of the Head Office.

The next clause regulates the issue of **sublet**. As the contract states, Żabka S.A. provides the franchisee with specific premises including the insured equipment. The following clause defines the charge for sublet, determined as a

lump sum for a given calendar year. It is to be paid by the 10th of each month to the bank account indicated by Żabka Polska S.A. Additionally the franchisee, in their name, incur all of the costs related to the use of the premises and its equipment, excluding the electricity, rent, insurance, equipment insurance and security of the premises.

The next part of the contract refers to the **franchisee's income and guarantees by Żabka Polska S.A.** The franchisee's income is the retail profit margin e.g. the amount of money resulting from the difference between net sales price and net purchase price. In case of a franchisee who, having opened the store, has not made – in a given month, for three consecutive months – net profit of 6500 zł, the Head Office, if requested by the franchisee, guarantees to cover in that period the difference between the income obtained and the amount of 6500 zł.

Another important part of the contract provides regulations on the **penalty charges** to be paid by the franchise holder in case of breach of contract. Such penalty charges are imposed in the following cases:

- breach of contract with regards to the duty of ordering, purchasing and selling only those products that are offered by the Head Office,
- breach of contract with regards to recording all of the sales made with the use of the cash register.

The next part of the contract determines the **duration of the contract agreement**. As mentioned above, the contract is indefinite, however the parties have the right to terminate it provided they have given the other party thirty days' notice. The Head Office can also terminate the contract effective immediately or impose a penalty charge in cases of the franchisee:

- failed to perform the responsibilities described in the contracts,
- did not comply with the Instruction and Guidelines provided by the Head Office,
- committed, while the contract was effective, a crime or an offence related to operating a business,
- acted to the detriment of the customers,
- acted to the detriment of Żabka Polska S.A.

In order to secure the Head Office's claims, the franchisee signs an "in blanco" promissory note, vouched for by two physical persons, signatures attested by the notary with a promissory note statement.

The last clause refers to the **final decisions**, which determine that e.g. the franchisee will incur in their name and expense all of the costs of business operations, referring to e.g. the purchase of the cash register, or the insurance for the goods in the store. The store managed by the franchise holder is always open for the customers 7 days a week from 6am to 11pm – excluding 24th December, when it closes at 4pm. All amendments to the opening hours must be approved by the franchisor in writing. In addition both parties agree to the VAT invoices being issued without signatures.

As can be concluded from the above analysis, the contract contains all of the required elements and clauses. Both in terms of its form as well as content it

meets the basic criteria of a well composed agreement. The contract indicates that the franchisee is operating their own business, however is responsible for its development to a very limited extent. He is obliged to strictly adhere to the instructions and guidelines provided by the franchisor. There is no possibility of making independent decisions as to the scope of the business operations or promotional activities. On the other hand the franchisee does obtain significant support from the Head Office, which passes along reliable and proven know-how. It is especially important for those, who have not had the chance to gain greater experience, and would like to try one's hand in the market game.

5. The influence of franchising on entrepreneurial activities of the researched company

Żabka Polska S.A. believing in the great importance of proper preparation of the managerial staff of their stores invests in the development of human resources and in modern management systems. Each franchisee candidate is thoroughly trained during a four-week course combined with placement in selected "Żabka" stores. The cost of training and accompanying materials is entirely covered by the franchisor. Having completed the training, the franchisee is given a fully equipped modern store, know-how, is guaranteed the delivery of goods to the store including the convenient payment deadlines. Such a solution creates stable and attractive conditions for franchisee's professional activities.

During the interview the respondent said that while operating the business she is obliged to cover the costs resulting from setting up a business, the purchase of the cash register and the monitoring set for the premises, barcode scanner and scales, the supply of regional products, employing people as well as covering any resultant losses (e.g. the goods being past their best before date or being stolen). She underlined the fact, that "Żabka" does not require issuing a signing-up fee.

The respondent assesses the **level of support** provided by the franchisor in setting up her business to be **significant**. She obtained know-how and a set of instructions and guidelines regulating the operations of the stores within the chain. Additionally she has completed a thorough training covering all of the areas of running her own business, including human resources management. She also pointed to the fact, that the Head Office employees are always ready to support and help the franchisees. In the structure of the network each store is allocated a sales partner, who provides help in solving day-to-day problems and in selecting appropriate personnel.

For the owner of "Iza" a crucial part of the support was being provided with a refurbished and equipped store with full supplies and know-how as to how to maintain uniform standards of customer service. The respondent stressed that despite having the freedom of operating in a franchise network as an independent and autonomous entity, she values the opportunity of operating under a recognisable brand. In her opinion a known brand becomes the basis

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of market success in the modern economy and certifies the high quality of products. Żabka makes effort to promote their stores. The promotion takes place via television commercials, promotional magazine or posters. It is also the cashiers who are all obliged to inform the customer of the promotions available in a given month. Making a decision to enter franchising the owner of the researched company was also driven by the fact she would be provided with better protection against the competition.

During the interview the respondent has listed the basic directions of entrepreneurship support that result from cooperation as a part of the franchise. Those benefits have been assessed on a scale of 1 to 4, the scores having the following meaning: 1 – activity does not support entrepreneurship, 2 – little support of entrepreneurship, 3 – medium level of support of entrepreneurship, 4 – activities highly supporting entrepreneurship. Short characteristics of each of those activities, alongside the respondent’s assessment, are provided in table 3.

Table 3. The directions of entrepreneurship support in the researched company resulting from the cooperation in the franchise network, with the respondent’s assessment

Direction of support	Characteristics	Assessment
Know-how	Each franchisee is trained in the area of setting up and running a business. The training is funded by the franchisor.	4
Operating under a recognised brand	The franchisee operates their own business, however under the brand of a large network. This guarantees better protection against the competition.	3
Profit gained based on the margins	The profit is gained based on the margin, 3-8% of the sales.	2
Instructions and guidelines	Franchisee is provided a set of instructions and guidelines on operating the business.	3
Being provided the premises and equipment	Franchise holders are given refurbished premises with equipment.	4
Financial rewards	Rewards can be gained for the good assessment of the store by Żabka S.A. and depending on the turnover.	3
Franchisor promoting the store	Promotion of the entire network is the responsibility of the franchisor. The marketing strategy is implemented centrally, on a national level.	4
Training	During the cooperation the franchisor provides for the franchisees training and courses covering all issues and areas of running one’s own business.	4
No signing-up fees	There are no signing-up fees.	4

Source: Author’s own work based on the interview.

Other benefits that result from cooperation with Żabka Polska S.A. listed by the respondent are:

- possibility to gain experience and broaden one's knowledge on trade,
- profit earned based on the margin or 3-8% on goods sold,
- monthly transfers of additional funding made by the franchisor to the franchisee dependent on the turnover,
- financial rewards awarded for good store management, based on the so called Store Assessment Checklist. The method is based on verification by an unknown person (franchisor's employee) the procedures of store management and their assessment as to adhering to the contractual agreement clauses. The assessment takes into account: customer service, approach to the customer, cleanliness in the store, arrangement of products, supplies, being informed of the current promotions. Based on these points can be scored, which are exchanged into PLN and later paid to the owner as a reward. The franchisee can also be charged with a fine if neglect and oversight is found,
- visits to the store taking place once a month enabling to maintain the high standards of service.

The respondent assesses her operating as a part of Żabka network to be a **very good solution** supporting entrepreneurship. Ms Izabela is most pleased with the cooperation because of the possibility to participate in training, as well as the extent of support in terms of the concept for operating one's business. A very important aspect is the fact, that there is no requirement of paying the signing-up fees and the entrepreneur does not have to worry about the premises or the equipment. Apart from that the franchisor guarantees central promotion of the whole network. In respondent's opinion this is a very valuable opportunity, as she believes her competencies to be insufficient when it comes to promotion.

The respondent indicated the profit based on the margin to be the activity supporting entrepreneurship to a small extent. Ms Izabela believes the level of profit offered is too low and has she been running her own business without the cooperation within a franchise, she would have a higher profit margin and hence a greater profit. However in her opinion the current cooperation has far more positive effects than negative ones.

The owner of "Iza" company **plans to continue the cooperation with the "Żabka" network**. The respondent underlined the fact, that she does have a comparison between operating a business as a part of a franchise and operating as an independent, autonomous entrepreneur, as she had been managing her own shop before she decided to cooperate with Żabka Polska S.A. Having run a business independently for several years she decided to cooperate with the network, as the increasing competition caused her business to stop being profitable. In her opinion signing a franchising agreement has brought her the expected results, e.g. business being more renowned and her profits reaching a stable level as a result of operating under a known brand. This caused her in time to open a second store in the Żabka network.

6. Summary

Franchising is a very interesting concept of developing entrepreneurship in the SME sector. Its essential benefits include being able to base the business operations on a proven market concept and a known brand, as well as the significant content related, technical and organisational support provided by the franchisor. Such benefits have also been observed in the company subjected to empirical research, related to the subject discussed and analysed.

Although the respondent participating in research assesses the use of franchising in a very positive manner, what should be pointed to is the fact that such concept of running a business has significant limitations. It seems franchising is suitable rather for those with **moderate propensity** to embark on entrepreneurial activities. It is indicated by the necessity to strictly adhere to rules and guidelines of running the business defined by the system's organiser. Breach of agreed upon clauses can result in fines imposed, which become a liability also on the owner's personal properties.

It is worthwhile to consider the use of franchising also in the long-term perspective. In this case the effects of gaining significant experience in running a business, as well as economic and financial successes, can translate into the entrepreneur turning to a pro-developmental orientation with a very high level of activity, creativity and innovativeness. These effects will also be related to a substantial increase in terms of development perspectives of one's enterprise.

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