

# The Homogeneity of Society: The Role of Franchising in the Health and Food Sectors

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**Abstract** This paper explores the impact of franchising on society by debating both the positive and negative aspects of the business model. Research from both Australia and India reveals the role franchising has played on influencing local customs and culture. Emphasis is placed on the homogeneity of society and franchising's role in embracing uniformity over diversity. The theory of McDonaldization provides a framework for understanding some of the negative ways that franchising affects many aspects of society, not just the restaurant industry. Social franchising highlights the positive potential of the model. The authors conclude that franchising is a powerful tool that can be used for corporate profit, or for social benefit. The aim of this paper is to increase discussion around the topic of franchising and its impact – positive or negative – on the homogeneity of society.

**Keywords** Homogeneity, Franchising, Society, Social Franchising, McDonaldization

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## 1. Introduction

For centuries, dating back to the medieval monarchy [1; 2] and the institutional Roman Catholic Church [3], franchising has been utilized as an effective catalyst for growth. However, the scope of franchising is not limited to politics and religion; it has allowed many businesses to flourish. For example, McDonald's is considered to be one of the most successful franchise systems, opening its first store in 1955 in Illinois, U.S.A and according to Lubin and Badkar [4] the golden arches logo is the most recognized symbol in the world. McDonald's is now operational in 119 countries, with only 76 countries left to conquer. This business marvel is successful for many reasons, the main one of those being franchising. However, franchising has an often unmentioned impact on society; homogeneity.

Societies that are homogenous are devoid of any diversity. Franchising embraces uniformity whereby it is considered an

advantage if you can order a Big Mac from the McDonald's in Sydney and receive a similar product if you placed the same order from the McDonald's in central India. Homogeneity does have advantages in a society that embrace predictability. Furthermore, Ritzer's [5] theory of McDonaldization suggests four major dimensions of the franchised model of business expansion: calculability, predictability, control through non-human technology and efficiency. From an economical perspective, these elements are praiseworthy. However, from a societal perspective, these elements can influence dehumanization [5, p. 16]. As researchers, we have to ask the question – what role has franchising played in the homogeneity, or perhaps dehumanization of society. Perhaps uniqueness and individuality have been replaced by homogeneity.

Theoretical explanations for the phenomenon of franchising fall under the resource constraints theory [6] whereby corporations are limited – mainly by financial and human capital constraints – thus, franchising is used to gain greater access to others' resources. A major advantage of franchising is that it allows corporations to gain access to other people's money and effort in a legal and profitable manner. The franchisor recruits franchisees the same way that a corporation may recruit new employees. Franchisees join 'the franchise system' (for example, McDonald's) and become an agent of the corporation.

One of the case studies used in this discussion paper is the McDonald's franchise system, it's method of business provides interesting insight into contemporary commerce. It is a pioneer in franchise homogeneity whereby a successful 'business blueprint' has been globally operationalized. McDonald's success is a product of many factors; however, a major driving force behind the operation was Mr. Ray Kroc (1902 – 1984) who was an influential member in the rise of the golden arches. The second case study is that of ChildLine 1098 Service, a social franchise started in 1996 in Mumbai. ChildLine represents the country's first toll free helpline. The franchising model has allowed this service to expand rapidly and as of March 2013 the service is available in 291 cities/districts across 30 Indian states [7]. The difference of

locations between the two case studies, being mostly Australia for McDonalds versus Indian for ChildLine societies is noted. There would be inherent and complicated economic and social disparities between the two locations, which is not investigated in this article.

## 2. Franchising

The history of franchising can be traced back to the medieval ages whereby it was considered common practice for local governments/monarchy to appoint important persons the role of maintaining civil order and collecting tax from citizens [8-10] Thus, franchising initially began in the form of licensing arrangements. The licensee (franchisee) collected taxes from others of which a percentage or fixed amount was then paid to the monarchy (franchisor). In this way, a medieval monarchy was able to have greater control within its sphere of influence [11].

Thus, commercial franchising today has sprouted from the soil of European feudalism [12] and popularized by large corporations such as McDonald's, 7-Eleven and Subway. These large American corporations – now viewed as icons of globalization [13] – have utilized franchising to expand their operations rapidly around the world. They started to penetrate the Australian market in the early 1970s [14], with rapid expansion through urban and regional Australia ensuing over the following decades. Hungry Jack's (Burger King in the USA), McDonald's and KFC, among others, were well received by the Australian public, spawning great interest in 'franchising' throughout the economy.

At the start of the franchising relationship, when a franchisor recruits a franchisee, trust enables the individuals to work together within a social entity, toward a common business objective. The franchisee and the franchisor agree to cooperate together in the competitive business arena; they become allies, but can they be friends? [15]. It may be that the societal dimensions of friendship and kindness have become lost in the convoluted interconnected web of commercial networks.

### Franchising in Australia and India

The most recent research suggests that in Australia there are approximately 1180 business format franchise systems, with an estimated 73,000 franchise units in operation across the country [16]. In 2011, it was estimated that the business format franchising sector contributed \$62 billion to the Australian economy suggesting that franchising has come a long way since it was first introduced over forty years ago. McDonald's now has over 745 restaurants operating around Australia [17].

Unlike Australia, serious interest in franchising as a business model is relatively new in India. Franchising in India started to grow after the government started to actively encourage a free market economy by relaxing financial regulations in the early 1990s [18].

The growth of the sector has been evident but it still

represents a very small segment of the Indian economy. There are two franchising bodies in India and they both have different statistics as to the number of franchisee systems there are in India. The Franchising Association of India claims that there now are over 600 franchise systems in India; and the major U.S. franchisors all have a presence in India including McDonald's, Pizza Hut, UPS, Medicine Shops, Gold's Gym, and KFC, among others. The Indian Franchise Association claims that there are over 1,100 franchise systems, with over 70,000 franchisees doing over US\$4 billion in revenues, employing about 500,000 people, and representing almost four percent of India's gross domestic product [19].

One of the factors that have fuelled this growth of franchising is the expansion of malls within India. It is expected that there is currently over 300 malls in operation compared to 2000 when there were only three [20]. This mall explosion would not have been possible without franchising enabling the rapid spread of the same brands in each shopping center. The franchising business model is suspected to benefit most from this economic change [20]. Malls also have a lifestyle effect on the emerging middle class in India.

Unlike Australia and regardless of their recent economic growth, a sizable urban middle class, and growing portions of large wealth, India is a country burdened by extreme poverty. Within the country 80 % of the population lives on less than \$2 per day, and 25 % lives on less than \$1 a day. In Mumbai, there is a population of over 20 million people and over 50 % of this population live in shantytowns or on the streets [21].

### McDonaldization

McDonald's is one of the largest franchises in the world; the golden arches have become a global icon. *McDonaldization* [22] refers to the significant impact that McDonald's has had on the global society. The fast-food company has instilled principles of impatient robot-like behavior on our society. McDonald's has changed society and as Ritzer explains, "McDonaldization affects not only the restaurant business but also education, work, health care, travel, leisure, dieting, politics, the family and virtually every other aspect of society" [22, p 2].

The negative effects that McDonaldization has had on society are complex and multi-layered. Ritzer [22] identifies two major concerns. Firstly, McDonald's corporation deems it a necessity to grow standardized food, for example potatoes that will taste and look the same requiring large amounts of harmful pesticides. Secondly, there is an underlying issue centered on the dehumanization of eating that stems from standardized restaurant areas. These eating areas have been designed with uncomfortable chairs to encourage customers to eat and leave quickly, as opposed to staying in the restaurant and enjoying a meal with family and friends [22, p. 16]. The nutritional quality of food that is produced from such a system is also questionable. The effect of having such unhealthy food easily available plays into the

time constraints that appear to be valued by Westernized societies.

While the system of perfecting a process can be seen as something to strive for it often strips away the humanity that it is trying to serve. The “mom and pop” shops are unable to compete with the franchising model, and especially one as profitable and powerful as McDonalds. This leads to the homogeneity of our societies. Food courts in India will appear to be very similar to those in Australia despite the large cultural and societal differences between the two countries. Travelers can find comfort in locating familiar food in a far-away land, but they will have to search harder to find unique experiences and a gateway into another culture’s cuisine.

On the other hand, Hunt [23] suggests there are many advantages of franchising. This includes a greater economic incentive for small business men and women to begin ventures, as well as lower failure rates for franchised businesses. Furthermore, it can also provide increased opportunity for minority groups, benefiting society because of the increased economic opportunity (known as micro-franchising, see 24).

The above discussion includes the advantages and disadvantages commercial franchising has on society and next we examine the implications of a social franchise on the society it operates within.

### Social Franchising

The ChildLine India Foundation was founded in 1996 as a 24 hour toll-free, outreach based help line. This service is representative by the government of India as a response to the Child Rights Convention of the United Nations, which the country ratified in 1992 [25]. This initiative has gain large momentum and been able to spread quickly because of the franchising model. Various ChildLine locations could set up by mimicking the previous locations and focusing on the two aspects of franchising: standardization and efficiency.

A review by Nijmeijer et al. [26] showed that franchising in health care, or in ChildLine’s case child wellbeing, is positively associated with client volumes, accessibility and some types of quality. The majority of the research done in this area is located in low and middle income countries that are in need of large scale health initiatives. The concept of social franchising is inheritably linked to that of social entrepreneurship, which has a goal of addressing a particular social problem. One of the main problems for social entrepreneurs is the ability to scale up their ventures [27]. Franchising could provide the answer to this problem. With franchising’s ability to spread a service or product with great speed to a large geographical area, this could be a positive tool to give help to those who are in most need.

Social franchising could be greatly improved through juxtaposition with commercial franchising. For example, franchising can be utilized to benefit society through *micro-franchising*. Micro-franchising is recognized as a legitimate and innovative method for transforming informal

enterprises (social or low-scale commercial) into flourishing business models that are both sustainable and replicable [28]. As Fairbourne [29] suggests, micro-franchising is one avenue to help solve the major problem which prevents people from becoming economically self-reliant: a lack of jobs in developing countries.

Yet, although franchising may have many benefits for a developing economy, we also see the negative side of franchising and the impact it has on the homogeneity of society (that is, the McDonaldization of society). The central thesis of this paper is thus to examine the wider effect franchising has on society. Yes, it may help initially (in economic terms) but what of the specific cultures and traditions experienced by unique people groups that in the future may be lost as they are replaced by franchising systems.

### 3. Conclusions

One the one hand, franchising has been considered as a benefit to society because of its ability to create economic value and financial profit (for example, McDonald’s, KFC, Subway). On the other hand, franchising can be used for social benefit. According to Koehlmoos et al., [30] social franchising is an adaption of commercial franchising whereby a replicable system can be implemented with the purpose of a social benefit. For example, social franchising has been used primarily in the health services sector [31] whereby a high service of care can be delivered more effectively to developing countries. Franchising can enable social entrepreneurs to have the structure and support to change their passion for a social issue into a sustainable business while providing a roadmap of how the business can work [32].

We question here the effect that franchising has had and continues to have on our society both in a developed market place, Australia, and an emerging marketplace, India. We argue such a global business model deserves our reflection on its impact, both positive and negative, on society as a whole. It is found that although the franchising model has enabled a quick growth of markets and the expansion of economies that may not have been possible otherwise, it also takes away the humanistic aspects of eating and sharing a meal, or covers up the unique history of an indigenous people group. One thing is for certain, franchising plays an influential role in the homogenization of society. The tossup between economic benefits and humanistic connections is centered on the use of franchising for commercial or social purposes, and to what extent franchising is allowed to evolve. Franchising is a powerful tool, with far-reaching implications. At best, the positive implications of franchising, for example improved health care services and child safety as well as economic benefit, should be encouraged and supported as a way to improve all aspects of society, while taking into the consideration the impact it has on the homogeneity of societies.

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