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Applicability of the Small Business Franchise Prototype Model to Namibia

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Namibia has been witnessing an increase in the cases of business failures, job losses and job cuts. In 1970, the unemployment figure was about 20 000 and increased to about 223 000 (36.7%) in 2004. Also, Namibia’s unemployment rate increased between 2001 and 2004. As a result, the major challenges confronting Namibia include ensuring employment-creating growth, strengthening competitiveness and a smooth process of land reform. The small business franchise prototype model developed in this study addresses efficient and effective small enterprise creation and operation. Extensive literature search, review, analyses and modeling were used to develop the proposed small business model as a set of self-sufficient, lead-generating, client converting, and customer satisfying machines that work. This prototype model is achieved by designing systems to get the work done and training people to operate those systems to produce consistent results. Although the Government has put some structures in place to stimulate entrepreneurship development through training, finance, support and other incentives; research has shown that the failure rate hovers around 85 percent. Results show that the proposed business model has a success rate of more than 90 percent. The model can be used to assist unlicensed shebeen operators and rehabilitate former Ramatex workers.

Aims and Objectives

Namibia and indeed, other developing countries are confronted with an increasing number of unemployed youths who need to be usefully engaged in one form or another. Every year graduates from the schools system go into the labour market with very high expectations, but very few options available. In addition, the increasing number of business failures, job losses, and job cuts in Namibia brings other complications to the unemployment problem. The small economy of Namibia, which is closely tied to the fortunes of South Africa, is another major issue of concern.

In order to stem this tide and provide some alternatives, this paper aims to put forward a model for small business enterprise development that should help ordinary people in Namibia and elsewhere to develop the entrepreneurial spirit. Other aims and objectives are to: (a) develop a framework for the systematic set up; effective and efficient operations of small businesses, (b) systematically show the processes and procedures usually followed by entrepreneurs in thinking about their businesses (c) provide practical and workable guidelines that reduce business failure, by thinking of the small business as a complete system of closely connected activities (d) show that entrepreneurship involves risk taking and that it is different and distinct from either just doing the technical work or managerial aspects of the enterprise functions, (e) be able to develop workable systems of work that replace positions with tested and transferable business solutions from one location to another, without loss of value.

Introduction and Background Information

Namibia has been witnessing an increase in the cases of business failures, job losses and job cuts. In 1970, the unemployment figure was about 20 000 and increased to about 223 000 (36.7%) in 2004 (2004 Namibian Labour Survey). Namibia has also experienced a decade of moderate growth. But, the country is characterised by a skewed income distribution and persistent poverty. The major challenges confronting Namibia include ensuring employment-creating growth, strengthening competitiveness and a smooth process
of land reform (AfDD/OECD, 2008). Additionally, Namibia’s unemployment rate increased between 2001 and 2004. The country’s lack of a skilled workforce and poor work ethic, have combined to hamper Namibia’s competitiveness. The "drop-out" and repetition rates remain high and Namibian school students perform poorly especially in subjects like English Language and Mathematics (AfDB/OECD, 2008).

The position taken by the Management of Ramatex in 2006, to close shop, and put about 7000 black employees out into the labour market unless the Government of Namibia bought the firm, is now history. Initially, the establishment of Ramatex was greeted with excitement and hope, primarily because it was envisaged to reduce the unemployment figure in Namibia. Ramatex, turned out to be a mixed bag of blessings and became a statistic of another failed mega-enterprise in March 2008 (Jauch, 2008).

The implementation of 1998 Liquor Act against thousands of unlicensed "Shebeen" operators nationwide, in 2006 sparked a wave of demonstrations and protests all over the country (Maletsky, 2006a). The protesters claimed “shebeens” were their “only source of livelihood” and that the requirements for licensing were beyond their means (Heita, 2006). Other pressure and interest groups say alcohol abuse has been shown to have a direct link with risky sexual behaviour, which ultimately predisposes people to contracting HIV/AIDS and sexually transmitted infections (STIs), (Swartz, 2005). These pressure and interest groups have equally linked crime and murder cases to the operations of these “Shebeens” as murder cases have been reported at some of these premises (Maletsky, 2006b). Also, shebeen operations have been shown to undermine the fabric of Namibia, especially at realising Vision 2030 (Nambala, 2006).

Small enterprise development has been recognised even in the developed countries of North America, in Europe and in developing countries like India as a good source of employment (Balakrishna, Gopakumar & Kanungo, 1998). Entrepreneurship development was prominent in the Namibia 1997 NDP2 (National Development Plan II) report, and also, one of the priority areas of Vision 2030. Consequently, the Government of Namibia adopted the Strategic Interventionist Model to ensure: training, research, finance, marketing, know-how, and support to small businesses. The essence of above model adoption was for creating jobs, economic expansion, larger tax base and more consumer well-being (Dana, 1998).

The African Development Bank (AfDB) financed the establishment of the National Centre for Innovation, Entrepreneurship and Technology (CEIT) in Tsumeb, to enhance innovation, entrepreneurship and technology adaptation in Namibians (Pozil, 2002). Similarly, the Entrepreneurship and Workforce Development Project in Higher Education between the Polytechnic of Namibia and CCID, was established to address the colonial inequalities, enhance skills base for industry and support initiatives for small businesses to alleviate poverty.

The USAID-funded Small and Medium Enterprises (SMEs) “Compete” programme, created over 564 jobs, assisted 2,386 SMEs, and trained 10,764 employees in 2006. USAID support to KAYEC (Katutura Youth and Enterprise Centre) since 2002, provided vocational training for the northern regions and rural communities. KAYEC also published five USAID-funded technical textbooks in 2005

The Prime Minister, Nahas Angula (2005), at the Namibian Conference on Entrepreneurship Education, posited that entrepreneurship education should bridge the existing gap between education, the highly competitive and sometimes, brutal economic world by promoting skills training and managerial competence, especially to previously disadvantage groups. In addition, the UNIDO-NAMIBIA Agro-industry based SMEs development programme in northern Namibia aims also at supporting the initiatives to develop indigenous entrepreneurship, diversify economic activities and reduce regional imbalances (Pokane, 2006).

However, the economic dominance and competition from South Africa (Knutsen, 2003, AfDB/OECD, 2008) coupled with 85 percent business failure rate in Namibia (Gaomab II, 2004) remain the major obstacles to economic growth, customer well-being, wealth redistribution and poverty reduction.

The small business franchise prototype model is a set of self-sufficient, lead-generating, client converting, and customer satisfying machines that work. These small businessfranchise
prototypes are organised by designing systems to get the work done, and training people to operate those systems to produce consistent results (Gerber, 2007). For a small business franchise prototype to be successful, it needs flawless systems for marketing, finance, management, operations and leadership, so that anyone could step in and not only understand them, but also run them (Gerber, 2007). The advantage and attraction of the small business franchise prototype model applicability is that the model has been shown to have success rates of greater than 90 percent (Gerber, 2001).

## Methodology

Extensive literature search, review, analyses and modelling have been used in this study to apply the small business franchise Prototype model to develop small enterprise creation and operation in Namibia, for effectiveness and sustained business growth.

There are three levels involved in the development of the small business franchise prototype model. The first level involves the business development process. The activities in this programme are a step-by-step process of converting either converting an existing business or the one to be created into a well-organised model for thousands more like itself.

The business development programme is further divided into several different stages, which are necessary for seamlessly organising and also mid-wifing the small business endeavour into an existing and workable enterprise.

The components of the second level necessary for developing the small business prototype model studied in this paper include the: (a) primary aim of setting up the business, (b) strategic objective, (c) organisational objective, (d) management objective, (e) people objective, and (f) marketing objective.

The third level in the small business development process culminates in the systems strategy to be adopted for the effective and efficient operations of the business, while also meeting with the aims and aspirations of the stakeholders, customers and community, at large.

The explanation of the above aims, objectives and strategies are contained in the subsequent sections.

## Franchise Prototype Model

The franchise prototype model consists essentially of eight stages, are arranged in a triple-deck fashion. The business development stage is at the apex, which represents the business type to be in. The middle deck consists of six intermediate stages, which include the primary aim, strategic objective, organisational strategy, management strategy, people strategy, and market strategy. The third deck consists of the systems strategy, which is the solution set of the small business.

*Figure 1 Franchise Prototype* (Adapted from: Gerber, 2001)
Business Development Process

Building the prototype of a small business is a continuous process. This process consists of the three distinct activities of innovation, quantification and orchestration, which are integrated for the purposes of pursuing a natural business evolution (Gerber, 2001).

These activities give rise to a business development programme, which is in the form of a step-by-step process for converting an existing business or the one to be created into a perfectly organised model for thousands more like it. The business development programme is the vehicle for creating your franchise prototype business model.

The business development programme consists of seven distinct stages. They are: Primary aim, strategic objective, organisational strategy, management strategy, people strategy, marketing strategy, and systems strategy (Gerber, 2001).

Primary Aim

The primary aim of the business is the vision necessary to bring the entrepreneurs business to life and which, equally puts the entrepreneurs life into the business. It provides the purpose, energy and seed of opportunity for the day-to-day running of the business (Gerber, 2001).

Strategic Objective

Strategic objective is a clear statement of what the business ultimately has to do to achieve the primary aim. It is the vision of the finished product, which is the business. It is a means for enriching the entrepreneur’s life. The strategic objective is a product of the entrepreneur’s life plan. Both strategy and plan provide the structure through, which the business is intended to operate over time, so as to fulfill the entrepreneur’s life plan.

The business strategy and plan are ways of communicating the business direction, and for achieving the primary aim through specific benchmarks. These benchmarks are simple and clearly stated standards like the financial statements, opportunity or customers, and thoughts or specific questions, which are answered in order to satisfy and achieve the primary aim of the business. These standards are the paths of the future business model and, which undoubtedly create the measure by which the best companies and most effective people produce results (Gerber, 2001, Hartwick, 1998).
Organisational Strategy

Order and organisation in the business are vital. The organisational strategy starts by creating an organisation chart, which is a reflection of the business organisational development. It has more profound impact on small companies than any other single business development step. This is especially so because, it is more profitable to organise the business around functions and accountabilities rather than around personalities and people (Gerber, 2001; Meadows, 2002).

Organising the business for effectiveness starts with getting a name for the company and also, making the decision to think of the business as a corporation. This step ensures that the business is a legal entity, which is different and distinct from the owners. The entrepreneurs should see their roles as shareholders outside the business separate from their roles as employees inside the business (Gerber, 2001; Ramachandran & Ray, 1998).

Strategic Objective Creation

Creation of a strategic objective starts with research on the central demographic model to choose. This is followed by creation of a questionnaire and subsequent mailing to a sample of the chosen central demographic model in order to assess their attitudes about other companies operating in the industry. Personal calls may also be made simultaneously, on a specified number of consumers of the company’s product (Gerber, 2001; Nair, Sivaraman & Kanungo, 1998; Ghosh, Gupta & Dhar, 1998).

If, the commodity is established, the next step is to conduct a Needs Analyses to better understand how consumers feel and think the product. For example, Lifts and Escalators. These analyses should be completed by a targeted date and with preliminary financial data put together to secure a loan. Upon obtaining information about the consumers, competition and pricing, the strategic objective is completed (Gerber, 2001; Nair, Sivaraman & Kanungo, 1998; Ghosh, Gupta & Dhar, 1998).

If the strategic objective shows promise, the organisational chart is developed. The organisational chart requires the following positions: The Managing Director/Chief Executive Officer (MD/CEO); Marketing Director, Operations Director, Finance Director, Sales Manager, Advert/Research Manager, Installations Manager, Service Manager, Facilities Manager, Accounts Receivables Manager, Accounts Payables Manager, Sales Clerks, Advert/Research Clerks, Installations Technicians, Service Technicians, Facilities Clerks, Accounts Receivables Clerks and Accounts Payable Clerks (Gerber, 2001). The above list is, however, not exhaustive as the categories of staff required is dependent on the specific needs of the business as well as the industry.

Figure 2: Repairs and Maintenance cc Organisational Chart
The next assignment is to write a Position Contract for each of the positions on the organisation chart. A position contract is a summary of the results to be achieved by each position in the company. It is the work the occupant of that position is accountable for. It is a list of standards by which the results are to be evaluated.

The position contract should terminate with a line for the signature of the person who agrees to fulfill those accountabilities. Preparation of the organisational chart ultimately generates the Blue Print for the small business franchise prototype model (Gerber, 2001; Nair, Sivaraman & Kanungo, 1998; Ghosh, Gupta & Dhar, 1998; Hartwick, 1998; Ramachandran & Ray, 1998).

**Prototyping the Position: Replacing Positions with Systems**

Upon creating a picture of the organisation, through organisation charting, position contract writing process starts at the bottom for the positions of Salespersons, Production persons, Accounts Receivables persons and Accounts Payables persons. This is so because these persons do the Tactical work, which is the work of that determines and affects the bottom line of the company. To build a business that works, it is necessary to look at each position as though it can function efficiently without the entrepreneur’s daily involvement or entrepreneur’s actual presence (Gerber, 2001; Gerber, 2007). That means the business has a self-organising feature built into it.

This position to systems replacement process involves innovation, quantification and procedures used to run the business. The outcome is a series of “Operations Manuals” for each work to be performed in the business. These operational manuals are a series of checklists, diagrams and illustrations, whose aim is to find and keep customers profitably, better than other competing companies Gerber, 2001; Gerber, 2007). On completion of this stage, the next step is the creation of a management strategy.

**Management Strategy**

The management strategy is a business systems solution that transforms a business problem into an opportunity through management decisions. Development of a management system is the second stage of the management strategy. Management systems are designed into business prototypes in order to produce marketing results.

The more automated the business system, the more effective the business franchise prototype. The management development process is the system through which a management system for a business is created. The management system is designed as an interactive tool that helps managers to educate themselves. It can also be regarded as a marketing tool, whose main purpose is to create an effective and efficient prototype that makes positive impact on customers (Gerber, 2001; Nair, Sivaraman & Kanungo, 1998; Ghosh, Gupta & Dhar, 1998; Hartwick, 1998; Ramachandran & Ray, 1998).

**People Strategy**

Making employees and/or customers do what the business wants is achieved by creating an environment in which “doing it” is more important to them than “not doing it”. This will only be so if doing it well becomes a way of life for them (Gerber, 2001). The entrepreneur
must take the employees to be serious adults and with an ability to apply them selves in a manner that expresses their belief in the primary aims of the enterprise on a day-to-day basis.

The hiring process is conducted in order to realise the idea behind the work, itself. This way, the work, therefore, should reflect who the employees are, the life they breathe into it and should give employees the opportunity to see them selves in true perspectives. In such a system, the worker then becomes the best he/she can possibly be (UBS, 1992).

The conflict created between everything the employee knows how to do and that which he does not know how to do generates growth, which creates meaning for the business (Gerber, 2001; Gerber, 2007). Development of the marketing strategy follows the completion of people strategy.

### Marketing Strategy

The business marketing strategy starts, ends, lives and dies with the customer. The customer is the focal point of the company's marketing strategy. It is the wants of the customer that matter most. What the customer wants is probably significantly different from what the entrepreneur thinks he/she wants.

Both, the demographics and psychographics of the projected trading zone for the company must be thoroughly covered, for a marketing strategy to be successful. This coverage is implemented within the marketing, sales and operations systems designed for the business (Gerber, 2001; Nair, Sivaraman & Kanungo, 1998; Ghosh, Gupta & Dhar, 1998; Hartwick, 1998; Ramachandran & Ray, 1998). Development of the systems strategy follows the completion of marketing strategy.

### Systems Strategy

The Systems Strategy has three important components: Hard Systems, Soft Systems and Information Systems.

**Hard systems** are tangible, inanimate things used for producing both human and totally integrated business systems products.

**Soft Systems** are business operating systems and the selling system, which ensures that what the business produces is sold. This is especially so because, from Pareto principle, about 80 percent of the sales are produced by 20 percent of the people (Gerber, 2001; Meadows, 2002; Thomas, 2003).

Power Point Selling System has the following characteristics (Gerber 2001, Thomas 2003):
1. Identification of specific Benchmarks or consumer decision points
2. Literal scripts of the words that will get your business to each one consumer successfully
3. Creation of various materials to be used with each script
4. Memorisation of each Benchmark’s script
5. Delivery of each script by your sales people in identical fashion
6. Leaving your people to communicate more effectively, by articulating, watching, listening, hearing, acknowledging, understanding, and engaging each and every prospect as fully as they need to be

The Power Point Selling Process defines the entire interaction between the sales person and the customer in the three scripts or Benchmarks of (Gerber 2001, Thomas 2003):
1. The Appointment Presentation
2. The Needs Analyses Presentation
3. The Solutions Presentation

By doing it the same way every time, it is possible to have a selling system, that is a completely predictable technology for producing formerly unpredictable sales results (Gerber, 2001; Thomas; 2003).
**Information System**

The information system consists of data such as the number of employees, customers information, sales figures, purchases, inventories and other pieces of material data, which interacts with the soft system to record, determine, and quantify the information set for decision-making and control. This information should be recorded and used to track the company’s Selling System from Benchmark to Benchmark (Gerber, 2001; Thomas, 2003).

In addition, this information system tells the entrepreneur the things he needs to know, how to develop, control and make changes in the Selling System, while also giving information about finance, production and product development. This makes the systems strategy the cord that binds the Franchise Prototype together in order to produce the desired results (Gerber, 2001; Meadows, 2002, Thomas, 2003).

**Concluding Remarks**

Applying the franchise prototype business model developed above to Namibian enterprises would catalyse: (a) the introduction of new goods and services, (b) the introduction of new methods of production, (c) the opening of new markets, (d) the conquest of new and fresh sources of supply of raw materials, and (e) the carrying out of new organisations in any industry (Balakrishnan, Gopakumar & Kanungo, 1998; Gerber, 2001).

Similarly, the ability to apply the developed franchise prototype model to the majority of former Ramatex employees will give rise to jobs creation; economic expansion and diversification; creation of larger tax base; better consumer well-being; social cohesion, wealth creation and redistribution; and poverty reduction.

In order to accomplish that much especially for former Ramatex employees, some of the underlisted strategies should be of immense benefit: (a) Segment the former workers of Ramatex into subgroups according to levels of education, skills learned and other interest pursuits after leaving Ramatex employment, (b) determine readiness to engage in self-employment, (c) organise them into discussion and possible cooperatives for peer attitude change and modification, (d) psychologically prepare the former workers of Ramatex for the challenges and realities of the business environment, especially for ethical practices, (e) determine endurance levels and the ability to think and seek out alternative routes for survival if one way is closed-this is a vital ingredient and character trait of entrepreneurs, (f) train, enhance and improve on the literary, numeracy, managerial and simple bookkeeping skills required for small business operations, (g) organise a group of consultants to train, monitor, nurture and possibly midwife small businesses according to the perceived skills and competences of former Ramatex workers (h) organise apprenticeship training and other incentives like small loans and grants in terms of seed capital and equipment purchase relevant to the trade, should be able to reduce tension and also serve for new directions and purpose, in their lives.

It will add value to the lives of Namibian, increase personal and family wealth, increase cash flow for the nation and regions in terms of expanded business opportunities, and offer new or better employment and better work satisfaction.

The model will initiate a process of economic growth and improve quality of lives of all segments of society, especially previously disadvantaged black indigenous Namibians. Also, these groups of people need training in functional areas such as finance, marketing, production and managerial skills. Such educational skills will enable women and other disadvantaged groups to understand their own capabilities and possibilities, for necessary use.

While the role of small business may not have been seen as spectacular as that of large corporations, which deploy enormous physical, financial and human resources, at once like the defunct Ramatex, the collective impact of a multitude of small businesses has been tremendous, especially in job creation, in Europe, North America and even, Namibia. The more than 7,000 Ramatex employees, which have finally been put into the unemployment market, because of a drop in US textile imports from AGOA countries in 2005 could be rehabilitated by Government using the developed franchise prototype model for entrepreneurship training and the strategies enumerated above.
Whereas the majority of Namibians only see the nuisance caused by Shebeens, small loans at reasonable interest rates and classes in literacy and accounting would produce much more long-term good for the community than closing the shebeens down, completely. Their closure is likely to result in multiplier effects, like smaller tax base for Government, creates liquidity crises for the Beer Brewing industry, which might eventually close down, exacerbate the current unemployment situation, increase crime rates, social insecurity and worsening poverty.

Namibian Breweries, is a major player in the Namibian brewing industry, and is currently listed on the Main Board of the Namibian Stock Exchange (NSX). Its failure would further exacerbate the liquidity problems of the mostly illiquid stocks on the Exchange.

Above all, it is envisaged that the enterprises created through the use of the franchise prototype business model should be able to satisfy the Dual Listing Requirements for the Main Board of both the Namibian Stock Exchange (NSX) and the Johannesburg Stock Exchange (JSE), after operating for a short while. This assertion is especially so because the processes and structures developed for such business models have over 90 percent success rate. They have also been shown to be easily replicable and transferable businesses, while remaining profitable.

However, the avowed success rate of over 90 percent for the developed small business prototype model may not be readily achievable in Namibia. This is primarily so because of the weak educational attainments from the "Bantu system", poor performance of students in English Language and mathematics compared to other students in the region and poor work ethic.

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