

A collection of
management articles for
the aspiring managers

e-Management Digest

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Franchising

Franchising has been around in China for many years. Today, besides the proverbial McDonalds and KFC restaurants, franchise operations across a wide range of businesses such as TNT, 3M, Cambridge English, Century 21, DIO Coffee, DuraClean, etc. are already in the country. In December 2006, there were 168,000 franchise stores operating on Chinese soil.

For outsiders, by simply looking at the shop front, it is difficult to tell the difference between a franchise, a joint venture, or a 'multi-level marketing' operation. The Chinese government is particularly cautious about operations in disguise so there are strict laws, including minimum capital requirements, to make sure that only genuine franchises are operating.

According to www.bjinvest.gov.cn, if a minimum start-up cost of about three million Yuan (US\$375,000) did not scare away investments from McDonalds, the global franchising frenzy has not been abated in China.

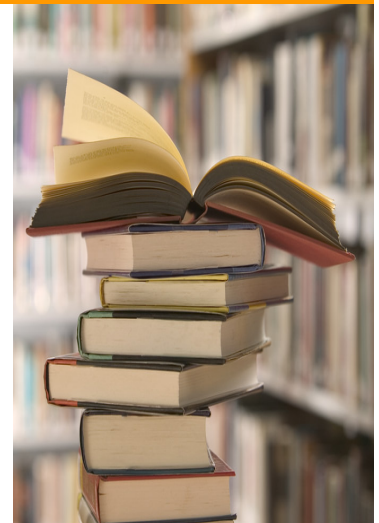
Starbucks have recently added heat to the interest in franchising. Promoting coffee drinking and imperialistic Western lifestyle, Starbucks' iconic presence in the holy Forbidden City has stirred up a controversial 'frown' in China.

In Hong Kong, the franchising community is very fragmented with many small master franchisers – mainly locally born and bred or from Taiwan. According to figures published on the Hong Kong Franchise Association website, in 2001, 43% of the franchise operators in Hong Kong were of local origin, 20% were foreign franchises with sub-franchising while 37% were foreign businesses without sub-franchising and operated by the master franchisers themselves or by a local developer.

The most popular franchises in Hong Kong are in the businesses of Food and Beverage, Education, and Beauty Services.

Selling the same brand

Franchising is not so new a marketing concept where a franchisee rents a marketing system and a brand. Part of a franchise deal is for the



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consort@netvigator.com

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franchisees to contribute either a fixed amount, or a percentage of their gross sales, into the franchiser's marketing budget.

The pool of franchisees' funds is used primarily for three things: to pay for media purchases, to produce promotional materials, and to cover the cost of promotional administration.

However, the relationship between the franchiser and the franchisee is more intimate than what is seen from the outside. Not all franchisees are blessed with professional marketing knowledge or have sufficient resources to capture the market. They rely on the strong marketing support of their master franchiser in systematic marketing and in return they commit to sharing with colleague franchisees a common promotional strategy.

On the other hand, the master franchiser relies on the franchisees to pool together resources to build up customer loyalty and affinity, and therefore, a stronger brand equity. The marketplace is cluttered with highly competitive advertising messages; it is hard for anyone to stand out singly to win over customers. Pooling is an effective way for building and sharing for the common good.

Although each franchisee is an independent business unit, the joint effort in promoting the same brand messages to the market is the key. For the master franchiser, the autonomy of operation of the 'subsidiaries' is a test of his 'corporate' ability to ensure uniformity in branding, but there is also the offer of opportunities for deeper brand penetration at the local level. To keep brand

uniformity and penetration in balance, the franchising fraternity must share with each other common marketing philosophies and aims and also coordinated approaches for branding and marketing.



*Photograph: Stephen Shaver/EPA
(source: Guardian Unlimited)*

A brand is the most valuable asset any marketer can have and it is essential for both sides of a franchising agreement to make continuous efforts to promote for mutual benefits.

*Jaki Yeung
Consort Management Consultants Ltd*

MANAGEMENT

Bullying in the Workplace

Bullying in the workplace is not a rare occurrence. In the UK, one in six people were said to have experienced it in 2006, and one in four over the last five years. However, in a recent survey by The Andrea Adams Trust, it was found that only 26% of those surveyed knew of specific policies in their workplace designed to help victims of bullying. If nothing is done about the situation, it will lead to poor performance for companies and a miserable working life for many.

Bullying is any form of harassment, whether mental or physical. It can be persistent, offensive behaviour, which

undermines another person's self esteem and confidence. In the UK the *Protection from Harassment Act 1997* has made it a criminal offence for committing an act of harassment and this includes bullying.

Who are the bullies?

The bullies are normally those that feel under stress due to a lack of control over their workload. As a result, they feel a need to take out this frustration on others. A lot of people claim to have been bullied by their immediate line manager, who is often under stress from their manager to get things done.

Most bullies are under so much stress, they don't even realise what they are doing. A manager who shouts all the time at his/her workforce will just build up resentment and hostility.

For the employer, bullying will result in absenteeism and high employee turnover, coupled with low workforce morale. For the employees it can lead to high stress levels, a miserable working environment – and even premature death, due to stress-related illness.

Bullying warning signs

- Unwarranted, humiliating, offensive behaviour towards an individual.
- Persistent, negative and malicious attacks on an individual's work performance or personal life.
- The use of position of power to cause fear in others – oppressing them by force or threat.

How do you tackle bullying?

- If you are being bullied at work, you should try and talk it over with a sympathetic colleague.
- Keep a written record of the bullying

that occurs with dates and times.

- Confront the person doing the bullying and tell them you don't like the way you are being made to feel.
- See if it is happening to anyone else in the company.
- If all else fails, get in touch with the professionals who are there to help.

Visit www.bullyonline.org for more information

*Adapted from an article by Yngve Traberg
Managers April/May 2006, Journal of the
Institute of Administrative Management*

ADMINISTRATIVE SATIRE

The Case for Being Messy

People have been taught to be tidy and systematic since they were born. Being tidy is a virtue to have and one of the requirements for personal success. But tidying up and filing things away takes a lot of effort. How often you look at things you filed away?

"There's a cost to being neat and organized" say the authors of a new book called *A Perfect Mess: the Hidden Benefits of Disorder – How Crammed Closets, Cluttered Offices and On-the-fly Planning make the world a better place*, "..... moderately disorganized people, institutions, and systems frequently turn out to be more efficient, more resilient, more creative, and in general more effective than highly organized ones."

The authors went on, "the various piles on a messy desk can represent a surprisingly sophisticated informal filing system that offers far more efficiency and flexibility than a filing cabinet could possibly provide."

A filing system is one-dimensional. But a desktop – especially one with piles – is a



system of two or more dimensions, and thus is more efficient to search than even a fractal filing system. A filing cabinet is furthermore only some 30 centimeters wide, occupying perhaps 5% of one's field of vision; a desktop occupies perhaps half of the field of vision, allowing far more efficient visual searches.



The authors gave examples of the many things in life where a certain amount of disorder is in fact beneficial, backed by two sets of arguments: first, that tidying up incurs a cost and at some point the costs of further tidying must outweigh the benefits – the law of diminishing returns – and, second, that too much tidying can lead to a loss of robustness and flexibility.

It is not hard to think of examples of one's own. Nature is messy: what purpose do all those species serve? Biodiversity gives robustness to ecosystems.

Investment portfolios benefit from messiness, also known as diversification, for similar reasons.

Economic and business competition, for example, is messy; monopolies are much more organized. It is funny, however, how capitalistic economies (with messy bottom-

up competition) end up more efficient than communism (with top-down central planning and monopolies). Bureaucratic intervention in the economy to make it more orderly almost always makes things worse. Similarly, elections are messy: they can be unpredictable, and it is hardly surprising that governments find the whole idea disconcerting. Yes, greater electoral participation will be messy, but however gut-wrenching it may for those who prefer order and control, it will probably result in a more robust political system and better governance for Hong Kong.

(Adapted from an article by Peter Gordon, The Standard – April 4, 2007)

Tidying Up

Dear Annie:

A co-worker of mine says that my messy office makes a bad impression on our boss. I say, who cares whether my office looks as if a hurricane blew through it, as long as I get my work done? Who is right?
--Pigpen

Dear Pigpen:

Well, personally, I've always subscribed to the old maxim, "A clean desk is the sign of an empty mind." But according to Christine Reiter, a productivity specialist at Corporate Coaching International in Pasadena, Calif., I am wrong, and your friend has a point.

"People often don't realize that piles of paper, boxes in corners, and stacks of stuff behind the office door can affect one's upward mobility," she says. "Appearances are important."

Why? "Your office is a reflection of your capabilities," Reiter says. "Even though a messy desk isn't a sign of a character flaw, it does tend to give your managers and peers the impression that the job is too much for you to handle, you can't make decisions, you are not doing the job, or all of the above."

Okay, then. Time to tidy up.

NEW YORK (FORTUNE) March 27, 2006