

The Application of Strategic Management in Enhancing Business Sustainability of Franchises in the Beauty Salon Industry: a Business Study on Haircode Salon

Katrini Nathisarasia, Ruben M. Nayve Jr

Institut Komunikasi dan Bisnis LSPR, Jakarta, Indonesia

*Correspondence: katrini.n@lspr.edu, ruben.nayve.jr@adamson.edu.ph

ABSTRACT

The franchise business model has recently been developing as an alternative business model that can be chosen to foster entrepreneurship. One business line that has great potential to grow based on a franchise system is the beauty salon industry. The exposure to global beauty trends through social media has undeniably increased the demand and opportunities for the development of salon service businesses. This research aims to analyze the implementation of strategic management by the franchise company PT. Sisir Emas Nusacipta (PT. SEN), the brand holder of Haircode, in developing and sustaining its business amidst increasingly competitive business conditions. The investigation into strategies to enhance the sustainability of franchise businesses, particularly in addressing economic, environmental, and social dimensions, is deemed important by the researcher for further study. The findings from this research can serve as a reference for entrepreneurs who wish to adopt the franchise system as their business model. A qualitative method will be used in this research, where the necessary data will be collected from interviews, literature reviews, and both written and digital documentation.

Keywords: franchise, business, entrepreneurship, salon, strategic management, sustainability.

INTRODUCTION

The beauty industry is experiencing rapid growth, both on a global and national scale. Maintaining appearance has now become necessary for almost everyone regardless of age and gender differences. In this era of globalization, world developments and trends are quickly entering Indonesia. It is undeniable that the influence of social media has a significant role in disseminating various information about the beauty world, such as hair-cutting models, hair colouring, chemical services for hair, hair health care, and so on. The beauty industry, especially salons, captures this growing need as a business opportunity that continues to grow. Salons have become a daily destination for beauty treatments for hair, face and body.

According to the Cambridge dictionary, the definition of a *salon* is a place where hair, face, and body, can be given special treatment to enhance appearance. The development of the salon business is considered to promise excellent business potential, including in Indonesia. With a transaction value of 13 trillion rupiah annually, generated from 100,000 salons and 5,000 barbershops, with a total workforce of 500,000 people, Michael Justisoesetya, General Manager of L'Oreal Indonesia, is very optimistic that the potential of the hairdressing salon industry will continue to grow. That the potential of the hairdressing salon industry will continue to grow (Mecadinisa, 2021). It can be said that the salon industry, especially in the field of hairdressing, has become one of the contributors to driving the country's economy. The higher awareness of the importance of maintaining the appearance of the Indonesian population, the greater the potential for growth in the number of salons and the labor absorbed. This phenomenon will further open up opportunities for entrepreneurs who want to engage in salon services, and become part of the driving force of Indonesia's creative economy under the auspices of the Ministry of Tourism and Creative Economy.

PT Sisir Emas Nusacipta (PT SEN) is one of the beauty salon companies, focusing on hairdressing. This private company was established and operated in Jakarta since 2004. Initiated by Antonius Sutanto, better known in the salon industry as Alfons, the salon that was initially established and managed by himself, was slowly developed with a franchise business model under the Haircode trademark. Until now, Haircode has 22 salon outlets in various malls in Jakarta, Bekasi, Depok,

Tangerang, Cibubur, and Bandung. According to Grossman and Katz in his book entitled “Franchise Bible”, the definition of franchising is a method of marketing through a franchisor (business owner) who successfully expands the distribution of his business in the form of goods or services through contracts with franchisees/franchisees / franchisees (independent third parties). In this case, the franchisee agrees to operate a retail sale or outlet that sells the franchisor's trademarked goods or services and applies the franchisor's marketing methods by paying specific fees associated with the franchise (Grossman & Katz, 2021).

In developing its franchise business, PT SEN applies management strategies to screen potential partnerships with prospective franchisees, establish partnerships that generate mutual benefits, help grow franchisees' businesses, develop more franchise branches, and maintain the business sustainability and success of both the company and franchisees. This encourages researchers to conduct more profound research into the management strategies and development carried out by PT SEN to develop its franchise business so that it can survive and continue to grow amid competition between business actors in the beauty salon industry. The management strategies implemented by PT SEN's ability to maintain the sustainability of its franchise business to date will be studied in depth in this research. Based on the previous explanation, the research question can be formulated as follows, “How can the implementation of strategic management affect the improvement of franchise business sustainability in the salon industry?”

The novelty offered in this research is an understanding of beauty salon business management, which is still not sufficiently reviewed in other studies that mostly target other more popular business lines, such as culinary, fashion, or crafts, as part of the creative economy. Meanwhile, the potential for the development of the salon world is still very large, along with the growing population of Indonesia. Likewise, franchising as an alternative business model is understood, and this research is devoted to managing franchise-based salon businesses. In addition, this research also reviews the application of strategic management in the service sector in general and the salon sector in particular. The output generated from this research is expected to be continued with subsequent in-depth studies from different perspectives and research topics.

Literature Review

Definition Of Franchise And Business Sustainability

The development of the business world in Indonesia is proliferating with a choice of increasingly varied business models. The franchise system, better known as a franchise, is one alternative business model that can be used as an option. The word franchise originally comes from the word franc, which means free, or francher, which means free in French. This is explained by Louis (2023) in his book entitled “Your Comprehensive Guide to Franchise Success,” which states that franchising provides an opportunity to become a successful entrepreneur and business owner without having to bother doing prior research and planning. The franchise system helps entrepreneurs reduce anxiety about the market acceptance of new businesses. In line with developments in the business world, the word franchise is then translated into Indonesian as “franchise, ” an initiative of the L.P.P.M. or Management Education and Development Institute. The word “wara,” which means special, then “laba,” which means profit, is combined and interpreted as an effort that can bring profit (Fauziyah, 2022).

Franchising Concepts and Strategic Management

Choosing and implementing the right strategy in an organization is vital. Precise and accurate strategic management is necessary to achieve organizational goals. Especially with the increasingly fierce competition in the business world, including in the salon industry, qualified strategic management is needed to maintain business sustainability. By implementing strategic management, companies are helped to develop through a process of assessment, evaluation, and then development that can help identify new business goals, set appropriate and achievable goals, and help businesses gain a competitive advantage (Allison, 2019). In this competitive era of globalization, organizations are expected to adjust to the development of new technologies, new markets and open new plans (Simuka & Chinakidzwa, 2022). It is known that planning, organizing, implementing, and evaluating are the main activities that must be carried out in strategic management. It also includes setting the organisation's vision, values, and position for all stakeholders (Tan & Ding, 2015).

METHOD

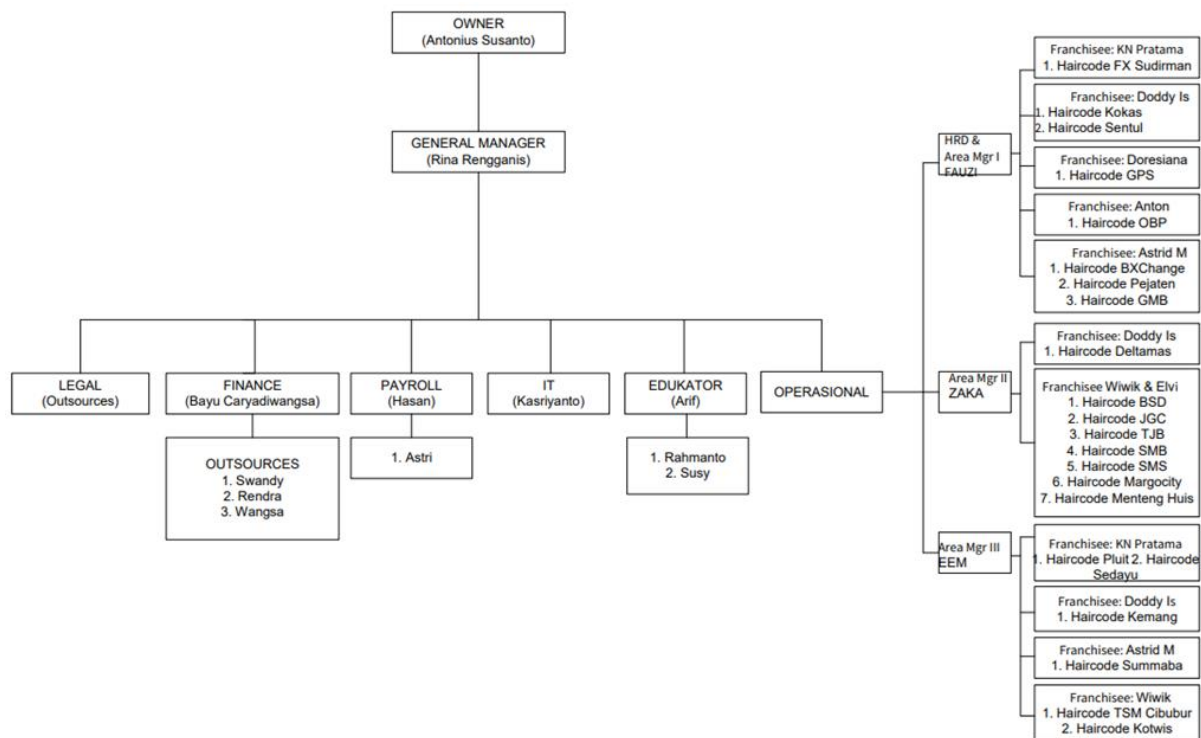
The researcher chose the qualitative approach to explore the phenomenon of franchising in entrepreneurship in an in-depth and case-oriented study. Qualitative methods can explore and provide a deeper understanding of a phenomenon. Walidin & Tabrani (2015) stated that qualitative research is a process to explore social phenomena. The stages of qualitative research will be carried out in the process: (1) Problem identification. Researchers must understand the purpose of the research well and the problem to be studied, along with various phenomena and supporting data available. (2) Literature Review. References related to the phenomenon to be studied must be searched for and reviewed correctly so that the researcher can later find the element of novelty. (3) Research objectives. The purpose and objectives of the research must be presented in detail and clearly by the researcher. (4) Data collection. Determining sources and participants is crucial at this stage, considering that participants are also expected to play an active role in the data collection process. (5) Data analysis and interpretation. Researchers must analyze and interpret the data to generate new ideas and findings. (6) Reporting. The research report must be written descriptively, considering a thorough description is essential in qualitative methods (Sugiarto, 2015).

Next, the data collection process will be the most essential part of the research. This stage is considered crucial, considering that the quality of qualitative research is closely related to the completeness and quality of the data found. The concept of interrogative sentences that use the question words what, where, when, and how is believed to be able to produce comprehensive answers. Marshall & Rossman (1999) stated that data triangulation, namely data obtained through interviews, observations, and document analysis, will determine the success of qualitative research.

The researcher will conduct an in-depth interview with the management of PT. SEN, represented by Rina Rengganis as General Manager, will obtain primary data and then conduct observations from the side of PT. SEN as a franchisor and to the branches of its franchise salons, and review documentation related to the research objectives (letters, pictures or photos, promotional materials, social media content, news and articles related to the Haircode brand, and other written materials). The selection of participants to be studied is based on considerations of the participants' mastery and experience in managing a salon business. Library research will be carried out to obtain secondary data to support the interview results used as primary data. Fadli (2021) states that library research collects data by understanding and studying theories from various research-related literature. Data collection will be carried out by tracing various references from a combination of available media, such as books, journals, and previous research related to the objectives. The next stage is data analysis, a research step to examine and understand data to find the meaning or significance behind the data, followed by formulating conclusions and summaries of all the data involved in the research.

The data analysis model used in this study uses the case study model from Yin (2014), which uses data analysis techniques of pattern matching, explanation making, and time chronology. According to Yin, ideas consist of two things: (a) ideas or ideas owned by researchers based on literature studies that are used as propositions or assumptions by researchers, and (b) ideas or ideas found in the field or can also be called empirical ideas. Researchers then match or compare the ideas or ideas found in the field with those owned by researchers based on literature. Data will be considered not to have found a proposition if there is no match in both, meaning that the researcher's assumption is not strong. However, if what happens is a match, the researcher can study other cases as cases and counter-explanations.

RESULT



Source: PT. Sisir Emas Nusacipta (PT. SEN)

Figure 1
Organizational Structure

Figure 1 is the description of the organizational structure above, the organization of PT. SEN is relatively "lean" or slim, consisting of 12 organic employees, with the condition that each employee is accustomed to having multi-skills and can do multi-tasks. Lean Management and Organization Structure is defined as a system based on reducing inefficient things and focusing on human resources to achieve the best quality, optimal morale and safety, with adequate completion time and low cost (Liker, 2005). Formal communication is chosen using weekly and monthly meeting media to conduct evaluations and coordination between teams 12, with the agenda of discussing the performance of all franchisees, including discussions of obstacles in the field, human resource evaluations, customer complaint analysis (if any), and so on. It is also open to discussing the latest hair trends, supporting products, making feasibility analyses of opening new branches, competitor profiling, reviewing the general situation of the market and environment, and so on. On that occasion, all franchisee performance is evaluated from the highest to the lowest, and team performance is also evaluated to determine the relationship between performance and incentives. Take-home pay for salon employees is the Owner (franchisor) focus because the company's success is the employees' success and vice versa.

Outside of formal communication, franchisors routinely use Whatsapp Group (W.A.G.) and email media for incidental and non-high-risk cases. Routine topics include daily branch performance reports regarding turnover achievements, service and product sales, employee attendance, financial settlement reports, and quick operations updates. Meanwhile, incidental and high-risk cases, such as customer complaints or bad reviews on social media, are discussed more specifically and one-on-one through private channels to scan for problems in the field and find the best solution; meanwhile, for matters that require more attention and action, PT SEN uses email media, which is accompanied by an official letter attachment. Communication via email is more used for announcements of promotional programs or cooperation with third parties, information about new products and franchisee obligations to purchase and use certain products, announcements of training programs and costs that must be met, implementation of targets and reviews of salon sales achievements, new regulations, and other things that are important to pay attention to and implement.

The lean organizational structure at PT SEN accelerates coordination and communication with short communication channels. Instructions from the owner are often delivered directly to related

divisions, such as Finance, HRD, Education, and Operations. This shows active leadership with high commitment. This GM. statement was confirmed by employees and one of the franchisees as a triangulation strategy. According to them, the Owner is almost always present in every meeting as a form of leadership that provides an example and commitment. Thus, the statement above is confirmed. As the results of the interview supported by company documents, the composition of HR. can be described as follows: The Finance Division consists of 3 people with the main task of managing financial strategies and company reporting to internal management and external parties, such as the government (taxation) and banking needs, and including managing employee salaries, as well as calculating turnover achievements and royalty fee obligations that must be paid by the franchisee to the franchisor every month. HRD is responsible for managing the number of employees, recruitment, performance evaluation, training schedules, implementing rewards and punishments, and motivating employees to continue to improve performance. Regarding recruitment, considering the need for talent for each outlet is relatively high, this division collaborates with talent providers. It uses outsourced services to conduct the recruitment process and skills tests, primarily recruiting new hairdressers and therapists. The company considers that young talents often move around to seek experience and often open their businesses after they are proficient. Using outsourced services for HR needs is essential so that the company can handle employee turnover, including meeting the needs of new employees quickly every time a new branch is opened or anticipating salon employee turnover.

The Education Division focuses on organizing employee training to improve customer service. This division periodically holds training to improve hard skills and soft skills. Training on cutting, colouring, and chemical processes for hair, including hair treatment services using the latest products, is carried out to continue updating salon employees' knowledge of the latest trends and innovations around hair. In addition, PT SEN also places Educators to educate Therapist employees on manicures, pedicures, nail polish and nail art as part of the services offered by the salon to customers. Training on social media, financial and administrative reporting training for Cashiers, and personal communication training are also carried out routinely to improve employee soft skills. The Operational Division has the task of creating standard arrangements for all outlets, arranging work methods, and fulfilling salon branches' needs, such as uniforms, stationery, and others. The Operational Team must ensure that all procurement for all outlets is available and in good condition to guarantee the best service for customers by applicable SOPs. In addition, this division is also heavily involved in establishing new branches, starting from the planning stage, the outlet construction process, and the opening stage, along with all aspects of pre- to post-opening evaluation.

Marketing and promotion responsibilities are carried out as a team under the command and supervision of the General Manager. Preparing promotional strategies and materials to promote new services and products, monitoring social media content, and arranging cooperation with partners such as malls, banks, and suppliers are activities to support marketing and promotion. In managing social media, P.T. S.E.N. collaborates with a special Agency to organize the production and distribution of content, as well as the management and evaluation of the effectiveness of social media. This strategy is considered more profitable than other companies that spend much time, energy, and funds maintaining their social media. The platforms actively used for promotional activities focus on Instagram (@haircodesalon) and TikTok (@haircodesalonn).

PT. SEN, in its operations, is supported by 3 Area Managers. The Area Manager acts as a medium of communication between the franchisor and the franchisee, and vice versa, including being responsible for the salon employees in each branch they manage, especially to evaluate performance results quantitatively (achievement of turnover), or qualitatively, which is measured from customer satisfaction evaluations. If there are customer complaints at the branches, the Area Manager is responsible for following up if the salon employees cannot resolve or find the best solution. The Area Manager is responsible for ensuring that services at all branches are by and carried out by salon employees according to the specified standards.

Rina Rengganis, as General Manager, stated that the work system implemented is based on togetherness and the spirit to master multi-skills. Each employee has the same general knowledge about this business, so any general problems can be resolved directly without waiting for direction from other related divisions. This statement has also been confirmed by employees who stated that each of them understands the company's business processes. Likewise, everyone has the responsibility to help market the franchise license. Every employee becomes the best marketer through the

company's social media or personally. At a certain level, every employee (core team) can explain the Haircode salon franchise cooperation concept to potential franchisees. For follow-up to potential new franchisees, the G.M. will provide a feasibility study on the plan to open a new branch, including providing a budget plan, initiating meetings and agreeing on rental prices with the Mall, overseeing the design and construction process (fit-out) of the outlet so that everything is carried out according to the standards set by the franchisor. The explanation and presentation also include financial obligations to potential franchisees, including the Franchise Fee, Initial Fee (recruitment fees and initial training for employees), and Royalty and Marketing Fees that must be paid by the franchisee to the franchisor every month.

The above things are done consistently and measurably, making this business survive with a lean structure. The company prefers this strategy because the franchise business only requires a robust system; the rest of the franchisor acts as a quality guard. The company also has a culture that emphasizes equality and empathy. The Owner upholds the culture of respecting franchisee opinions and always ethically providing feedback. This can be seen from the General Manager's statement explaining that the Owner never terminates a contract midway, even though there is a unilateral contract termination clause. When the franchisee does not comply with the S.O.P., does not comply with the contract or commits a serious violation, the Owner prefers to take a persuasive approach and terminate the contract when the contract period ends. According to him, terminating the contract midway will have a double effect and a more significant negative impact. Thus, the Owner prefers to finish at the end of the contract and not extend it.

The company emphasizes the development of technical skills in the salon and focuses on improving managerial and communication skills through additional training. The training provided is not only limited to technical levels such as styling skills but also includes broader courses such as using computers and applications, using social media, and practical communication training. This shows the company understands the importance of managerial skills to ensure efficient and harmonious business operations. In addition, by participating in training from world-renowned Stylists, such as training with Stylist Juno from Korea, management continues to strive to update their skills by global trends, demonstrating the company's commitment to staying at the forefront of the salon industry. However, not all franchisees can participate in the training provided by PT. SEN directly sends staff such as cashiers or salon supervisors, which is sufficient to bring new knowledge into daily operations.

In terms of strategic planning, the company pays close attention to a strict and selective recruitment process. Strategic planning ensures that the company's resources are aligned with market demands, financial stability is maintained, and the company can adapt to environmental changes. Franchisor policies that maintain liquidity, invest in innovation, and develop effective risk management systems are vital in navigating crises and maintaining sustainability. Company owners understand that having skilled employees who align with business needs is critical to success in this highly competitive industry. Organizations must integrate effective corporate governance, strategic planning, sustainable entrepreneurship, and strong management practices to maintain long-term business continuity. Strategic planning also involves revising goals, evaluating risks, and updating business plans periodically. Therefore, discipline in managing cash flow is also a top priority, with a routine checking financial conditions regularly. This ensures the company's financial stability and prevents potential liquidity problems. In addition, the company shows sensitivity to environmental changes and technological developments by continuing to conduct research and development, ensuring that they remain relevant to the latest market trends, such as the dominance of Korean trends in the salon industry. These efforts include adopting new technologies, such as consultations using gadgets with AI-based applications implemented by L'Oreal Professional, to keep services up-to-date. This innovation will soon be implemented in Indonesia.

The company's liquidity strategy is also supported by the arrangement of a closing period that allows sufficient cash flow to be collected before payroll, a preventive measure to maintain the company's financial health. Cooperation with large companies such as L'Oreal Professional for decades shows that the company is committed to investing in innovation and continuously improving the quality of services and products offered to customers. However, the company also has a robust risk management strategy, proven during several economic crises and the Covid-19 pandemic. The strength in facing this crisis is supported by a strong entrepreneurial spirit, considered a critical factor

in maintaining and developing a business amidst various anticipated and unexpected challenges, such as the Covid-19 pandemic.

In determining financial targets, the company relies historical turnover but also considers current market conditions and growth potential based on in-depth analysis. This shows a wise and adaptive approach to setting business goals. Continuous employee training is also part of this strategy to ensure the company's team is always ready to face challenges and maintain business sustainability. Closeness to stakeholders such as malls and the government is maintained through mutually beneficial relationships, ensuring the support for smooth business operations. This approach includes participation in Mall promotions and active communication with authorities to obtain the necessary permits and support. In the context of strategic management, the company has begun implementing sustainable development principles even though it is still in the early stages. Steps such as sorting waste and reducing plastic packaging show awareness of environmental issues and a commitment to being more environmentally friendly. The company has also been implementing a paperless policy for quite some time in the operations of the company and franchisees.

On the other hand, the company also shows compliance with government regulations by using the same tax consultant as the franchisee to ensure that all parties comply with applicable regulations. The company's strategic priorities also include focusing on outlets needing additional assistance while reminding franchisees of the company's vision and mission. Although the business environment continues to change, the company strives to maintain consistency in its mission with the basic principle of always being profitable.

The franchisor's annual planning cycle includes several essential steps. First, the company needs to review and revise its strategic objectives and fundamental performance measures. Next, it should evaluate and update its risk management strategy through updated scenario planning. Annual and five-year milestone reviews are also needed to ensure progress toward strategic objectives. In addition, tactical operating unit business plans and cross-unit collaborations need to be reviewed. This process should be documented with a revised strategic plan to support the company's sustainability and adaptability. The annual planning cycle, conducted every November and December, shows that the company has a systematic approach to planning for the future of the business. With an emphasis on training programs and research and development, the company demonstrates its commitment to continuous growth and innovation. The company's long-term vision also includes human resource development, as seen from the provision of an Education Center as an employee training center, and plans to provide facilities such as employee dormitories to facilitate recruitment and training of prospective employees in the future. Strategic management must consider social responsibility and sustainable development goals to achieve competitive advantage and long-term success. The steps that have been outlined show that the company is not only focused on short-term business growth, but also preparing a solid foundation for long-term success and sustainability.

CONCLUSION

The beauty industry in Indonesia is experiencing rapid growth, fueled by the increasing need for self-care and the influence of social media that quickly spreads beauty trends. Beauty salons, especially those that focus on hairdressing, have become integral to people's daily lives and play a significant role in the country's creative economy. The novelty of this study lies in its in-depth focus on strategic management in the context of salons, a topic that has yet to be widely discussed compared to other business sectors. This study shows that PT Sisir Emas Nusacipta (PT SEN) manages its beauty salon franchise business strategically and efficiently. A lean organizational structure, accompanied by outsourcing, allows PT SEN to improve operational efficiency and maintain effective communication between franchisors and franchisees. Through weekly and monthly meetings and informal media such as WhatsApp App Group (WAG) and email, formal communication strengthens coordination and performance evaluation.

Good human resource management, including recruiting skilled workers and implementing an incentive system, is critical to maintaining the sustainability and quality of service. The success of this management strategy has a positive impact on the growth and success of the PT SEN franchise. This study reveals that implementing strategic management in the beauty salon industry, which is relatively rarely discussed compared to other sectors, has significantly contributed to the creative economy. For the future, it is recommended that PT SEN continue to continue developing managerial strategies and

strengthening relationships with franchisees to maintain business sustainability. Further research could focus on additional aspects of strategic management in the context of the salon industry to gain a deeper understanding.

REFERENCES

- Allison, J. 2019. Values statements: The missing link between organizational culture, strategic management and strategic communication. *International Journal of Organizational Analysis*, 27(3), 666-689.
- Fadli, M. R. 2021. Memahami desain metode penelitian kualitatif. *Humanika, Kajian Ilmiah Mata Kuliah Umum*, 21(1), 33-54.
- Fauziyah, Rosyda Nur., 2022, *Pengertian Franchise: Sejarah, Keuntungan, Karakteristik, Jenis dan Tips*, accessed via the website <https://www.gramedia.com/best-seller/pengertian-franchise/>
- Grossmann, R., & Katz, M. J. 2021) *Franchise bible: how to buy a franchise or franchise your own business*. Entrepreneur Press.
- Liker, J. 2005. *The Toyota Way. 14 Rules of Management of a Worldwide Leading Producing Company*. McGraw-Hill
- Louis, Jimmy ST, 2023, *Your Comprehensive Guide to Franchise Success: Identify, Research, Decide*. Morgan James Publishing.
- Mecadinisa, Nabila., 2021, *Optimisme Industri Salon dan Tata Rambut untuk Dukung Perekonomian Indonesia*, accessed via the website <https://www.fimela.com/beauty/read/4696772/optimisme-industri-salon-dan-tata-rambut-untuk-dukung-perekonomian-indonesia>
- Marshall, C. dan Rossman, GB, 1999, *Designing Qualitative Research*. Edisi ke-3, Penerbit Pendidikan dan Profesional Internasional, California, 35.
- Simuka, J., & Chinakidzwa, M. 2022. A stakeholder founded business model for strategic management of innovation hubs: A case of zimbabwe universities innovation hubs. *Journal of African Education*, 3(2), 155-180
- Sugiarto, E. 2015. *Menyusun Proposal Penelitian Kualitatif: Skripsi Dan Tesis*. Suaka Media.
- Tan, L., & Ding, J. 2015. The frontier and evolution of the strategic management theory: A scientometric analysis of strategic management journal, 2001-2012. *Nankai Business Review International*, 6(1), 20-41.
- Walidin, W., Saifullah, & Tabrani. 2015. *Metodologi Penelitian Kualitatif & Grounded Theory*. Aceh: FTK Ar-Raniry Press
- Yin, R. K. 2014, *Case Study Research: Design And Methods*, Los Angeles: SAGE.