



## FRANCHISING AS AN INSTRUMENT OF INTEGRATION IN HIGHER EDUCATION

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**ABSTRACT. Background:** It can be observed recently, that the sector of educational services is seen to have potential of changes in the system of the higher education. The problems of this area are more and more visible ones along with the growth of its competitiveness, which are a consequence of demographic changes and the maladjustment of an educational offer to the need of the labor market. Therefore, the tendency to the concentration seems to be more and more distinct and fully justified one, especially for private universities. The franchising seems to be a mechanism, which is most predestined for this type of actions covering the area of educational services. The essence and the possibilities of the implementation of franchising methods are presented in this paper. The process of creation of a franchising system and factors determining its choice as well as the mechanism of its implementation in the education were described.

**Methods:** The paper is based on the analysis of literature sources and indicates the possibility to use the potential of franchising in the management of a university. The attempt was made to present this problem in the context of a franchisor and a franchisee as well as possible market changes.

**Results and conclusions:** The paper is a study of the literature and uses the experiences of the implementation of franchising in various services areas. Its purposefulness as well as the possibilities of its application in higher education was shown. The lack of results of researches in this area makes impossible to precise the system and the scope of its implementation. The need of such researches was shown as well as the need of preparing a report showing the existing facts and possibilities to use franchising methods in this area.

**Key words:** management, services, education, higher education, franchising systems, franchising, franchisors, franchisees.

### INTRODUCTION

Franchising is quite new and special type of economical and business relationships in Poland. Therefore there are not enough results of researches or legal solutions. The associated terminology raises also a lot of controversy. Initially, English description “franchising” or French “franchise” (privilege) was used in this context. However, the Council of Polish Language acknowledged already in 2001 the word “franczyza” to be a correct and proper one.

However, both previous descriptions are still in use in the literature.

The turbulent environment and especially changing demand and its qualitative requirements for educational services offered by universities allows to make an assumption, that franchising can be an institution to be used to stabilize and to develop this market in the intended direction.

The globalization and the internationalization of many business areas, including the

educational one, leads to the franchising implementation [Burzio 2010, Pecerskaja 2009]. The globalization creates gaps on national markets, which enables to adopt the international proposals concerning franchising methods. It could also concern educational services which implement the distance learning. The internationalization of educational services at the higher level (originated by Bologna Declaration) causes to begin the cooperation with foreign universities. There are also proposals of franchising in this area.

### **THE IDEA OF FRANCHISING AND REASONS FOR ITS IMPLEMENTATION**

There are many reasons of franchising. The European Franchising Code gives following definition: Franchising is a system of sales of goods, services or technology, which is based on close and continuing cooperation between financially and legally independent enterprises, between franchisor and its franchisees [Ziółkowska 2010]. The other definition describes franchising as the relationships between market partners, where the owner of goods, services or technological process gives a right to sell them under the name of the owner and on his/her conditions. Additionally the owner receives some financial benefits for that relationship [Sztucki 1998]. Therefore, the franchisee profits from the reputation and experiences of the franchisor.

As it can be stated in above-mentioned definitions, the franchisor devolves on the franchisee (being independent company) rights and obligations to conduct business operations according to his concept. Franchising is based on the agreement, where the frameworks and the period of the duration of the cooperation between parties is determined and settled.

Initially the franchising system was used mainly in the distribution of goods, but gradually together with the growth of the globalization and the competitiveness, it began to be used also in other areas of the business. It was implemented in the growing number of branches, especially in the dynamic area of

services. The franchising system in this area takes benefits from the brand (whose reputation stimulates the demand), know-how of the donor as well as his support. The acceleration of the development of a company and the integration among services companies is the effect of the implementation of a franchising method. It could give an effect in higher quality of more professional attitude in offered services. Of course, signing the franchising agreement results, as it was already mentioned, in the obligation to pay charges in favor of the franchisor.

It should be emphasized that franchising may appear in the form of various connections depending on the business type, the type of business connection or the form of business activities as well as relationships between contracting parties. Therefore there are many forms of the franchising agreement. One of them is the service franchising, when the subject of the agreement is the procedure of services and the need of obeying procedures in exchange for using the donor's brand. In such a case, usually the direct (individual) franchising comes in use, which enables to tighten relationships and cooperation between partners. All activities and cooperation is strictly between partners, which are contracting parties. The franchisor conducts all services, covered by the agreement, personally in favor of the franchisee. The franchising agreement is a new concept in Polish law, without strict legal regulations. It causes many difficulties connecting with its implementation into practical solutions. The additional difficulty is the fact, that the franchising agreement is an agreement of no special name. It connects elements of many various agreements such as: sales, license, agency and joint-venture one. The giver of the franchising agreement should provide the model of business activities within the frames of proposed system. At the other side the franchisee receives a packet of rights and obligations, which creates certain rules of the conduct. The big part of his obligations is related to the care of brand and image of the franchisor.

## **DETERMINATES OF IMPLEMENTATION OF FRANCHISING ON THE MARKET OF EDUCATIONAL SERVICES**

As it was mentioned already before, educational services are a special type of business area, where franchising can be used. The main subject of franchising in this area is the service procedure using the brand and logo of a franchisor, especially these which have a great market value.

It is especially important in case of higher education in Poland due to few reasons. The first one - the choice of the university by a candidate is based on his faith in the high educational level of a university and its ability to train professionals according to the demand of the labor market. Therefore the image of the university, its identity and a valuable brand is of big importance. These features are created over long period of time, being a valuable intangible asset, which requires constant attention. This attention and care for the brand value and offered services requires decisions related to areas of intended and unintended relationships, in which the university is a party as well as to develop appropriate operating procedures. It also confirms an assumption that at present universities cannot operate in the isolation from the environment. This situation occurs particularly in case of big competitiveness on the educational market in connection with decreasing number of candidates (due to demographic reasons), which could be observed especially in Poland. This issue is connected with activities and the growth of so called "social responsibility" of the organization. It means long-term realization of the aim of the organization while developing right relations with stakeholders and operating in accordance with law and ethical standards [Gasparski 2004]. This responsibility is especially important in educational services and at the same time very difficult to be precisely defined.

The quality of educational services is difficult to be measured and to be assessed. Generally it is defined as an indicator how much the realization of a service meets the expectations of a client [Mazur 2002]. Taking

into account the previously given definition of the quality, it is difficult to precise this responsibility in the area of educational services.

There are many factors, which have influence on the quality like a syllabus and a scope of the knowledge, i.e. an educational minimum which should be fulfilled. Yet this scope is not always fully accepted by clients. Therefore it is necessary to maintain above-mentioned relationships with the environment of the university. The orientation of some universities only "inside", the faith in its tradition and lasting value is very often the reason of the decrease of brand value of such universities.

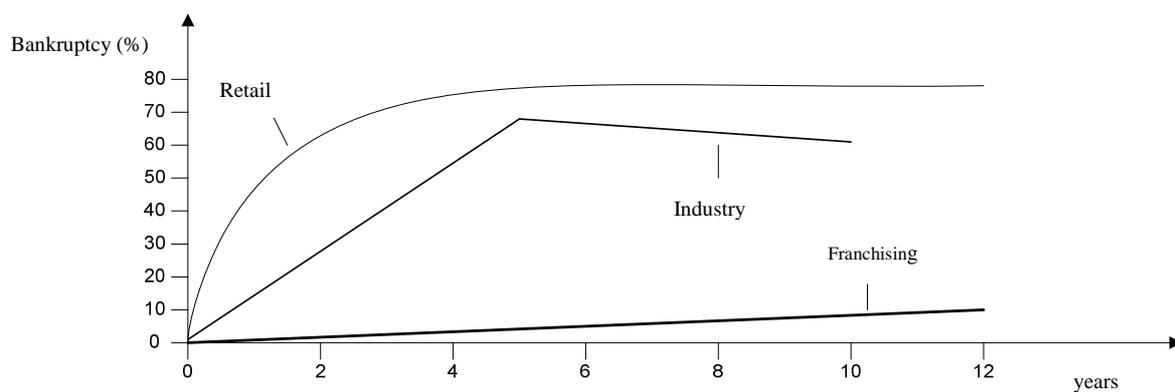
The growing competitiveness on the market of educational services, the decreasing number of candidates and the diverse university image causes the liquidation of this university or, in best case, takeover by stronger universities.

Assuming the concentration process of universities for unavoidable one and remembering that many of these universities have big properties, the franchising idea seems to be worthy of use. Due to the subject of activities the best type of franchising would be so called business format franchising [Ziółkowska 2010], characterized by licensing of donor's brand and know-how. Of course, franchisor would supervise the maintenance of the university reputation. It would be a kind of cooperation franchising, characterized by chargeable transfer of so called franchising packet, which is the subject of the agreement. It should be emphasized, that the parties of an agreement can shape freely the content of the franchising agreement, which is of big importance in case of franchising of educational services. Till now, the franchising system has developed especially dynamical in catering networks. It should be pointed here, that this service includes a lot of material elements. However the development of franchising is much slower in other areas of services like educational, hairdresser, cosmetic, financial or tourist services. It should be emphasized that there is still lack of reputable foreign franchisors of services operating on Polish market.

The reasons of the use of franchising system in educational services are specific. To maintain the good reputation of the company and to have ability to operate in a big way is very important for a franchisor. The preservation of the autonomy of the university (which is a franchisee) allows to keep basic activities in its hands, restricting them e.g. by supervisor and direct control of employees. It reduces franchisor's costs and enables spatial expansion and the strengthening of brand value while the franchising agreement is fully respected. It should be stated, that the concentration of a university and therefore stronger control of educational services is a necessary condition in present global reality. The provision of educational services based on franchising given by strong universities of good reputation, is the only opportunity to survive for worse universities. In such a situation, the advantages of franchising system are much higher than limitations of this system.

Franchising relationships in the area of higher education are not always executed, although they are built on mutual dependency and cooperation. Therefore franchising is not free of risks, contradictions and conflicts. It influences the final decision of universities to accept this system or not. It is necessary to understand the specific features of franchising and its organizational and economical limitations.

The above mentioned relevance must convince possible franchisees that franchising of educational services is available and effective type of operation for higher universities. It is also confirmed by foreign experiences, which show that the percentage of bankruptcy by enterprises operating on the base of franchising agreement is very low (Fig. 1).



Source: Dogan 1994

Fig. 1. Stability of franchising structures  
Rys. 1. Ilustracja stabilności struktur franczajzngowych

The other very important fact is that the globalization and the development of communication technologies enable the development of a positive reputation of foreign universities on domestic markets. The use of their brand by franchising system allows their promotion and not only the popularization of franchisor's image.

Assuming that national potential purchasers of foreign educational services show no big mobility, it can be stated that there is a big

demand for distance learning. It allows avoiding limitations connected with the distance between the place of residence and the place of obtaining educational services in reputable universities.

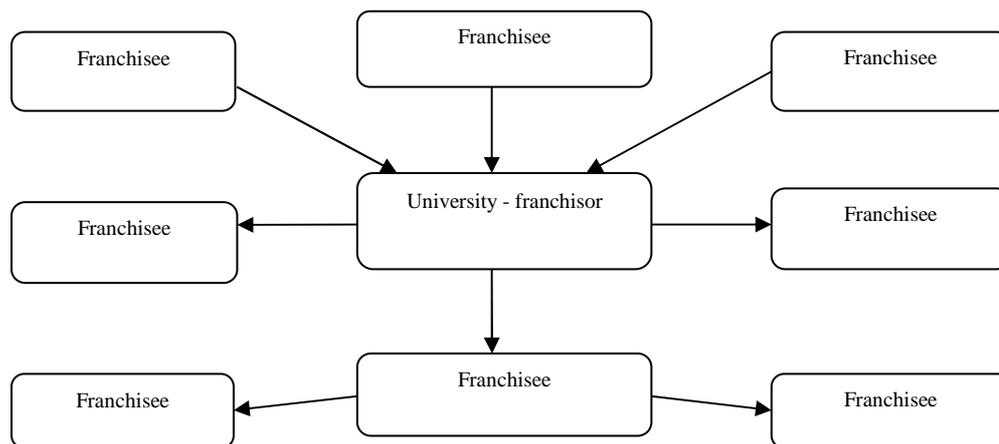
It should be added that franchising system, using the reputation and brand of foreign universities do not require big expenditures. It is related to marketing costs, which show growing tendency in the environment of growing competitiveness on the market of

educational services and decreasing demand of potential purchasers.

Finally, providing educational services based on franchising agreement, allows not only broadening of university's activities but also the fulfillment of modern international

service standards in the area of educational services.

Operating in franchising system enables to create nets, which configuration is presented in Figure 2.



Source: own work

Fig. 2. Configuration of franchising net of the university  
Rys. 2. Konfiguracja franczajzingowej sieci uczelni

## ORGANIZATIONAL AND LEGAL CONDITIONS FOR THE DEVELOPMENT OF FRANCHISING IN HIGHER EDUCATION

The problem of franchising system in Polish education is recognized only in a small part. Practically this system is implemented only in creating of language schools. The definition of educational franchising and conditions of its functioning in Polish reality is given in the Guide for Experts, which was prepared within the framework of Matra Mato 2/PL/9/1 project. This definition is as follows: “franchising is the situation, when a university agrees to authorize another university (in Poland or outside borders) to conduct accepted program, while it maintains the general control over the subject, realization, evaluation and assurance of the quality of the education. There are some differences among various franchising relationships. In Poland,

the institution, which operations are based on franchising relationships, is obliged to fulfill all Polish requirements for higher schools [Guide for Experts 2004].

The act “Law of Higher Education” does not mention in any of its parts about possibilities of the use of franchising method to increase the competitiveness on the educational services market. There is only one remark in Part 1 “General Rules”, Article 6.1. point 2 that “an university has a right to cooperate with other universities and scientific centers (also foreign ones) to realize scientific researches and development projects based on the agreements and to gain funds from the realization of researches, including their commercialization and supporting the mobility of researchers” [Law of Higher Education 2005].

There is a remark in the Part 2 Articles 18, 19, 20, 21, 22, 23 entitled "Creation and liquidation of universities" about creation, liquidation, change of the name and connection with other university [Law of Higher Education 2005].

Finally the following record can be found in the Part 3 "Organization of a university" Art. 85.1, Point 1 and 2: "the university has the right to create new organizational units outside its base location in the form of:

- basic organizational unit of an university,
- a branch,

to fulfill its didactic goals" [Law of Higher Education 2005].

There is one factor related to mutual cooperation between a franchisor and a franchisee which is emphasized among all factors of economical and organizational nature, which characterizes disadvantages of educational franchising. Its principles are related to the conception of specific investments connected with formulating of special type of assets [Balboa, Slavnova 1996]. The peculiarity of university assets of franchisees covers following activities:

- the purchase of specialized programs necessary to provides educational services,
- investments of specialized equipments or buildings,
- to possess the staff, capable of providing educational services on base of franchising.

The subject of the estimation of franchising relationships is:

- the effect of long-term relationships of parties of the commercial license,
- the effectiveness of the use of existing resources,
- the quality of bought goods related to the educational service,
- the risk of cooperation in the framework of franchising,
- the coordination of operations of parties of the franchising agreement,
- the significance of franchisor's brand for potential receivers of educational services.

The possibility to use the brand of the high value is one of most important factors of

franchisee's success. It is necessary to prepare reports for franchisor, who creates sometimes extensive franchising networks (cooperates in franchising system with many universities). The creation of franchising network is a risky operation for a franchisor, due to the fact, that providing educational services at weak level by only one of franchisees can cause the decline of the confidence to all universities operating in this net. Therefore, before taking the decision to access to a franchising network, universities should examine carefully the reputation of the franchisor's brand and its possibility to provide good competitive position.

The conflict of goals of the franchisor and the franchisee is a typical feature of educational franchising. The franchisor's goal is to increase profits in the form of license fees from brutto profits received by the sale of educational services. He is interested in the increase of these services. Franchisees are also interested in the profit, the price determined by them is one of the factors, which affects the profit.

The effectiveness of franchisee's university depends on the level of the help, provided by the franchisor. The training of the whole staff of the franchisee's university is of special importance. It is necessary to acquire the necessary knowledge and habits by this staff. Additionally current help is also very important, e.g. in elaborating marketing data provided by the universities which operate in franchising system or in the operational implementation of changes in the technology of educational services occurring due to errors or innovations. The objective reasons for creating positive development of relationships between a franchisor and a franchisee are created through numerous contacts between their representants at the professional and organizational levels.

The significance of close contacts ensuring the effectiveness between a franchisor and the franchisee's university lies in the motivation of franchisees to increase their efforts in providing educational services base on franchising agreement, as well as to reduce the risk related to possible conflicts between parties of the agreement. The relationships

between parties are usually included in the agreement, which allows excluding the ambiguity of the interpretation of processes aspects of providing educational services. The goals of the creation of an organization in the area of educational franchising are as follows:

- to improve cooperation between two partners,
- to ensure proper conditions to solve occurring problems,
- to create contacts.

## CONCLUSIONS

The economical processes occurring on the markets are related to the globalization as well as to the technological progress. Therefore the market environment of the organization is more and more unpredictable. The organizations, which want to survive on the market, are forced to quick adaptations and usually to broaden the range of their activities. Various forms of the internationalization are used for this purpose. The educational franchising is one of them.

The franchising system gives the typical market features to educational services at the higher level.

It can be concluded from presented pondering that the implementation of franchising system in modern conditions creates chances to uniform the level and the quality of the education at the university level. These possibilities are especially important for many weaken universities to survive on the market and for maintaining by them expected level of provided educational services. It is especially important due to the fact, that in many cases they facilitate the necessary access to the education. Although the franchising system, which enables to use the brand and intellectual resources, necessary for educational purposes, is related to the big risk, e.g. in case of incomplete and unreliable information provided by the franchisor.

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## FRANCZYZA JAKO INSTRUMENT INTEGRACJI W SZKOLNICTWIE WYŻSZYM

**STRESZCZENIE. Wstęp:** Coraz częściej sektor usług edukacyjnych jest postrzegany jako potencjał zmian w systemie szkolnictwa wyższego. Problemy tego obszaru stają się bardziej wyraziste wraz ze wzrostem jego konkurencyjności, które jest następstwem zmian demograficznych i niedostosowania oferty edukacyjnej do potrzeb rynku pracy. W tej sytuacji coraz wyraźniejsza i w pełni uzasadniona jest tendencja do koncentracji, szczególnie w sferze uczelni niepublicznych. Mechanizmem najbardziej predestynowanym do tego typu działań w sferze usług edukacyjnych wydaje się być franczyza. W artykule zaprezentowano istotę i możliwości zastosowania franczyzy w omawianym obszarze. Opisano proces budowy systemu franczyzowego, czynniki decydujące o jego wyborze oraz mechanizm jego zastosowania w edukacji.

**Metody:** Artykuł oparty o analizę źródeł literaturowych wskazuje na możliwość wykorzystania potencjału franczyzowego w zarządzaniu szkołą wyższą. Zagadnienie to próbowano ująć w kontekście zarówno franczyzodawców, jak i franczyzobiorców oraz możliwych efektów rynkowych i ekonomicznych.

**Wyniki i wnioski:** Artykuł jest studium literaturowym wykorzystującym doświadczenia zastosowania franczyzy w różnych obszarach działań usługowych. Wskazano na celowość i możliwości jej zastosowania w obszarze szkolnictwa wyższego. Brak wyników badań w tej sferze nie pozwala sprecyzować systemu i zakresu jego wdrożenia. Wskazuje to na konieczność przeprowadzenia badań i przygotowania raportu ukazującego istniejące fakty oraz możliwości zastosowania działań franczyzowych w tym obszarze..

**Słowa kluczowe:** zarządzanie, sektor usług, edukacja, szkolnictwo wyższe, systemy franczyzowe, franczyza, franczyzodawcy, franczyzobiorcy.

## FRANCHISE ALS INSTRUMENT FÜR INTEGRATION IM HOCHSCHULWESEN

**ZUSAMMENFASSUNG. Einleitung:** Der Sektor edukativer Dienstleistungen wird des Öfteren als ein Potenzial der Veränderungen im System des Hochschulwesens wahrgenommen. Die Probleme aus diesem Bereich werden angesichts des eintretenden Wettbewerbskampfes innerhalb des Bildungssystems immer krasser, sie sind sicherlich auf die demografischen Veränderungen und die Nichtanpassung des Edukationsangebotes an den Bedarf des Arbeitsmarktes zurückzuführen. In dieser Situation zeichnet sich eine klare und völlig begründete Tendenz zur Konzentration ab, insbesondere im Sektor von privaten Hochschuleinrichtungen. Die Franchise scheint ein für solche Aktivitäten innerhalb der edukativen Dienstleistungen am meisten prädestinierter Mechanismus zu sein. Im Beitrag wurden das Wesen und die Möglichkeiten der Anwendung der Franchise im besagten Bereich präsentiert. Man hat dabei den Prozess des Aufbaus des Franchise-Systems, die für dessen Auswahl entscheidenden Faktoren und den Mechanismus dessen Anwendung im Bildungssystem dargestellt.

**Methoden:** Der auf die Analyse der Literaturquellen gestützte Beitrag weist auf die Möglichkeit der Inanspruchnahme des franchiseartigen Potenzials für die Verwaltung einer Hochschule hin. Die Fragenstellung versuchte man im Kontext sowohl der Franchisegeber, als auch der Franchisenehmer, sowie der möglichen Markt- und Wirtschaftseffekte zu projizieren.

**Ergebnisse und Fazit:** Der Artikel ist eine Literaturstudie, die die Erfahrungen von der Anwendung der Franchise im Bereich verschiedenartiger Dienstleistungsaktivitäten in Anspruch nimmt. Man hat dabei auf die Zweckmäßigkeit und Möglichkeit deren Anwendung im Hochschulwesen hingewiesen. Der Mangel an Untersuchungsergebnissen auf diesem Gebiet lässt jedoch das System und den Umfang seiner Einführung nicht erschließen. Der Sachverhalt weist auf die Notwendigkeit der Durchführung von entsprechenden Untersuchungen und der Vorbereitung eines Rapportes, der die bestehenden Fakten und die Möglichkeiten der Inanspruchnahme der franchiseartigen Vorhaben in diesem Bereich projizieren würde, hin..

**Codewörter:** Verwaltung, Sektor von Dienstleistungen, Bildung, Hochschulwesen, Franchise-Systeme, Franchise, Franchisegeber, Franchisenehmer.

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