

ICFE STUDY GUIDE for FRANCHISE EXECUTIVES

CHAPTER 7

Operating Systems that Manage Results

By

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Summary:

Successful, profitable franchise systems in the 2000's will be those that build strong business relationships with their franchisees and are committed to dominating their markets by providing unparalleled customer experiences. Such outstanding service applies to relationships with both their franchisees and their valued customers. This focus on franchise relations and customer satisfaction guides how successful franchise companies should be organized and operated. This chapter outlines eight systems that work together to meet such goals.

Organization:

This chapter is presented under the following headings:

- Overview – Significant Business Evolution
- Customer Relationship Management
- Superior Leadership
- Finance
- Franchise Sales
- Effective Manuals
- Franchise Relationships
- A Focused Field Staff
- Effective Pre-Opening Process

Review Questions
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OVERVIEW

What is business?

Although many aspects of franchising are unique, it is at core a business and shares many of the challenges and characteristics of other businesses. The reason for a business is economic performance. The purpose of a business is to create and keep customers, and the result of a business is satisfied customers. The characteristics of a successful business include the following NINE COMPETENCIES:

- < Attracting new customers
- < Ensuring customers are VERY satisfied and loyal
- < Retaining current customers
- < Ensuring customers promote you, forever
- < Getting customers to purchase more of its products or services more often
- < Continually increasing market share
- < Maintaining a sufficient profit margin
- < Having low management and employee turnover at the operating locations
- < Having very satisfied and engaged managers and team members executing the systems at the operating locations.

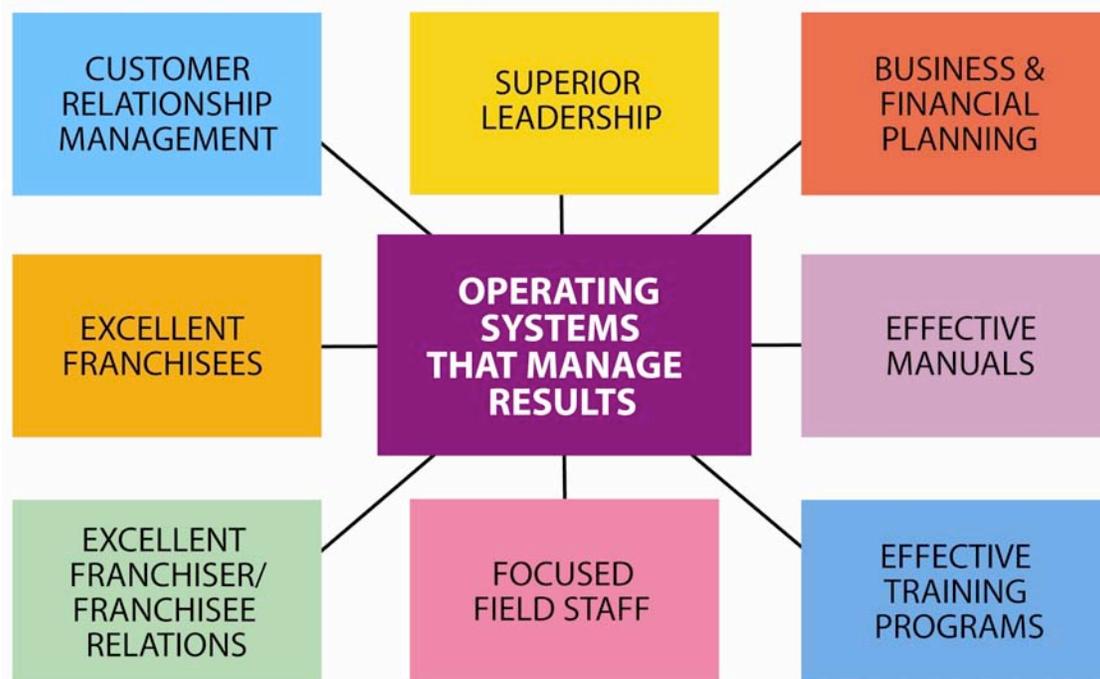
Franchises vs. independent businesses

The average success rate for franchising may be greater than for independent businesses. However, few people understand why. Simply put, it is because franchises (and company-managed outlets) have a clear advantage in all of the NINE COMPETENCIES above due to their ability: [a] to align all franchisees to a Brand's mission, core values, vision, and positioning statement; [b] to design, develop, and execute Operating Systems that deliver on the nine competencies mentioned above; and [c] to design, develop, and execute Operating Systems that deliver and enhance what customers' value.

Professional Management

Companies using franchising as a growth strategy must evolve from an organization run by an entrepreneur to one run by systems and processes known collectively as "professional management." This is not meant to denigrate entrepreneur founders, but rather to identify one of the "elephants in the room." Many founder entrepreneurs are frustrated with their inability to grow their companies successfully after the 100-200-unit milestone. They attend seminars and hire consultants and outside executives in an attempt to solve their problems. What is needed by every franchise company, whether its locations are company or franchisee operated, are systems developed with customer-driven philosophies, policies, programs, procedures, and practices. The operations in these companies must be consistently executed by well-developed, trained, committed and engaged franchisees and company employees. This is what is known as Professional Management.

The goal of this chapter is to provide a framework for thinking about Professional Management. We will examine its presence in your operations by focusing on the eight key Operating Systems that every successful franchise company must have. These Systems are broader concepts than department titles. Some of these systems must be present throughout the departments of your company. Others will be more concentrated in a single department, but all eight must function well in the Operations of a successful franchise company.



EIGHT KEY OPERATING SYSTEMS THAT MANAGE RESULTS FOR A SUCCESSFUL FRANCHISE COMPANY

1) Making the customer [the end user and not the franchisee] the focus of everything we do.

We must learn to talk to the customers and build our business around their expectations, wants, needs and desires. We must measure how well we are doing in serving and satisfying the customer.

2) Superior leadership.

The management team must provide the kind of leadership that earns the respect and trust of franchisees and team members. Your leadership should inspire an appreciation for the Operating System and inculcate the desire to follow the system. This will result in opening additional units.

3) A strong business and financial plan.

To succeed in franchising, both franchisor and franchisees must carefully plan growth and control their finances. In addition, you must have a plan for systematically monitoring franchise operating information and analyzing return on investment from the development, marketing, operations and training departments. Franchisees must be involved in a structured business planning process enabling them to tie the success, growth and profitability of their franchise to their personal motivations around their stated goals for lifestyle, income, wealth and equity.

4) Excellent franchisees.

We believe franchises should not be sold. They should be awarded. You must have an efficient system for recruiting, awarding and opening franchises to people and/or entities that will:

- ♣ Build the value of your brand
- ♣ Follow your proven Operating System
- ♣ Use your ongoing Performance Improvement to dominate local markets

5) Effective manuals.

At the very least, your manuals should clearly and concisely document your proven Operating System. At best they can also:

- ♣ Enhance the value of your brand among franchisees
- ♣ Enable franchisees to achieve profitability and reach their goals
- ♣ Teach the value of marketing, customer service and compliance
- ♣ Be marketing tools in recruiting new franchisee candidates

6) Excellent franchisor/franchisee relations.

You must constantly promote a franchise-wide collaborative, collegial relationship. Everyone should work together toward the common goals of: (a) VERY satisfied and loyal customers who return frequently and promote you to others; (b) disproportionate market share; (c) enhanced brand image; and (d) mutual profit. Franchisees need to be involved in decisions that affect them. There must be multiple ways you receive feedback from the franchisees on issues critical to their success.

7) A focused field staff.

You must have a professional field staff that work in harmony with franchisees to help them deliver excellent customer experiences, build market share and work with fellow franchisees to dominate local and regional markets. The field staff also needs to have a plan on how to grow their assigned areas over an extended period of time.

8) Effective pre-opening procedures including: site selection, build-out, initial and ongoing training programs.

Awarding franchises to top candidates is only the beginning. You must have a carefully planned training program to assimilate them as smoothly as possible into your organization. You must also provide ongoing programs that will further develop existing franchisees and reinforce the purpose and practice of your systems and strategies.

Key Operating System # 1: CUSTOMER RELATIONSHIP MANAGEMENT

A. The Changing Nature of the Customer and of Competitive Advantage

Although a customer may be considered to be anyone for whom you produce value or who produces value for you, for purposes of this chapter, a customer is the end user of your company and franchisee operated businesses.

Making the customer the focus of everything we do.

It is commonly agreed that the reason for business is economic performance. But the purpose of a business is to create and keep customers and the result of a successful business is very satisfied and loyal customers. Very satisfied customers drive branding today. Very satisfied customers do business with a company at a factor of 6 times over satisfied customers and they personally recommend, rather than simply refer, that business to friends and family. Many companies now talk about “the lifetime value of the customer” and that customers contribute to their profitability.

Branding used to be defined by measuring “how well known” a brand was among consumers. This ranking was done with either the technique of “aided top-of-mind awareness” (asking consumers to rank a brand among a list of brands) or the technique of “unaided top-of-mind awareness” (asking consumers to give their opinion without prompting).

Today a brand is defined by the feelings and perceptions the customers have after experiencing the brand's products and/or services.

This new way of looking at Branding is known as “Emotional Branding” and has been written about by Marc Gobe [Emotional Branding – ISBN # 1-58115-078-4]. This reality is changing the way businesses are thinking about business. Simply put, our economy has been and is being transformed from a manufacturing mentality and economy, [i.e. producing goods and services for a profit] to an experience mentality and economy [i.e. creating experiences for customers that result in their being very satisfied, returning frequently and promoting the business to others]. This reality is also starting to transform companies that use franchising as a growth strategy.

Today's consumers want to have very satisfying experiences when receiving a product or a service from a franchise brand and its representatives. The Harvard research over the past thirty years has indicated that our economy has evolved from the 1950's through the:

Four Stages of “Competitive Advantage”

1. Points of Distribution. [1950's – 1970's]

This stage was characterized as having Distribution networks each of which had a Dealer network. This stage was primarily concerned with manufacturing, distributing and selling more “stuff” than competitors. So the focus was on the acquisition of Distributors and Dealers such as our product franchise systems.

2. Quality [1960's – 1980's and to the present]

Quality, we learned from the Japanese, became the next competitive advantage. Quality replaced “built in obsolescence” as a principle of business and was replaced by Total Quality Management, Zero Defect Management, ISO 9000, Six Sigma, etc. Quality, often combined with points of distribution, became the next competitive advantage. This stage of competitive advantage was characterized by processes and systems executed by well-trained people engaged and accountable for a certain defined part of the manufacturing process. This became the key to success. People were important but systems and processes were more important. One of the slogans of this era was; “Processes Are More Important Than People.” Many economists credit this era of quality systems for the increases in productivity the world have been experiencing over the past 40 years or so. Quality systems are designed after two questions are asked and answered: [1] “What is the most effective way to do a thing?” and [2] “What is the most efficient way to do the most effective thing?” *In many ways this era gave birth to franchising as a system and process way of replicating business practices.* Franchising reinforced the era's slogan “Processes Are More Important Than People” by often saying of their franchises; “Anybody can do this.”

3. Customer Service [1980's – 2000 and to the present]

Customer service, characterized by slogans such as “Knock Your Socks Off Service,” “Wowing the Customers,” “Exceeding Customers Expectations,” “Doing Whatever It Takes To Please The Customers,” became platitudes of this next stage of Competitive Advantage.

Companies soon realized that leaving service excellence up to individual employees created uncertain and very uncontrollable results. Companies grew in size and profitability if they were able to have: (1) numerous points of distribution; (2) with excellent systems (3) creating high quality products; (4) with employees dedicated to serving the customer in a way that exceeded their expectations. These companies experienced a competitive advantage over others who could not do what they did.

4. The Customer Experience [1990's – to the present and into the future]

In order to “fix” the inconsistent quality resulting from individual, dedicated, employees attempting to create great customer experiences on their own, senior executives began to ask themselves some questions. In Stage 2 above we had learned that quality could be controlled by having well trained, engaged and dedicated employees executing systems and processes designed to produce zero defect products. Could this lesson be applied to the interaction employees had with customers? Or were there too many variables involved in the service experience that made controlling the customer experience impossible? We know the answer is that the customer experience can be controlled, and that it can be measured. So the ultimate competitive advantage for today's business is accomplished by having the dominant number of locations with quality, defect-free products and services delivered within a controlled experience by well-trained, developed and engaged team members. This results in very satisfied and loyal customers who return frequently and recommend the business to friends, family and colleagues.

B. What are the stages in the customer experience and how is it measured?

Stages of the “Customer's Experience”

1. Expectations Set by Marketing
2. Pre-purchase Interactions
3. The Purchase Interaction
4. Product/Service Consumption
5. Post Experience Review

A franchise company's customer experience is a blend of its physical performance and the emotions that performance evokes measured against what a customer values across all “Moments of Truth.”

“Moments of Truth” are those contacts with a customer that are “Deal Breakers” preventing the customer being very satisfied, committed to coming back frequently and recommending your business to others. Restaurant “Moments of Truth” or “Deal Breakers” might include:

- | | |
|---|--|
| X A clean and safe parking lot, | X Clean dressed and well spoken wait staff, |
| X A good looking building, | X Clean restrooms, |
| X Friendly employees, | X Clean tables and floors, |
| X Being greeted very soon after entering the building, | X Orders taken quickly, |
| X A short wait to be seated, | X Orders served correctly, |
| X Water and drink orders taken within one minute of being seated, | X All orders served at the same time, |
| X Readable menu, | X All orders served at the correct temperatures, |
| X Knowledgeable and helpful staff, | X Additional drinks offered & served |

- X without needing to ask the wait staff,
- X The check presented without needing to ask for it, the check and credit card processed immediately without the customer needing to wait more than two minutes,

- X Customers are thanked for their business and asked to return,
- X Customers given an opportunity to give the restaurant feedback on-line regarding their experience.

There is now no question that a company can control the experiences customers have. Therefore, a company can control whether or not those experiences result in dissatisfied, unsatisfied, satisfied or very satisfied customers who will either become frequent, loyal promoters of the Brand or talk badly about the Brand. This focus is called “emotional branding.”

When franchisees are asked: “What is it we all have in common and want more of?” They almost universally answer “money” and “profit.” The preferred answer is “very satisfied and loyal repeat promoter customers.”

When they answer money and profit it reflects the “manufacturing” mentality of past competitive environments. In order to succeed in today’s increasingly competitive environment, franchised businesses, like all businesses, must balance their traditional scorecard metrics [food cost, labor, cost of goods sold, etc.] with customer-driven metrics. Meaningful sustained behaviors focused on creating and retaining very satisfied and loyal customers will only occur when a franchisor company and each franchisee is measuring how well they are doing in creating a very satisfied and loyal customer who returns frequently and recommends the company to their friends, family and colleagues. This combination of traditional metrics with customer-driven metrics is referred to by the Harvard Business School as a “Balanced Scorecard.” Metrics common to the customer and the franchisee side of the Balanced Scorecard, mentioned earlier, include:

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| <ul style="list-style-type: none"> □ New customers □ Retention of current customers □ Satisfaction [very satisfied vs. satisfied] □ Loyalty □ Frequency □ Net Promotion Score [how many customers promote the brand] □ Market share | <ul style="list-style-type: none"> □ Employee turnover at the operating locations □ Employee satisfaction □ Employee engagement □ Franchisee turnover □ Franchisee satisfaction □ Franchisee engagement |
|--|---|

All decisions and changes in a franchise company, particularly changes to its Operating Systems, must answer the question: “Will this decision or change help to create and keep more and more very satisfied customers who return frequently, recommend us to others and promote us to their friends, family and colleagues?”

To call this focus on customers a “System” may be confusing to some, however. It is certainly more than a method, more pervasive than a single department or procedure, and much more practical than an abstract philosophy. It must permeate throughout the franchise company’s departments from the CEO watching what today’s and tomorrow’s customers want, to the marketing department studying evolving customer profiles. It must infuse how a franchise company approaches ALL of its products and procedures. In that sense **Customer Focus is the fundamental, all-embracing system of thinking, planning, and action.**

Key Operating System # 2: SUPERIOR LEADERSHIP.

One could be tempted at this point to describe the CEO's office or that of other top officers in the company. After all, every franchise company has to have an executive suite where ultimate responsibility rests with the company's top leaders. But this second "key operating system," like the customer focus above, is not restricted to the CEO's office. It must be found throughout the franchisor departments as well as franchisee offices, though franchisees will naturally look to franchisor management for system-wide leadership. The franchisor management team must provide the kind of leadership that earns the respect, confidence and trust of franchisees and team members.

Leaders are defined as individuals who influence the beliefs, thinking and behaviors of others.

Leadership should inspire an appreciation for the franchise Operating System and help the franchisees internalize the desire to follow the system, which in turn results in opening additional units and in the validation of the franchise to candidates considering becoming franchisees. Here we will assume that the leader in a franchise company has both leadership and management accountability and responsibility. We will discuss leadership and management separately and then bring them together.

A. What are [some of] the Challenges in Leading A Franchise Organization?

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| 1. Compliance with systems; Do not have direct control | 7. Competitive challenges |
| 2. Getting franchisees excited about "the next great program" | 8. Innovation and change |
| 3. Effective communication | 9. Franchisees |
| 4. Implementing change | 10. Belief in long-term profitability |
| 5. Unifying diverse agenda | 11. Branding |
| 6. Logistics | 12. Technology |
| | 13. Integrated, successful business planning process |

The leaders in a franchise company deal constantly with decisions relating to one or another of these subjects, and because of the nature of franchising, their answer to today's question may have company-wide consequences tomorrow. Leaders are paid for the futurity of current decisions. Leaders must always be concerned with the long-term impact of today's decisions. Therefore, the goal of leadership is to discover what the challenges are, prioritize them and then confront and meet them, always keeping in mind which of the challenges will have the greatest impact on the long-term viability of the enterprise.

In this process one of the greatest challenges is Unified Thinking. If the franchisor and franchisee think and believe differently about issues, these differences can and do create intellectual and emotional miscommunication, misunderstanding and even arguments within a franchise system and between franchisees and field consultants. [By the way, companies use different titles for this important job -- Performance Improvement Consultants, consultants, field consultants, field personnel, field staff and a few other titles. Our preferred term is Performance Improvement Consultant going into the future.] It is therefore imperative we ask and answer what the leader's accountability, role, responsibility and function are.

1. As a leader what are you accountable for? The answer is: Knowing, believing in, living and ensuring that the Franchise Brand's Mission, Core Values, Vision and Brand Strategy Positioning are accomplished.
2. What is your role as leader? The answer is: To contribute directly, on a daily basis, to the accomplishment of the Franchise Brand's Mission, Vision, Brand Strategy Positioning

and to live the Core Values.

3. What is the leader's responsibility? The answer is: To teach people to believe the way[s] you know they must believe for the Mission, Vision and Brand Strategy Positioning to be accomplished.
4. What are the functions of a leader? The answer is: The leader has the following functions:
 - a. Create Unified Thinking among all constituencies in the company
 - b. Establish the Mission
 - c. Establish the Vision
 - d. Establish the Core Values
 - e. Establish the Brand's Positioning Statement
 - f. Establish the systems for the accomplishment of all results
 - g. Ensure the Strategic and Operational Imperatives are established
 - h. Ensure each Strategic Imperative has developed under it clear initiatives that will ensure success.
 - i. Ensure each initiative has strategies and tactics identified that will accomplish its results.
 - j. Ensure people are assigned to and have accepted accountability for the accomplishment of the strategies, tactics, initiatives and imperatives.
 - k. Ensure people have been fully trained, are committed and engaged and are confident they have the skills, knowledge and abilities to accomplish their results.
 - l. Ensure people have the resources they need to accomplish their results.
 - m. Establish dates and processes to follow-up on the progress of all projects to ensure they will meet or exceed the anticipated results.
 - n. Let people know that each one of them is doing a part of your job and that you trust them and empower them to meet or exceed their commitments. Let them know that you want them to let you know if they believe they cannot accomplish their results.
 - o. Get out of their way and do not micromanage their work.
 - p. Demonstrate gratitude, encouragement and positive feelings among all team members by giving feedback when results are being accomplished.

Each of these statements could be the focus of a leadership retreat for both franchise and non-franchise companies. Perhaps some of the most important for a franchise company are those dealing with the Brand and its specific business format systems.

B. When are Franchise Leaders at Their Best?

1. When they challenge the processes by:
 - X Searching out challenging opportunities to change, grow, innovate and improve
 - X Experiment, take risks, and learn from the accompanying mistakes
2. When they inspire a shared vision by:
 - X Envisioning an uplifting, motivating and ennobling future
 - X Enlisting others in a common vision by appealing to their values, interests, hopes and dreams.
3. When they enable others to act by:
 - X Fostering collaboration, promoting cooperative goals and building trust.
 - X Strengthening people, giving power away, providing choice, developing competence, assigning critical tasks and offering visible support.
4. When they model the way by:
 - X Setting the example, behaving in ways that are consistent with shared values.
 - X Achieving small wins that promote consistent progress and build commitment.
5. When they encourage the emotions/heart by:
 - Recognizing individual contributions to the success of every project.
 - Celebrating team accomplishments regularly.

C. How Is a Leader Different From a Manager?

Leaders provide the climate and managers provide the resources that will attract people who will commit to live and accomplish the mission, values, vision, strategy, and goals and implement the systems. The climate a leader sets is determined by his philosophy of business, life and people.

(1) Leaders Provide The Climate

People make all their decisions based on their values, principles, goals, priorities and commitments. Therefore, it is essential for the leaders and managers to do everything possible to ensure their people's values, principles, goals, priorities and commitments overlap and are in alignment with those of the company and senior management.

The climate the leader sets is key to overall organizational effectiveness and can determine who will stay with your company and who will leave. The climate directly impacts the performance of your managers. The good news is that it can be managed.

Three Critical Facts About the Climate

1. There is always a climate in your company.
2. The climate always affects everybody and everything they do.
3. You always affect the climate by what you do or don't do.

(2) Managers Implement the Systems

Managers are systems and process focused. Managers work with people, money, materials, space and time to achieve predetermined goals. To do this they may use research, planning, organizing, directing and coordinating the activities of others.

Management is the ever-changing, ever-dynamic system of interacting minds affecting results through the allocation of resources [people, money, materials, time and space] controlled by the answers to: who, what, when, where, how and why. Management systematically designs systems, processes and procedures that efficiently and effectively assist in the accomplishment of predetermined results.

The Manager of Tomorrow in a Franchise Company:

- Must manage by objectives.
- Must take more risks and for a longer period ahead.
- Must be able to make strategic decisions.
- Must be able to build an integrated team, with each team member able to manage and measure their own performance and results in relation to the common objectives.
- Will be able to create a motivational climate.
- Must be able to see the business as a whole and integrate their functions with it.
- Must have a field of vision that takes in developments outside of their own markets and their own country.

The Preparation of Tomorrow's Franchise Manager

One needs experience in management, as well as maturity, to learn to manage by objectives, to analysis the company's business, to learn to set objectives and balance them, to learn to harmonize the needs of immediate and long-range future. Without experience as a manager—or at least as an adult—one can learn to recite these things. But one cannot learn to do them.

D. Creating a Management Team & Leading a Team by Creating a Group Mind

Good managers are "team intelligent" in that they work well *through* people. But they also work

well *with* people. They understand the methodology of cooperation. They also know that good will often is not enough and that what is needed is to install systems and processes that help people work well together.

As we have considered the role of managers, however, it becomes clear that they too are leaders affecting the climate of the business. Leadership in a franchise organization is not a characteristic reserved for the top officers. It is now shared among many. It is interesting that the characteristics most admired in leaders are that they are honest, forward-looking, inspiring, and competent. Every person who influences the beliefs, thinking and behaviors of others must develop themselves with those characteristics in mind. At the same time those leaders and managers must perform their leadership within the well-designed processes and systems of their franchise company in ways that will get the highest return on its assets.

Key Operating System # 3: FINANCE AND THE FINANCIAL PLAN.

To succeed in franchising, both you and your franchisees must carefully plan your growth and control your finances. In addition, you must have a plan for systematically monitoring franchise operating information and analyzing return on investment from the development, marketing, operations and training departments.

The Finance Office and its systems are essential in the Operation of any franchise company. Its functions can be as basic as paying the utility bills and handling payroll for the headquarters offices. But this may also be the office to which franchisees send their royalty payments or reimbursement for supplies sold by the franchisor, which means that with the financial barometer of timely payments, the financial officers may be the first to sense a franchisee's difficulty because of late royalty checks.

It is also likely to be responsible for handling or overseeing tax matters and having the necessary audited financial documents prepared for attachment to the UFOC. Finally, this is the office that provides the information needed to determine the continuing financial health of the company. The various financial ratios (*discussed in Chapter 8*), for instance, are built on information from the Finance Office.

In one of its most over-arching roles, however, absolutely reliable financial information is needed for company planning. This is where seemingly dry numbers lead to very real, practical decisions to drop this product line and expand that one, or to choose franchise expansion rather than company-owned outlets for a particular market, or to increase the initial franchise fee. Knowing the relevant financial ramifications facilitates almost every decision. (*See the discussion of Strategic Planning in Chapter 4 and of Finance in Chapter 8.*)

Financial analysis in the planning process is not limited to the franchisor offices, however. Both accurate financial analysis and related financial planning must take place in the individual franchisee units as well. Franchisees must be involved in a structured business planning process enabling them to tie the success, growth and profitability of their franchise to their personal financial goals for lifestyle, income, wealth and equity. That means that on the franchisee level too there must be reliable records and summary financial information, for the franchisee's sake as much as the franchisor's.

The actual systems used for tracking finances vary widely, and none are magic. The particular approach may be directed by the business format system. In general, however, the keys here are simple: an easy-to-use system, regularly kept records, accurate information, and competent people helping where necessary. But simple or not, financial monitoring and planning are an essential Key Operating System in any franchise business.

Key Operating System # 4: RECRUITING EXCELLENT FRANCHISEES.

Franchises should not be *sold*. They should be *awarded*.

Few operating departments or functions in a franchise company are as important or as constantly watched as this one. For purposes of this discussion franchise recruitment and sales will be separated from initial training and related activities. (*Editor's Note: For a more extended discussion of this subject, see Chapter 9, "Recruiting Top Quality Franchisees with an Effective Sales System." From the franchise Operations perspective, however, it is necessary to do an overview here simply to see the kinds of employees and processes involved.*)

Every franchise company must have an efficient system for recruiting, qualifying, awarding and opening franchises by individuals and entities who believe they can achieve their personal and business goals by:

- ♣ Completely and consistently implementing your Operating System,
- ♣ Enhancing the value of the Brand,
- ♣ Creating and keeping VERY satisfied and loyal customers,
- ♣ Working cooperatively with the other franchisees and company managers,
- ♣ Helping you build market share in all markets,
- ♣ Enthusiastically participating in all aspects of your relationship, especially with your Performance Improvement Consultant.

Most franchisors spend much, too much, of their time with candidates discussing the details of the franchise because they have never been taught a different, more effective way to talk to candidates. Personal goals drive business goals. Becoming your franchisee is an emotional decision for the candidate that begins and ends with determining the answers to very emotional questions that need to be positioned at the very beginning of the evaluation process. The questions might be contained in a script like the following:

- ♣ "Evaluating whether or not to become our franchisee and whether or not we want to grant you a franchise is a mutual decision-making process."
- ♣ "We, the franchisor, are making a decision about whether or not you, the candidate, can help us achieve our goals and objectives in the market where we are going to grant you a franchise to operate your business as our franchise."
"You, the candidate, must evaluate and decide if you, as our franchisee, can achieve your short-term income and lifestyle goals and whether or not, as our franchisee, you can achieve your long-term wealth and equity goals and objectives."
- ♣ "If the answer is yes for both of us then we will proceed and we will grant you a franchise."
- ♣ "As we go through each stage of our evaluation process you will be asked this question: 'Are you more or less interested in becoming our franchisee, and why?'"
- ♣ "When you have enough verification and validation that our franchise is the vehicle you need to accomplish your short-term and long-term goals and objectives for lifestyle, income, wealth and equity and that you want to be our franchisee, you need to let us know."
- ♣ "At that point we will determine if we have made our final decision regarding whether or not we believe you are the best person to help us achieve our goals for this market."

Candidate Emotion and Comfort, and Discomfort Zone [In Terms of Lifestyle, Income, Wealth and Equity]

It may help the prospective franchisee to use questions like the following to evaluate his or her current status and position regarding becoming a franchisee.

As a Candidate for Your Franchise

- ♣ Where am I today? [In terms of lifestyle, income, wealth and equity]
- ♣ Where did I think I would be by today? [In terms of lifestyle, income, wealth and equity]
- ♣ Where do I want to be tomorrow? [In terms of lifestyle, income, wealth and equity]
- ♣ Can I get there by doing what I am doing today? [In terms of lifestyle, income, wealth and equity]
- ♣ Can I get there by becoming your franchisee Strategic-Partner? [In terms of lifestyle, income, wealth and equity]
- ♣ What are my long-term goals? [In terms of wealth and equity?]
- ♣ What are my short-term goals? [In terms of income and lifestyle?]
- ♣ Can your franchise help me get my long-term goals?
- ♣ Can your franchise help me get my short-term goals?

Communicating to the candidate that these questions are the basis and the foundation for your discussions positions you as wanting to help him/her achieve their personal goals while achieving business goals. It minimizes or eliminates a “sales” relationship and results in more agreements being signed and more deals being done. Beliefs and emotions drive decision making not intellect. If your candidates believe and feel emotionally that being your franchisee can help them achieve their income, lifestyle, wealth and equity goals they will perceive very little as negative in the evaluation process, even if they run into franchisees who are not positive and do not validate your franchise as a good business opportunity.

The approach of “mutual decision-making” is the same approach used by executive recruiters and “headhunters.” Below is a chart showing the similarities between a franchise recruiter’s process and that of an executive recruiter.

The Selection Process of developing Employees And A Successful Franchise System

Employment/Franchise Selection Process		
Step	Employment Process	Franchise Process
1. Define qualifications for the position	Job description and qualification description	Qualification profile and criteria
2. Promote the position	Search for candidate	Search for candidate
3. Initially qualify candidate	Receive response from candidate	Initial contact with candidate
4. Credentials received	Resume	Request For Consideration
5. Meetings to discuss position	Interview	Interview
6. Follow-up research by company and candidate	Additional interviews: Check references	Candidate and franchiser validations
7. Decision to extend offer	Application and Offer of Employment	Application approval, granting of franchise license
8. Offer accepted	Employment agreement	Franchise fees paid and Franchise Agreement signed
9. Skill development	Employee training	Franchisee training
10. Candidate starts	Employee is on the job	Franchisee’s initial unit opens

In addition to the mutual decision-making philosophy we recommend dividing the decision-making process into two parts. Part one we call the "Pre-Qualification Process." This process deals with "deal breakers" that would prohibit the candidate from qualifying for our franchise and would waste our time if we spent time with a candidate who we did not know was not qualified to be our franchisee. Our recommendation is that this part of the process be done by a person we call the "Qualification Specialist." The recruiters, in most companies, spend and waste too much of their valuable time with candidates who are not qualified to become your franchisee. Using a Qualification Specialist, even if your leads flow remained the same, would increase your signed deals by at least 2 and maybe as much as 6 times what it is done without a Qualification Specialist in place. The Qualification Specialist can address the issues covered in the following lists.

Pre-Qualifying Questions Include:

- X Are you financially qualified?
- X Are you ready to make a decision?
- X Is there a location available?
- X Can you decide to become our Strategic-Partner in the next 90 days?
- X Can you pass our background checks?
- X Can you meet our profile requirements?
- X Do you have the requisite skills, knowledge, abilities and experiences required to be our franchisee?
- X Can your finances be verified?

Qualifying Questions Include:

Once the candidate is qualified they get to talk to a Recruiter who takes them through the remaining steps in the qualification and validation process. These include but are not limited to:

- X Do you understand our mission and core values and can you live them?
- X Do you understand franchising and does it fit your personality?
- X Do you understand our business strategy and do you support it?
- X Do you understand our industry and does it excite you?
- X Do you understand the way the business operates?
- X Do you understand the way the business makes money?
- X Have you done your due diligence and validated your perception that this is the correct decision for you?
- X Can you achieve your long-term and short-term goals for lifestyle, income, wealth and income by being our franchisee?

The qualification process may be best appreciated in the following overview chart.

Overview of a Franchisee Qualification Process



Overview of a Franchisee Qualification Process

Initial Inquiry (Qualification Specialist)

- ∞ Explain the Qualification Specialist's role
- ∞ Gather basic information from the candidate
- ∞ Briefly describe the concept background
- ∞ Discuss the company's development strategy, mission, vision and values
- ∞ Explain the evaluation process
- ∞ Ask evaluation questions
- ∞ Review the company's Franchise Information packet and Application
- ∞ Get commitment from the candidate to complete and return the Application
- ∞ Send the candidate the Information Packet and Application

Application Received (Qualification Specialist)

- ∞ Verify/validate the candidate's completed Application
- ∞ Contact the candidate to advise of Application approval
- ∞ Discuss the next step: phone meeting with the Recruiter
- ∞ Review UFOC and Decision making Checklist
- ∞ Schedule phone meeting and send UFOC and Decision Making Checklist

Phone Meeting (Recruiter)

- ∞ Establish trust and rapport, discuss agenda and explain Recruiter's role
- ∞ Review the evaluation process
- ∞ Explain UFOC and Decision Making checklist
- ∞ Summarize phone contact results and schedule a face-to-face meeting
- ∞ Assign homework: calling Strategic-partners, developing questions for the meeting

Face-to-Face Meeting (Recruiter)

- ∞ Set agenda – candidate's and company's
- ∞ Conduct interview, using available presentation materials
- ∞ Complete a profile of the candidate
- ∞ Discuss the candidate's next steps: visit existing franchised locations work in a unit, arrange financing, complete the business plan
- ∞ Summarize the meeting results, document actions completed in the Decision Making checklist and schedule a visit to an existing location

Meeting at Existing Unit (Recruiter, Strategic-partner, Operations Personnel)

- ∞ Candidate works in unit
- ∞ Operations people answer remaining questions and evaluate the candidate
- ∞ Candidate discusses his/her business plan with Strategic-partners

Approval Committee Actions

- ∞ Recruiter submits the candidate's packet to the Manager of Franchise Development
- ∞ Manager review and submits the packet to the Approval Committee
- ∞ Approval Committee reviews the candidate's packet and makes a decision
- ∞ With a favorable decision, an approval letter is sent to the candidate with an invitation to Discovery Day

Discovery Day

- ∞ Tour of corporate offices
- ∞ Introduction of candidate to company management
- ∞ Celebration – signing of the Franchise Agreement and payment of fees
- ∞ Operations personnel review the pre-opening time line and obtains ongoing commitments from the candidate

The process outlined in the Overview chart takes you from the initial contact through the signing of the agreement. The explanation of that agreement and the UFOC are a very important part of the “franchise award” process. Understanding the terms in those documents cannot be completely delegated to the parties’ attorneys. The franchise candidates themselves must understand the business terms they may agree to. If ever there was a time to dive into a legal document, this is it. The franchisee will have to live with the terms of this contract for the duration of the franchise. If key terms are unacceptable to the candidate, the franchise award process should stop here. Each document will be discussed briefly below.

Checklist of Basic Franchise Agreement Terms

Franchise Agreements vary greatly from franchise to franchise. It would be impossible to identify every term and issue that should be considered in every situation. However, this checklist could be a valuable tool in understanding a franchise.

The checklist should be used in conjunction with your Franchise Agreement—the document that will set out all the terms and conditions that will govern ownership of the franchise. That agreement is prepared by the franchisor. This checklist can be used either before you see the Franchise Agreement, in order to get an idea of what should be in it, or after you have a copy of the agreement, in order to review its terms.

In any event, while you can use the checklist to understand and review a Franchise Agreement, the contract should not be signed until the candidate has discussed it with an attorney.

Sample UFOC/License Agreement Considerations

Issues Pertaining to the Franchise Cost/Investment Terms

- o What does the initial franchise fee purchase?
- o Does it include an “opening” inventory of products and supplies?
- o What are the payment terms: amount, time of payment, lump sum or installment, financing arrangements, etc.?
- o Does the franchisor offer any financing, or offer help in finding financing?
- o Are there any deferred balances? If so, who finances and at what interest?
- o Is any part or all, of the initial fee, refundable?
- o Does the contract clearly distinguish between “total cost” and “initial fee,” “initial cash required,” or “initial costs,” etc.?
- o Are there periodic royalties? If so, how much are they and how and when are they determined?
- o How and when are sales and royalties reported, and how are royalties remitted?
- o If royalties are remitted in whole or part for services by the franchisor, what services will be provided?
- o Are accounting/bookkeeping services included or available?
- o How are advertising and promotion costs divided?
- o Is a specified amount of working capital required of the franchisee to cover operating costs until profits can be made?
- o Must premises be purchased or rented, and are there further conditions on either of these (from franchisor, selected site, etc.)?
- o How and by whom will the building be financed, if purchased?
- o Does the franchisee have to make a down payment for construction and/or equipment?

Issues Pertaining to the Franchise Location Terms

- o Does the franchise apply to a specific geographical area? If so, are the boundaries clearly defined?
- o Who has the right to select the site?
- o Will other franchisees be permitted to compete in the same area, now or later?
- o Is the territory an exclusive one, and is it permanent or subject to reduction or modification under certain conditions?
- o Does the franchisee have a first refusal option as to any additional franchises in the original territory if it is not exclusive?
- o Does the franchisee have a contractual right to the franchisor's latest products or innovations? If so, at what cost?
- o Will the franchisee have the right to use his own property and/or buildings? If not, will the franchisor sell or lease his property to the franchisee?
- o Who is responsible for obtaining zoning variances, if required?

Issues Pertaining to the Buildings, Equipment and Supplies Terms

- o Are plans and specifications of the building determined by the franchisor? If so, does this control extend to selection of contractor and supervision of construction?
- o Are there any restrictions on remodeling or redecorating?
- o Must equipment or supplies be purchased from the franchisor or approved supplier, or is the franchisee free to make his own purchases?
- o When the franchisee must buy from the franchisor, are sales considered on consignment? Or will they be financed and, if so, under what terms?
- o Does the agreement provide for continuing supply and payment of inventory (by whom, under what terms, etc.)?
- o Does the Franchise Agreement bind the franchisee to a minimum purchase quota?
- o What controls are spelled out concerning facility appearance, equipment, fixture and furnishings, and maintenance or replacement of the same? Is there any limitation on expenditures involved in any of these?
- o Does the franchisor have a group insurance plan? If not, what coverage will be required, at what limits and costs? Does the franchisor require that it be named as an insured party in the franchisee liability coverage?

Issues Pertaining to the Operating Practices Terms

- o Must the franchisee participate personally in conducting the business? If so, to what extent and under what specific conditions?
- o What degree of control does the franchisor have over franchise operations, particularly in maintaining franchise identity and product quality?
- o What continuing management aid, training and assistance will be provided by the franchisor, and are these covered by the service or royalty fee?
- o Will advertising be local or national and what will be the cost-sharing arrangement, if any, in either case?
- o If local advertising is left to the franchisee, does the franchisor exercise any control over such campaigns or share any costs?
- o Does the franchisor provide various promotional materials point-of-purchase, mail programs, etc. and at what cost?
- o What are bookkeeping, accounting and reporting requirements, and who pays for what?

- o Are sales or service quotas established? If so, what are the penalties for not meeting them?
- o Are operating hours and days set forth in the franchise contract?
- o Are there any limits as to what is or can be sold?
- o Does the franchisor arrange for mass purchasing and is it mandatory for the franchisee to be a participant buyer?
- o Who establishes hiring procedures initially and through the franchise term?

Issues Pertaining to Termination and Renewal Terms

- o Does the franchisor have absolute privilege of terminating the Franchise Agreement if certain conditions have not been met, either during the term or at the end?
- o Does the Franchise Agreement spell out the terms under which the franchisor may repurchase the business?
- o Does the franchisor have an option or duty to buy any or all of the franchisee's equipment, furnishings, inventory, or other assets in the event the franchise is terminated for good cause, by either party?
- o If the preceding situation occurs, how are purchase terms determined?
- o Is there provision for independent appraisal? Is any weight given to good will or franchisee equity in the business?
- o Does the original agreement include a clause that the repurchase price paid by the franchisor should not exceed the original franchise fee? If so, this eliminates any compensation for good will or equity.
- o Under what conditions (illness, etc.) can the franchisee terminate the franchise? In such cases, do termination obligations differ?
- o Is the franchisee restricted from engaging in a similar business after termination? If so, for how many years?
- o If there is a lease, does it coincide with the franchise term?
- o Does the contract provide sufficient time for amortization of capital payments?
- o Has the franchisor, as required, provided for return of trademarks, trade names, and other identification symbols and for the removal of all signs bearing the franchisor's name and trademarks?

Other Points To Consider

- o Can the franchisee sell the assets of the business and assign the Franchise Agreement to the buyer?
- o Is the franchise assignable to heirs, or may its assets be sold by the franchisee's estate on death or disability?
- o Does the lease permit assignment to any permitted assignee of the franchisee?
- o How long has the franchisor conducted business in its industry, and how long has it granted franchises?
- o How many franchises and company-owned outlets are claimed, and can they be verified?
- o If there is a trade name of a well-known person involved in the franchise, is he active, does he have any financial interest; does he receive compensation for work or solely for use of his name, etc.?
- o Are all trademarks, trade names, or other marks fully identifiable and distinct, and are they clear of any possible interference or cancellation owing to any pending litigation?
- o What is the duration of any patent or copyright material to the franchise? If time is limited, does the franchisor intend to renew, and is this spelled out in the Franchise Agreement?
- o Has the franchisor provided the franchisee with an offering document package meeting FTC rule requirements or the UFOC format?

- o Has the franchisor met all state law requirements (registration, escrow or bonding requirements, etc.), if applicable?
- o Are there state laws governing franchisor/franchisee relationships, including contract provisions, financing arrangements and terminations? If so, does the contract meet all requirements?

The UFOC (Unified Franchise Offering Circular) is a disclosure document mandated by law to be delivered to a prospective franchisee. Law specifies the format itself. Its contents cover some of the same subjects as the franchise agreement, as well as other subjects relevant to the business. Sample pages below give you an idea of its contents. *(A much more detailed discussion of disclosure documents can be found in Chapter 3, "How United States Laws Regulate Franchising.")*

Obviously, the company attorneys prepare the contract and UFOC. We include the following sample pages simply to give an idea of what they look like because the documents are presented early in the recruitment phase and play a big role in the franchise sale/award process.

If a candidate couldn't figure out some of the answers to the contract checklist questions from the contract, look for them in the UFOC.

Examples of UFOC Language

The Following Examples of Language Are Direct Quotes from an actual UFOC/License Agreement

Our Business Operations

We offer and grant qualified candidates ("Multi-Developers") the right to develop and operate locations using a uniform and proprietary operating system (the "System") and identified by the [Company] trade name and service mark, and other trade names, service marks, trademarks, logos and commercial symbols (the "Marks") that we may designate from time to time. This right is granted through a Multi-Development Agreement that includes a negotiated schedule ["Development Schedule"] for the development and operation of [type of business, i.e. restaurants] within a specified geographic area ["Development Area"]. Each [type of business, i.e. restaurants] is operated under the terms of an individual Franchise Agreement.

We may also offer franchises or licenses for [Company type of business] located at non-traditional locations, such as colleges and universities, entertainment and sports facilities, and transportation portals, or for the distribution of [Company] products at [insert kind/type of] stores, specialty markets or other retail outlets. The terms of these types of arrangements will vary substantially from those contained in our Multi-Development Agreement and Franchise Agreement.

We or one of our affiliates may offer franchises for [Company] [type of business] in foreign countries. This Offering Circular does not describe the terms of such an international relationship and, indeed, we anticipate that those terms would be very different from the ones contained in this Offering Circular. We may, however, deliver this Offering Circular to international candidates to provide general information regarding the [Company] concept.

The Franchised Business

With an emphasis on the guest experience, we believe the [Company] concept is setting the precedent for the [insert] segment by offering and delivering to our customers the best [insert appropriate term] *when they want it, where they want it, and as they like it*. Our Mission and Core Values contribute greatly to our customer's being very satisfied. We expect each of our franchisees to develop and train their personnel to believe in our Mission Statement and abide by our Core Beliefs and Values. Our Mission Statement is [Insert]

Our Core Beliefs and Values are:

- Integrity* [from ourselves, our franchisees and our employees]
- Passion* [for our product, our customers, our franchisees and our team members]
- Compassion* [to respect, take responsibility and recognize contributions]
- Work Ethic* [consistently focusing energy and resources to enhance the value of the [Company] brand to our franchisees and to our customers]
- Hospitality* [friendly, knowledgeable, welcoming, anticipating, accommodating]
- Family* [ours, our franchisees', our employees' and our customers']

Development Fee and Initial Franchise Fee

As a Multi-Developer, you have committed to develop at least five [locations] and are granted a Development Area for this purpose. Upon signing the Multi-Development Agreement, you will remit to us [insert \$ amount] for each location to be opened under the Multi- Development Agreement. The Development Area and the number of locations to be developed is determined by mutual agreement and will depend on numerous factors, including the demographics within the Development Area, our development vision for the Development Area, and our determination of your financial capabilities.

The initial franchise fee is our way of recouping some of the costs related to developing the [Company] franchise concept and granting you the right to develop and operate a location. That fee is currently [insert \$ amount]. We will apply [insert \$ amount] of the Development Fee paid under the Multi-Development Agreement towards the initial franchise fee payable under each Franchise Agreement entered into according to the Multi-Development Agreement. You will remit the remaining [insert \$ amount] of the initial franchise fee for each location upon execution of the Franchise Agreement for that location, which will occur on the earlier of the date indicated in the Development Schedule or once a site for the location has been accepted by us.

Neither the development fee nor the initial franchise fee should be construed as the price to "buy the area" or "buy the franchise." When you fulfill your rights and obligations under the Multi-Development Agreement and the Franchise Agreement, you will be using our intellectual property, which you do not own, but are licensed to use.

No portion of the development fee is refundable if you do not develop the total number of locations committed to under the Multi-Development Agreement. Once a Franchise Agreement is signed, no portion of the initial franchise fee is refundable.

Except as provided above, all fees are nonrefundable, must be remitted to us, and are deemed earned upon receipt.

Royalty is remitted weekly by EFT on the Monday following each week [Monday through Sunday] for which the royalty was due. The royalties you remit to us represent our share of the revenues generated from customers of the [Company] brand and the execution by you of the [Company] System.

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Following the signing of the franchise agreement, initial training and site selection, etc. begin. These will be covered elsewhere. For the purposes of this section of the Operations chapter, it should be noted that the franchise selection/award process has involved several different types of franchisor employees: Franchise Representatives (recruiters/salespeople), Qualifications Specialists, existing franchisees, an approval committee, and attorneys.

Key Operating System # 5: EFFECTIVE MANUALS.

The task of writing and maintaining a franchise system's manuals is a large one. It may take place in its own department or in conjunction with training and field staff operations, marketing, or even finance. Regardless where the function is located administratively, this is a key Operating System.

1. What is it?

An Operations Manual is a book or books that summarize how your system works and is administered. A franchise system may have multiple Manuals for specific events (like the Grand Opening), processes (like Training), ongoing activities (like Marketing), product characteristics, services, or administrative matters. We use the term "book" loosely now because many systems are using an intranet for their Operations Manuals, either in place of hard-copy books or in addition to them. But whatever the medium used, Operations Manuals provide the explanation to the franchisee of what the system is and how it works. At their best Operations Manuals will establish and reinforce the Brand's customer-centric philosophy and operations. Policies, procedures, programs and practices will all be described. The preeminent importance of creating customer experiences that result in VERY satisfied and loyal customers who return frequently and promote the Brand to others will be emphasized.

The Operating Manuals also serve to reinforce what the candidate learned about the Brand during the Granting Process and the New Franchisee Orientation, Development and Training Program.

At the least, your manuals should clearly and concisely document your proven Operating System. At best they can also:

- ♣ Enhance the value of your brand among franchisees.
- ♣ Enable franchisees (when they fully and consistently implement the Operating System) to achieve their expected levels of profitability.
- ♣ Teach the value of franchising, marketing, customer service and compliance.
- ♣ Act as valuable marketing tools in the recruitment of new franchisee candidates.

Obviously manuals must be kept comprehensive and current.

2. Contents

A. Company Mission and Values

What is the mission of your franchise company? What values do you and your franchisees live by? By defining your vision, mission, and values, you define your vision of franchising, which in turn affects the type of people you seek as franchisees, how you view your relationship with them, and the way you conduct business together. You will want these vision, mission, and value statements in your Operations Manual. You'll want your trainers to teach them and you'll want your entire organization to be guided by them.

B. Related Subjects

There are other subjects that pertain to the relationship you have with your franchisees. These are spelled out, primarily, in the License Agreement—though spelling them out in plain English here won't hurt either, particularly when franchise candidates are looking at them. These subjects include:

- ♣ The meaning of franchising

- ♣ The franchisee's responsibility to enhance the brand, use the Operating System, and take advantage of the ongoing support
- ♣ Protecting the franchise brand, name, and logo
- ♣ The franchisee's responsibility to penetrate, retain, and dominate the market
- ♣ Territorial rights and responsibilities
- ♣ Payment of fees
- ♣ Submitting required reports
- ♣ Licenses, permits, and other requirements
- ♣ National, regional or cooperative advertising
- ♣ Structure and purpose of an advisory council
- ♣ Requirements or standards for purchasing equipment and supplies
- ♣ Computer systems
- ♣ Audits and inspections
- ♣ Compliance with the Franchise Agreement
- ♣ References to specific sections of the Franchise Agreement
- ♣ Insurance

C. The Company System

Yes, at this point you must summarize everything about the business. Basically, you must describe or document the way the business operates.

The Operations Manual must spell out everything in clear, complete detail from what franchisees do when they open the door in the morning to closing at night.

Administration

Two very broad areas must be included in your Operations Manual. These can be included in one book; usually they are in two, although it can be more, depending on how extensive your system is. These two areas are operations (what product or service you sell and how you sell it) and internal, administrative control. If you have anything that is written, it usually concerns the operations side of the business.

It is the administrative side that is most often overlooked. The administration manual is addressed to the franchisee or unit manager. It concerns questions of control, such as:

1. *How do I make money in this business?*
2. *How much money do I want or need to make and how will I go about doing it in order to meet my goals for my lifestyle, income, wealth and equity goals?* [This part of the manual will include a business plan and a business planning process]
3. *What will I do to generate business?* [The Marketing Plan]
4. *How do I plan and project future sales so I can control labor and inventory costs, yet still achieve my major objective, which is creating very satisfied and loyal customers who promote the Brand?*

You will find that you must spell everything out in clear, complete detail, from what franchisees do when they open the door in the morning to closing at night. Administrative controls include:

- ♣ Controlling costs and managing cash flow
- ♣ Preparing budgets and budget reports
- ♣ Writing and implementing a business plan
- ♣ Accounting and record keeping systems: monitoring and controlling financial performance and profitability
- ♣ Financial reports: balance sheets, profit and loss statements, financial statements, cash-flow analysis and cost analysis
- ♣ Evaluation of financial performance: standards, norms, key ratios
- ♣ Taxes and tax planning

- ♣ Payroll and payroll taxes
- ♣ Financial reports to the franchisor

Operations

The Operations Manual is addressed to everyone within the organization. The franchisee and anyone who works for the franchisee should be able to pick it up and read how to do what needs to be done on a daily, operational basis. (Usually this includes some administrative duties, such as making and recording the day's deposit and other record keeping activity; but if this is an activity anyone can be appointed to, it belongs in an Operations Manual.)

The most obvious benefit to documenting your system is that it allows you or your training staff to teach your system the same way each time. Moreover, the Operations Manual goes back to the franchisee unit with the franchisee. Having your system documented in the Operations Manual provides a resource to your franchisee so that once they leave training, they can continue doing things according to the Operating System.

Why is this important? Because franchising institutionalizes the buying experience for the customer and removes the element of surprise. The buying experience is institutionalized through an Operating System that is followed every time by everyone. The Operating System is designed to keep customers coming back once they try the franchise. Operations emphasize matters of quality, convenience, cleanliness, consistency, friendliness, unparalleled customer service, and price value. Specifically, Operations includes:

- ♣ Using the franchisor's unique system day to day (techniques, procedures, packaging, recipes, ingredients, services, delivery, etc.)
- ♣ Indicators of efficiency and effectiveness
- ♣ Franchise unit hours of operation, scheduling, supplies, equipment, forms, reports
- ♣ Physical layout of the unit, if this is not included in a Grand Opening manual
- ♣ Equipment use and maintenance
- ♣ Inventory controls; preventing losses
- ♣ Cash control; preventing losses
- ♣ Quality control
- ♣ Customer service and courtesy
- ♣ Purchasing procedures
- ♣ Government regulations
- ♣ Required records and their retention

3. Writing the Operations Manual

What Resources Are Needed?

Writing a manual isn't simply a matter of going into the field and writing down what you see. Experience has taught us that no matter how creatively we write about what we see, what we see is not always what is correct. (On more than one occasion clients have said, "Where did you get that?"—"that" being the first time they'd ever heard of a procedure.)

To document your Operating System, there are resources you must make available—people, time, and materials. As we proceed, you will see that whether you assign a writer or hire an outsider, the people, time, and materials required are pretty much the same in both cases.

The Project Manager

The first people resource is a project manager. The project manager can't possibly be the writer; the task is too big. But you will also see that the project manager has to be someone with a thorough understanding of the Operating System, an ability to communicate it, and the authority to delegate additional resources to document it.

The project manager defines the scope of the project. That includes deciding on or approving an outline for each manual. It includes defining:

- ♣ *Who the audience is*
- ♣ *What the purpose of the document is*
- ♣ *What areas will be covered—operations, marketing, administration, personnel, franchise relations, training, etc.*

The project manager is responsible for supplying any existing resource information. It is when the writer begins working with this information that "holes" first appear—outdated procedures, nonexistent procedures, obsolete forms, and so on. The project manager is then responsible for providing the information that doesn't exist, which can be time-consuming if it's done right.

The project manager must either serve as the subject-matter expert for the writer or have the authority to delegate responsibility for subject matter to others. This is not without its perils. It is not at all uncommon for the project manager to direct others in the organization to write procedures — what they do and how they do it—only to get in return essays photocopied from popular business magazines. Such filler wastes everyone's time and money, and it certainly does not provide useful operating instructions to the franchisees. A good writer can judge the usefulness of the writing, but both the project manager and the writer must be sure that what is received from within the organization is actually what the organization is doing, or wants done, in the field. Subject-matter experts in the organization are rarely writers. They bring all the bad habits to the written page that everyone else brings. So you can bet that additional time will need to be spent conducting in-person interviews to get information.

The project manager must see the project to the end. This means, principally, reading through as many drafts as necessary (because there is always more than one draft) and approving it: Yes, this is it. You've got it right. This is our Operating System. This process – reading and correcting drafts - takes time.

Ideally you want the writer to stay as close to the form and content as was originally agreed to. But this is not always possible. When the writer finds holes in the Operating System, both the writer and the project manager may have to go back to the beginning: information gathering, writing, reading, correcting, redrafting, and so on. A good example of this occurs when a client wants a writer to edit existing material but the existing material doesn't really reflect the Operating System; it may be a collection of exhortations to *do good* and *avoid evil*, or "*shouldy*" writing—writing that tells the reader what should be done as opposed to what to do.

Because of the time, authority, and ability required of a project manager, you may conclude, " <i>There's no way I can afford to take one of my top people and assign them to this job!</i> "

So what can you do?

The Writer

Part of the solution is to relieve the project manager of some responsibility by assigning it to the writer. To do this, you must have someone on your staff who can devote the time it takes to gather, organize, and write the information. If you have such a person, can you afford to take him away from the work he is already doing? It won't do simply to say to Susan, *Take care of this as soon as you can get to it, okay?* First, Susan may not have the ability to write it. Second, if she is a full-time staff member, she doesn't have the time; she's already got a full-time job.

You could remove her from her full-time job and give her the writing assignment, but most employees consider this a threat worse than death. They aren't writers; that's why they don't have writing jobs. But if you have someone on your staff who can do the writing, who will do the writing, and who will be given the people, resources, and materials to get the job done, this is one way to lessen the operational responsibilities of the project manager. If not, hire an outside writer.

An advantage of having an outsider write your manual is that the writer is an outsider. Directions and procedures that, to you, are so obvious are often seen by an outsider as anything but obvious. For example, suppose your franchisees are to mail a weekly report to you. Your directions might say, "Mail the weekly report for the previous week to Company XYZ at such-and-such address." But how is that form filled out? What is the information used to complete it? Is it taken from some other document—register tapes perhaps? Exactly what do you do to transfer the information from one source to another? In this respect, an outside writer is like a new franchisee: The person really must start from zero if they are to understand how to make your system go.

Let's suppose you have decided to use an outside writer. What should you look for? What follows are some general guidelines:

Finding a Writer

1. Don't put an ad in the newspaper for a "writer." Everyone who is looking for a job can honestly call himself or herself a writer. You will be inundated with applicants, and on what basis would you screen them, in any case?

2. Recognize that there are different types of writers. There are ones you don't want, even if they are fine writers, because their area of expertise is not what you need. You don't want feature writers (people who write human-interest pieces in newspapers and magazines); copywriters (the ones who write advertising copy, marketing brochures, and so on); technical writers (people who write for their peers, such as those in the oil and gas fields); or documentation specialists (the people who document computer programs). You want a how-to writer—someone who can tell a reader how to operate a robot coupe; how to make a bank deposit; how to take inventory; how to do guerilla marketing. Cookbooks are great how-to books. They tell you how to do what you need to do, what you need to do it, why you are doing it, and what to do when you're done. That's the kind of writing you need.

3. Contact your community college to find writers because they usually have courses on business writing. Call the community college and ask to speak to the head of the business department. Tell the department head you have a writing project and you are looking for someone to write your Operations Manual. Ask if any of the business faculty does such writing on a contract basis. A student might also do, but students generally lack experience. Hiring experience lessens the burden on the project manager because an experienced business writer should already understand, generally, what your manual needs to include.

4. Ask your fellow franchisors if they have Operations Manuals and who wrote them. It might also be relevant to ask how long ago they were written. Anything over ten years old probably was written in a program that is now outdated.

5. Check with consulting companies. Be sure to get a clear understanding of what service they will provide. Like legal writing, a lot of operations writing—personnel, marketing, for example—can be boiler-plated. That isn't necessarily bad. There's a lot of good information on these subjects. But you want to be sure that the operations and administrative procedures will be your own.

6. Ask for references and check them out. This doesn't really tell you anything about someone's writing ability, but it will tell you if the reference had a good working relationship with the writer. Ask how well the reference felt the writer worked with the material that was provided. Ask if the writer's material was used in training or in developing training programs. Ask what the feedback was from within the organization about the manuals. Did they use them? Were they helpful? Do they feel it was worth the time and expense?

7. Ask to see a sample of an operations document the writer has written. This will give you a good idea of the writer's style, and how clearly he or she writes. Ask for a sample table of

contents and index. They don't have to be from the same manual, but you do want to confirm that the capability of producing both is there.

What the Writer Needs to Do

In the material that follows, let's assume that you have hired someone outside your organization to do the writing. There still are things that must be done before a word can be written.

Gather Information

A writer cannot clearly and concisely write a policy or procedure if the policy or procedure the writer is supposed to convey is not clear. The first task is to determine what message you want the writer to convey and provide the resources that can convey it.

A good how-to writer will know what questions to ask as well as how to put the information in writing. Getting someone within the organization to relate what it is they do on a day-to-day basis, in conversational English (in their own words), is a good way to gather information, although the project manager is the ultimate authority as to the correctness of a procedure. That's why—although this is not the favorite task of any project manager—reading each draft is so important; you must be sure that what is written is, in fact, correct.

Trainers are good resources. They know the system and they have to explain it to others. Attending franchisee-training sessions is an excellent way for a writer to gather information. Under these circumstances, the writer is like the new franchisee, with the trainer explaining the Operating System so it can be understood. The only difference between the franchisee and the writer is that the franchisee doesn't have to put it in writing. (Writers in no way participate during franchise training; they only observe. Questions, comments, and observations must be reserved for a later time.)

Define Your Purpose, Know Your Audience

Who your reader is determines what the writer writes about and how.

Preparing to Write a Manual

1. Keep track of your time. Begin a log, or, if your computer does it, do it there. Write down when you start writing; what you're writing about; client requests for additions, changes, deletions, and so on; and when you stop. This adds to your experience in gauging how long a project will take and it is a useful record, particularly when questions of cost and deadline overruns arise.
2. Get hold of all the information you can, the more recent, the better. Make file folders for everything you collect. Particularly, make a separate file folder for all the forms you will collect. (It makes it easier to find during the project; and they don't get lost.)
3. Make photocopies of everything. Restore the originals to exactly the way they were when you got them. Put them away where they will be undisturbed and work from the photocopies.
4. Separate the work into categories (Operations, Administration, Personnel, Marketing, or whatever categories seem to make sense at that point; these can change later.)
5. Further separate the material within each category. "Personnel" is an easy one to use as an example. Make one file folder "Recruiting," another "Interviewing," another "Orientation and Training," and so on. It doesn't matter how you categorize the information. Doing it chronologically works best in Operations Manuals. In a manual entitled Equipment, Safety, and Security, where events don't necessarily occur in chronological sequence, arranging things alphabetically is effective.
6. Create an outline based on the way you've sorted the material. Get the project manager's agreement.
7. Talk to people.
8. Start writing.

How the Writing Is Done

It is rare for clients to take much interest in the writing process. Their knowledge of computers is often limited. Many have never worked with them, so they have little understanding or appreciation of the complexities involved in producing documents. But for those of you with an interest in what a writer actually does, the pages that follow talk about the process. In a nutshell, this is how you write a manual:

Here are some tips. They are addressed primarily to writers, but a project manager will find them helpful, too:

1. *Photocopies.* Working from photocopies is preferable. When you begin the project, usually the first step is reorganizing the client's material. (Effective reorganization is probably the biggest contribution a writer can make to a client.) Reorganizing means pulling things out of notebooks, folders, and binders—wherever you find information—and assigning them to new places. But you'll find the client is still accustomed to referring to the previous organization. Or you'll find that once upon a time, the organization of that data meant something to someone, and you may have to know what that is. Also, as you work, you will mark or write on documents. (The most common example of this is in filling out forms.) Unexpectedly, you may get directions over the phone and you won't want to write on the originals.
2. *Forms.* There are a number of observations to make about forms, or the records the client keeps to control business. Record keeping and record keeping forms are at the administrative heart of the franchisor's business, and documenting their use is a major contribution a writer makes in creating a manual that is practical and useful. Notice that when clients explain their Operating System, it almost always revolves around some record keeping procedure. But it is rare to find written directions explaining their use—perhaps because companies are so close to them, or because they've been using them for so long—but in any case, clients assume people know how to fill out those forms properly. A writer must specifically ask for the forms as well as for the directions for filling them out. Here are some tips to make that easier:
 - ♣ Get copies of all records, both filled in and blank. Records include everything, even register tapes. You want the blank ones so you can include them in the new manual. You'll want examples that are filled in so that you have them to refer to when you write directions for them.
 - ♣ Almost inevitably, questions, suggestions, criticisms, or reconsiderations of the forms or record keeping procedures stall the writing project. This is understandable. Different discoveries are made: the forms are too long, or no one is filling them out completely, or the form is outdated, or the information is no longer needed, or the directions for filling out the forms (if there are any) don't match what's on the form. An experienced writer knows this will happen, but the client doesn't. Client education on this point is an equally important aspect of a writing project.
 - ♣ Keep the forms in a separate folder marked "forms." Most of the records businesses use function for more than one procedure, so you'll be referring to them over and over again. It makes it easier to find them if they are all in one place.
 - ♣ Different writers treat forms in different ways. Some insert the directions for their use in the body of the text with a standard-size copy of the form alongside them. Others create a separate section in the manual devoted solely to forms. They are filed alphabetically for quick reference, the idea being that the reader can remove them and photocopy them as needed. Sometimes, if the forms are lengthy or complicated, the directions for their use can be included with the forms in the stand-alone section. (Not all clients will want their forms photocopied. Some have preprinted forms for which users are billed. Be sure to ask how it's done.) Discuss the options with the client beforehand because moving forms around at the eleventh hour creates changes in the entire document, including the table of contents and the index. Proofreading can be a nightmare.

3. *Project Time Line.* Forced deadlines can sabotage a writing project, usually because in the haste to finish, attention isn't paid to details (spelling, accuracy of page cross-references, or consistency of copy). Project managers find these lapses highly irritating, though they are bound to happen if deadline pressures are too great. There isn't a ready solution to this difficulty, but be alert to it because these relatively minor problems are the first thing the client sees. The quality of the work can be dismissed out of hand if the reader is drawn to matters merely cosmetic. Spell-check and proofread the document every time you change copy. Page through it to be sure the pages are in order, to be sure there aren't duplications, to be sure the document looks the way you think it looks, before you send it. It can be discouraging, after putting in ten 12-hour days making an inventory procedure understandable, only to have a client say, "There's another page two in here."

There is another matter that demands attention—this, much more important yet not much discussed, perhaps because it was not too many years ago that we traded our yellow legal pads for computer keyboards: Save hard copies of every change the client directs. People make mistakes; computers crash; things happen. It is very comforting, on that final copy, to be able to sit down with those original drafts and confirm you have made the changes you were directed to make.

4. *Organization.* Certainly the most dreaded word a writer can hear is “confusing.” Anything that can be done to avoid confusion should be done. This involves materials handling as well as writing. Some things that work well:
- ♣ Don't change the writing too much after the first draft.
 - ♣ Print your work on three-hole punched paper. Put it in a three-ring binder. Use numbered tabs to divide your work. This organizes the work for the client rather than obliging the project manager to decide what to do with sixty pages of unmarked, loose-leaf paper.
 - ♣ When sending subsequent drafts, print them on three-hole punched paper, but don't bind them in notebooks. Have the client remove the previous draft and insert the new draft in the notebook. But be sure to tell the client to save the previous draft in case it has to be cross-referenced at a later date. You will be surprised how frequently this can occur. Alerting clients beforehand can save both of you hard feelings later on.

4. Using the Manuals

Franchise Development

Franchise development can use the Operations Manuals in several ways. The manuals create a visual statement by themselves. If they look good, the franchise looks good. They can also be used as a demonstration tool, as if to say, "Here you have tangible evidence that we are committed to franchise support. These manuals are a good example of how we do that. How many other opportunities have you explored that can offer you something like this?"

Ordinarily, presentation books are used in recruiting prospects, but these can be supplemented with the Operations Manuals to strengthen the presentation and stress a benefit of critical interest to a prospect: the franchisor's ongoing Performance Improvement.

Training

The manuals can also be used as teaching tools and outlines. Can you imagine a movie director saying to the cast, “Just get up there and say whatever comes to mind”? That, in effect, is what is expected of trainers who have no training book. The Manual can be the training book that ensures procedures are explained uniformly and correctly. Using the Manual at this time has the added benefit of familiarizing the franchisee with it and how to use it right from the beginning.

Franchisees

If the document(s) is positioned correctly from the outset—that is, if it is used during training and if it continues to be used by the field or phone support staff —franchisees will become accustomed to using the Operations Manual. They will see it repeatedly used within the organization and conclude that it must be useful. This is a benefit to both of you: to them because they can use a resource they have on hand, rather than calling your support staff; and to you because you can be confident that the system they are following is the correct one.

While it is a big task, solicit the opinions of franchisees during the course of the manual project. Their suggestions and ideas are important and may be useful. But even more important is the process of seeking those suggestions and ideas. The process confirms in their minds that their ideas and opinions count. Their contributions make the manual theirs, which will encourage them to use it. This, again, makes it worth the investment: to you because they don't have to be so dependent on your staff; and to them because they have a resource they can use.

Employees

People don't like surprises. That's one of the reasons why franchising is so popular with the public. They know that when they go from one unit to another they will find basically the same product, served in the same way, under the same circumstances. An Operations Manual strengthens this likelihood because the franchisees use it to train their employees, just as you used it to train the franchisees. When procedures are written, the manual becomes an objective standard for judging whether or not someone is in compliance with the Operating System. It helps diffuse personal conflict because the standard is in a book, rather than coming "from above." This is true both for you and your franchisees and your franchisees and their employees. It's a lot more effective to say, "Let's see what it says on page 24," than to say, "I don't care how you did it yesterday, my point is..."

5. How Will the Document Be Revised?

An absolutely essential question, and the revising will start almost right away as your products and procedures are improved, as you add to your registered marks, as you change your marketing and promotional programs. What's more, the revising is likely to be continuous. This means that even if the franchisor used an outsider to do the writing initially, there must be an inside department responsible for keeping the manuals current. So three key inquiries must be addressed.

1. How will the manual be updated? Who will be put in charge of the updating?
2. When changes are made, how will changes get into the field? [This question has to be decided before writing begins because it will affect how the document is formatted initially.]
3. Will changes be printed on hard copy and mailed? Will they be emailed? Will they be put on an intranet and downloaded by the franchisee? How will you know that changes have been made to existing manuals? Will manual inspection be a part of a quality-control audit? Will an acknowledgment of receipt be emailed or faxed to you from the field confirming that changes were received and entered into the unit's manuals?

6. Who owns the Manuals?

The franchisee may have possession of the manuals but the franchisor owns them. Your franchise License Agreement no doubt has a statement to the effect that franchisees are expected to return their Operations Manuals at the end of the agreement.

7. Conclusion

If you have worked to write and use your manuals, your franchisees will thank you, your trainers will thank you, and you can feel confident that you have made a good-faith effort at ongoing support by providing useful, readable documents that help everyone standardize the Operating System. Now you must maintain them. Yes, Manuals continue to be a Key Operations System.

Key Operating System # 6: EXCELLENT FRANCHISOR/FRANCHISEE RELATIONS BASED ON BUILDING STRONG COMMUNICATIONS.

(Editor's Note: for an extensive discussion of franchise relations, see Chapter 6.)

The goal for the franchisor/franchisee relationship is that all parties work together to obtain VERY satisfied and loyal customers, disproportionate market share, enhanced brand image and mutual profit. Reaching this goal will move both franchisor and franchisees toward their individual profit goals. A smooth working relationship will facilitate all the business activities required to meet the goal. This is another "Key Operating System" that must be seen as both practice and goal throughout all the departments of a franchisor's headquarters.

Several characteristics are required for the franchise relationship to function well.

First, a shared understanding of the nature of franchising.

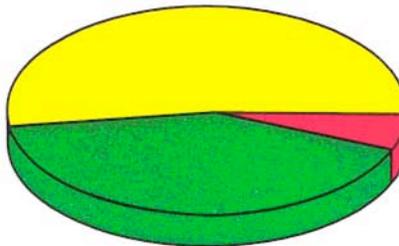
Franchisors can create many subsequent relationship problems by what is said during the critical recruitment process as the relationship between the franchisor and franchisee begins. During this process, the franchisor's and franchisee's expectations of each other are established. These expectations are based on what each person wants from the relationship and what is said.

Franchising is a business relationship between the franchisor and franchisee. Under this legal structure, the franchisor grants to the franchisee a license to use the franchisor's brand name, Operating System, and ongoing Performance Improvement Resources. Franchising should be a business strategy for getting and keeping customers. It is a marketing system for creating an image in the minds of current and future customers about how the company's products and services can help them, satisfying their needs. But this may not be what the prospects are told.

The candidates may be told that they are "sold" a franchise, an "independently owned and operated" business. But contrary to popular belief, a franchisor cannot "sell" a franchise to a franchise candidate. The use of the word "sell" to characterize the franchise sets the basis for many later misunderstandings. The franchisor, however, does "grant" a license to the franchisee to use its Intellectual Property [IP]. It is vitally important that this point not be disregarded as mere semantics. If the franchisee "owns" the Operating System and its intellectual property, he might consider it his right to change it. Look at the following pie graphs. There is a strong correlation between a franchisee's belief that he owns the business and that he has a right to change it. When he attempts to do so, however, the franchisor concludes, "The franchisee isn't operating the business according to the Operating System. He is not in compliance with the Franchise Agreement." The compliance procedures start, and the "we/they" mindset is established.

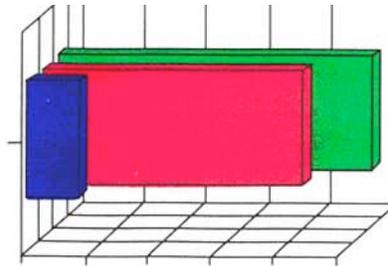
The Market, the Brand name, the Operating System, and the ongoing Performance Improvement Resources are "owned" by the franchisor. The franchisee is delegated the right to use the Brand name, in a defined market, for a designated period of time, to develop and market the franchise system.

6. I view my relationship with the (franchisor) as a/an:	
a. Independent business owner	51.7%
b. Strategic partner	43.1%
c. Customer	5.2%
d. Other	0.0%



- Independent business owner
- Strategic Partner
- Customer
- Other

51. The present daily operating system I am expected to follow is:	
a. Clear to me	41.7%
b. Unclear to me	50.0%
c. I don't know what it is	8.3%



- I don't know what it is
- Clear to me
- Unclear to me

The correct understanding of the franchising in the recruiting/selection stage lays the foundation for a solid relationship later.

The second characteristic of a strong franchise relationship is good communication.

Good communication is a characteristic of good relationships in any setting. In a franchise system only the limits of creativity need limit communication systems. But don't be misled into thinking that the franchisor can limit communication by deliberately not establishing systems. If the franchisor doesn't establish methods for communication, you can be sure that informal systems will evolve. So do it right. Newsletters, an intranet, ongoing phone contact -- whatever system is used, contact strengthens the relationship. Moreover, knowing the content of the contact can be very valuable in learning how the franchisees feel about the business.

The absence of communication may be important as well. Asked recently what the first signs of franchisee difficulty are, without hesitation a franchisor with more than 500 units said, "Silence."

Third, a Franchise Advisory Council.

Although constant informal communication is to be encouraged, having a formal Franchise Advisory Council recognizes and reinforces the importance of franchisee input in the franchise system. The franchisee members are appointed or elected to serve as a group to discuss operations and marketing. Although it is truly advisory (that is, the franchisor maintains control over the brand and operating system), the Council can provide a very effective route for franchisee input into the development of the system.

Times of approaching change can be especially challenging for the franchise relationship. The Advisory Council can serve as the venue to the franchisor for presenting tentative ideas and imminent programs. Involving the franchisees in such developments may increase the likelihood of buy-in and acceptance and avoid related problems in the franchise relationship.

Both the continuing interaction with other franchisees and the availability of the Council as a medium for franchisee feedback combine to make the Advisory Council very helpful in relationships with the franchisor and among franchisees themselves.

Fourth, the role of the Field Staff.

Few members of the franchisor staff are as important to the franchisor/franchisee relationship as the field representatives assigned to work with them. We will discuss this role more extensively in the next section, but a consideration of the franchise relationship must include them. Field staff are truly on the front lines representing the franchisor to the individual franchisee, handling franchisee questions and dealing with problem issues.

Field staff is there to ensure that the Operating System is in place and to help the franchisee plan their business and carry out those plans. In that context, the role of field support personnel is to help franchisees develop their ability **to think, plan and implement** their plans for becoming successful and profitable in using and appreciating the franchisor's Brand name, Operating Systems, and ongoing Performance Improvement Resources.

In the in-field-training, planning, guiding and overseeing functions of their job, the field personnel require strong personal skills. They must be very good listeners, considerate of franchisees' time, well organized in their meetings, and creative in finding solutions to problems. They must thoroughly understand the company's Operating System and culture and know the limits of their own authority. They must be able to engender trust.

If the Operating System is not being followed, the role may change and tensions develop. The situation must be handled carefully or the field rep becomes a "compliance officer" and tensions may be inevitable. When an adversarial relationship develops, it becomes increasingly difficult for the field personnel to maintain the necessary trust and rapport with the franchisee. Without trust and rapport, the intent of the franchisee and the field personnel (and the franchisor they represent) become suspect. (A suggested approach that can avoid this outcome will be discussed in the Key Operating System #7.)

In conclusion, in good times and bad, few franchisor employees are as important to the franchise relationship as the field staff.

Key Operating System # 7: A FOCUSED FIELD STAFF [PERFORMANCE IMPROVEMENT CONSULTANTS].

Field staff members are not primarily compliance inspectors. If field personnel are not "compliance inspectors," what is their role? What is the basis of the relationship between the field support personnel and franchisees? How do field support personnel build a communication process based on trust and rapport with franchisees? What skills are needed to be successful as a field support representative? These questions will define the relationship between the field support personnel and the franchisee.

Let's start with the title of field support. Companies choose to use different terminology for the person or persons who perform the tasks that we are discussing. Some of the different terms used are: field consultant, field support personnel, support service staff and many others. We have used different terminology throughout but keep in mind that the "field consultant" of today may be the "Performance Improvement Consultant" in the future.

The role of the professional field staff is to work in harmony with franchisees to help them deliver excellent customer experiences, build market share and work with fellow franchisees to dominate local and regional markets. How does the field consultant do this?

The Business Planning Process

THE BUSINESS PLANNING PROCESS IS THE FOUNDATION OF THE RELATIONSHIP BETWEEN THE FIELD SUPPORT PERSON AND FRANCHISEES.

The business planning process enables the field support person to be a consultant and a coach to the business plan rather than a compliance inspector to the contract. Field support personnel don't disagree with such a statement. Their primary question is how to get franchisees to prepare and follow a business plan. Furthermore, if business planning is so great, why don't franchisees do it? These are excellent questions. Let's explore the answers by first distinguishing between the business planning process and the business plan.

The business planning process is the rational (the "what") and emotional [the "why"] assessment of where you are, where you want to be, how you will get there, how you will measure your results, and why you are doing it [improve lifestyle, income, wealth and equity]. The business plan is the documentation of this thinking process. The objective of planning is not the development of a "business plan," but the establishment of an ongoing "business planning process." Often people focus on the plan rather than the process.

Note that the ultimate content of the plan may not be as important as the learning that goes on during the planning process.

A. Why don't franchisees plan?

First, people do not plan because they don't know how. Everyone knows how to plan. The 10 year old who hates to get up early during the week is found bight-eyed, at 7:00 am on Saturday in front of a specific T.V. channel watching a program. They planned to do that because they wanted to watch that show. They were motivated!

People only plan for what they want to happen, or what they have decided will happen, or for what is inevitable. Most people are not driven by long-term goals or dreams but rather short-term needs, wants, desires, fears, and doubts. It is difficult to focus on the long-term when you can't get your "to do" list done on a daily basis. Many franchisees have a hard time thinking past Monday morning; therefore, planning is uncomfortable and, to them, a waste of time.

To be successful at helping franchisees with planning, field staff must put it on a human plane, show how everyone does it, and show that it works.

Business plans and business planning, both short-term for three years, and long-term for the extent of the License Agreement, must be included in the License Agreement as a requirement subject to default. It must also be in the Operations Manual, included in New Franchisee Training and be the center of the relationship between the franchisee and the Performance Improvement Consultant.

Second, people plan from the wrong spot. Most people plan from the present and look to the future. The future to them is a point in time that has not occurred yet. This method of planning causes procrastination because, "If my goals do not get done today, they can always be done tomorrow (the future)."

We suggest that a person project a date into the future that they are comfortable thinking about: [1] a three year minimum and [2] for the time through the length of the franchisor/franchisee relationship. Then define, as specifically as possible, what their life will look like on this date [Income, lifestyle, wealth and equity this day becomes the "present." The period of time between

this "present" and "today" is called the "extended present." What is done within this extended present becomes "the goal." The action plans are steps that get you there, the strategies, and the means you use. Successful business people live in the extended present. They define their own future and make this future happen rather than waiting for it to happen.

Successful business people live in the extended present.

For instance, if a franchisee is going to be your franchisee for 20 years, their long-term goal might be: "In 2028 I want to be debt free, have \$3,500,000.00 earning 7% interest and have a franchised business worth \$1,250,000.00." With a simple addition to a typical Excel spreadsheet showing profit and growth is added the payoff of debt and the accrual of wealth and equity with assumptions made for interest earned and amount of top line or net pre-tax profit figured into the Excel formulas as set asides. Such a spreadsheet allows the franchisee to make decisions on labor, product pricing, marketing expenditures, etc. based on the short-term and long-term effects on their goal. Armed with this Excel spreadsheet the franchisee can see how their wealth and equity goals can be reached. Franchisors need to spend time getting franchisees to determine what they want their business to do for their lifestyle, income, wealth and equity goals.

Third, most people do not have real goals; they have a wish list. When things go wrong, most people adjust their goals, rather than adjusting their strategies to get to that goal. They conclude, "That goal was not realistic anyway." The things that have gone wrong may be conditions or problems. There is an important distinction. Recession, the state of the economy, interest rates, changing demographics, road construction, employee turnover, and competitive forces are *conditions* of most retail and service businesses, for example. These conditions must be anticipated and contingency plans made during the planning process. Such conditions become *problems* only when the business has not adequately planned how to handle them.

B. How do we begin?

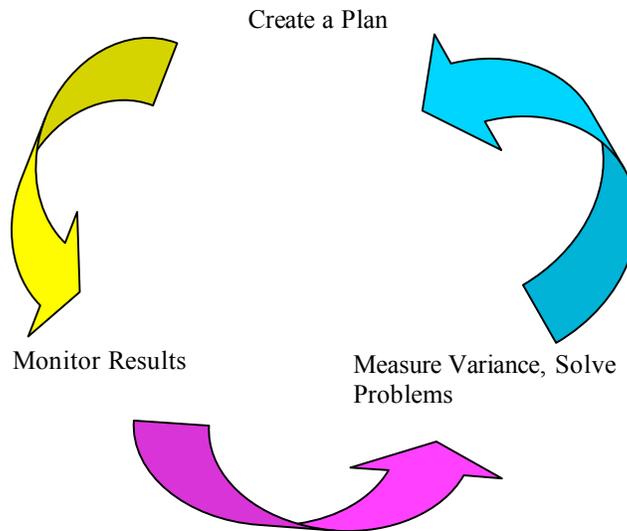
Planning starts with five basic questions:

1. Where is my business today? (Analysis).
2. Where do I want it to be at some predetermined point in time? (Goal Setting and a Performance Gap).
3. How will I get there? (Strategy and tactics taken from the franchisor's Operations Manual or "Best Practices" documents).
4. How will I measure my success/results? (Follow-up and Control on "progress toward plan").
5. Why am I doing these other four things? (The answer is for the achievement of short and long-term goals and objectives around lifestyle, income, wealth and equity.)

Field personnel can ask franchisees these questions and listen for their responses. The responses form the basis for the franchisee's business plan. Field personnel's facilitation will become the business planning process.

Monitoring the Business Planning Process

Once franchisees go through the business planning process, the action plans become the basis for field personnel's follow-up feedback and monitoring. The follow-up will focus on how successful the action plans were, on where the franchisee wanted to be, and where they actually ended up. These "Performance Gaps" will be the basis for the ongoing consulting and coaching the franchisee receives from the field staff.



The planning, monitoring, problem solving then becomes a continuous process leading the franchisee toward his long-term goals. And the field staff become facilitators in the process.

Meeting Agendas

The field staff and the franchisee meet regularly to discuss the planning and other items of concern to both parties. One of the best ways to keep these meetings focused is to build a common agenda prior to the beginning of the meeting. This agenda identifies items the franchisee wants to discuss, items field support wants to discuss, and priorities for each one.

Building common agendas focuses energy on what is really important and clears everyone's mind for listening, truly involves the franchisee in the meeting, and helps in gaining commitment. This process will help the franchisee understand that field consultants do not come in and run the business for the franchisee, but rather aim to stimulate their thinking about the business and about what behaviors and thinking the franchisee must decide to stop, start, keep, improve and enhance to achieve their objectives. The franchisee will then look at the meetings as worthwhile, rather than as another activity taking up their time. The franchisee will think about the business and take more responsibility for managing their results.

Agendas frequently are lists of activities and do not often enough contain a statement of anticipated results. If an agenda contains words like; "discuss, review, analysis, examine, and go over" it is not about results. Here is a script for writing a result-oriented agenda followed by examples of agenda items designed at identifying "Performance Gaps" that must be closed in a franchisee's business.

Script to determine the agenda for the meeting with the Franchisee by establishing "Performance Gaps"

- X "As a result of our meeting, decisions will be made on the following areas where Performance Gaps exist that you have decided are either desirable or that must be stopped."
- X "We will also establish the motivations you have for implementing the necessary changes in thinking, beliefs and behaviors it will take to close the Performance Gaps."

Sample Agenda

- X Reduce employee turnover by _____%
- X Maintain a minimum customer satisfaction rating of _____%
- X Increase inventory turns to _____ annually
- X Increase sales from \$750,000 to \$950,000 by 12.31.2008
- X Keep fixed costs at 42% of sales for 2008

While conducting the meeting, the consultant will use the agenda as a method for staying on track. If additional issues come up during the meeting they can be added to the agenda. Assign priority to them. Always remember at the end of the meeting to summarize what was accomplished, note any issues or problems resolved, and note action items for follow up. Give the franchisee a chance to react, question, or make additional comments. Document the above information on a consultation report. Use this process as input for subsequent meetings.

The key to getting franchisees to follow through on commitments is involvement. The franchisee needs to be involved in deciding what "Performance Gaps" in their business must be closed and how closing those "Performance Gaps" will give them confidence they are on track to achieve their lifestyle, income, wealth and equity goals.

Nothing is accomplished until a person is personally involved because;

- X "What a person is involved in they can be committed to."
- X "What they are committed to they can be passionate about."
- X "What they are passionate about they will implement."
- X "What they implement will change their results."

Conversely:

- X "No involvement, no commitment."
- X "No commitment, no passion."
- X "No passion, no implementation."
- X "No implementation, no change in results",

Franchisees are not mentally involved in meetings or consultations if they have no ownership of the meeting. The agenda must focus on the *franchisee's* plans and goals. Focus on the "Performance Gaps" in their business that have an effect on their results and on how their franchise is helping them achieve their lifestyle, income, wealth and equity goals.

C. Building Trust and Rapport

Building trust and rapport is the key to developing the relationship between the franchisee and the field staff. Field consultants will know they have established trust and rapport with franchisees when the franchisee decides to open up and share their thinking. A franchisee must feel that the field person is trustworthy before they will confide in them. Until franchisees get to know and trust their field consultant, very little will be accomplished. Consultations will end up being "visits," without any results. How do the field consultants build trust?

Trust and Rapport Questions

To establish trust and rapport with franchisees, the field support person must address the following:

1. What do you know about the franchisees and their operations?

Learn about the franchisee. Keep an open mind. Review past performance. Understand the market area in which the franchisee operates. Ask questions, rather than make statements. Determine what's happening in their business that is significant, both troubling and exhilarating. How long have they been in business? Why did they get into business? Is it a family operation? Are offspring working in the business?

2. Have you gained an "inner view" of who the franchisee really is and what motivates them?

Determine what motivates the franchisee, both in their business and their personal lives, both short and long-term. Why are they doing what they are doing?

3. Does the franchisee know you?

Share your background. Indicate your knowledge about the industry. Be sincere, but confident.

4. Do you respect the franchisee as a person?

Do they project the image the franchisor desires? If not, why not? Focus on the issue and not the person.

5. Do you appreciate the franchisee's fears, uncertainties, and doubts?

What is troubling them? Why is it troubling? What threatens their business?

Actions to Develop Trust and Rapport

To build trust and rapport with a franchisee, the field person needs to focus on the following six actions throughout the relationship:

1. Clarify the role of a consultant.

Explain to the franchisee that your responsibility is to help him think about how to become successful and profitable in using the franchisor's Brand name, Operating Systems, and ongoing Performance Improvement Resources. Your intent is to be a resource to the business planning process. The franchisee must see that the field person's motives are open and honest and that the purpose is to help the franchisee build the business, solve problems and achieve their personal goals.

If the field consultant's role and intent are not clear, franchisees may assume the role is that of a compliance inspector. Instead, establish that your responsibility includes helping the franchisee:

- X Analyze where they are relative to where they wanted to be.
- X Understand how using the Operating Systems can help them be more successful.
- X Problem-solve [looking for system solutions to problems].
- X Develop their abilities to think about how to grow their business.
- X Understand and appreciate the value of belonging to a franchise system.
- X Focus on improving service to the customer.

2. Demonstrate empathy for franchisees.

Empathy is the quality of being able to identify with how another person is feeling. Since each franchisee's situation is slightly different, field Performance Improvement personnel must be able to put themselves in the shoes of their franchisees and try to understand their feelings and concerns. When this is done, empathy is communicated. While empathy does not mean *agreeing* with franchisees, it does imply a willingness to look at situations from their point of view and understand their position. A field support person must first seek to understand, and then be understood.

One way to demonstrate empathy is to bring concerns up in the presence of the franchisee and confirm that these items are issues rather than wait for them to bring them up or hope they will bring them up. By bringing them up franchisees are given a way to reduce tension, which will earn the franchisee's respect because he has been treated personally, rather than as a potential problem.

3. Establish credibility.

Credibility is developed when field personnel know how to help franchisees decide what thinking and behaviors need to be stopped, started, kept, improved and enhanced to become more profitable and achieve the franchisee's goals.

Credibility is obtained by association and by earning it. A certain amount of credibility can be achieved by one or more of the following: being associated with the franchisor company or with other successful field consultants, by knowing other successful franchisees, by past work experience and education, by having completed the franchisor's training program, by attending new franchisee training, by working in or operating one of the locations. But credibility ultimately must also be earned, through the franchisee's perception that the field consultant has the skills, knowledge, and intent to help the franchisee build its business. Facilitating, questioning, and listening are the consultant's most critical skills.

4. Identify common ground with the franchisee.

What family or personal common ground does the field staff have with the franchisee? Same schools? Children of the same age? Association memberships? Similar attitudes about politics? Similar opinions?

5. Focus on the strengths of franchisees and their business.

Every franchisee has skills, knowledge, abilities, and experience. Recognize these strengths and build on them. Has the franchisee been in the system a long time? Have they made any special contribution? Make a list of the franchisee's strengths. Make notes as new strengths develop.

Give franchisees feedback as new strengths develop. Get them to identify what strengths need to be developed to achieve their plans. When citing strengths, choose those that are specifically meaningful to the franchisee.

6. Establish integrity.

Integrity is not a skill but a value. Integrity means doing what you say you are going to do. It means keeping your commitments to franchisees. It means not promising something you know you cannot deliver.

D. Field Personnel and Necessary Consulting Skills

Helping the franchisee acquire and develop their ability to think is a noble goal for any field person. How do you get someone to think for him or herself? When does a person learn? How do you get people to actually change behavior?

The answers to these questions rest with the ability of field consultants to create an environment for learning. Learning involves behavior change. Behavior change is triggered when an individual is unsatisfied with the results they are getting. This environment of being unsatisfied will enable an exchange of information to take place for the mutual benefit of the franchisee and the franchisor. To create this environment, field consultants use the communication skills of facilitation, questioning, and listening. These skills, coupled with the franchisee's and franchisor's motivations, will enable the field consultant to focus on results.

Facilitation, questioning, and listening are skills grounded in the principles of psychology, psychotherapy, and adult learning. They are not activities, but a process leading someone to learn and change behavior. These skills are used by many professions and form the basis of all productive human relationships.

(1) Facilitation

The skill of facilitation allows a person to think for him or herself and feel in control of the decision-making process. Field support helps franchisees identify their personal and business motivations, develop goals that support these motivations, focus on specific areas to achieve the desired results, and monitor the results to ensure the target is reached.

Through this facilitation process the franchisee gains confidence in their ability to respond, build on strengths, and enhance their relationship with the field consultant. The challenge for the field consultant throughout this process is to avoid the tendency to jump in and "do it" for the franchisee. Field consultants must allow franchisees to make mistakes in the natural progression of learning. Telling, without a context to tell, only satisfies a desire to tell.

Facilitation is the stepping-stone between questioning and listening skills and building trust and rapport with a franchisee. Facilitation, questioning, and listening skills are most effectively used to complement each other in helping a person think.

(2) Questioning

The questioning process gets people to think and discover solutions for themselves. Questioning allows the field support person to "gain an inner view" of what the franchisee is thinking and why. This process enables the field support manager to better understand what the franchisee wants and why they want it.

Questioning also opens up the communication process by encouraging people to talk. This keeps the defenses down and expands the thinking process.

Finally the questioning process allows a person to "own" their solutions. Through the questioning process, field support allows franchisees to discover solutions for themselves, rather than telling the franchisee what the solution is. Solutions then have more meaning and generate greater commitment when they are implemented.

There are two types of questions: fact-finding and feeling-finding questions. Fact-finding questions uncover objective data, factual information. Fact-finding questions deal with the "what" of the message and use words like what, how, or when. Feeling-finding questions obtain subjective data. They are targeted to the franchisee's emotions, feelings, opinions, or desires. Feeling-finding questions deal with the "why" of the message and use words like, why, think, feel, or like.

Examples of Fact and Feeling Questions:

Fact:	How many calls do you get per week?
Feeling:	How many calls do you feel you should be getting?
Fact:	How close are you to meeting your sales goal?
Feeling:	What, in your opinion, is needed so that the goal can be reached?
Fact:	What is happening now as a result of this problem?
Feeling:	What will happen during the next 6 months if it isn't resolved?
Fact:	How is it being handled now?
Feeling:	How do you think it should be handled?

(3) Listening

Listening is the ability to open your mind to the thinking of others. Correctly used, listening has the power to be more persuasive than talking. When you think about it, it's easy to understand the psychological power behind the skill of listening. When a Performance

Improvement Consultant is listening and suggesting, the franchisee will feel more in control and, therefore, more comfortable.

Listening is a field consultant's biggest challenge. Listening requires patience, discipline, and focus. Effective listening uses the following principles:

1. Your mind is blank.

Assume your mind is a computer terminal with information zipping across the screen. The challenge is to blank the screen so that all attention can be focused on the person doing the talking.

2. You are able to repeat the words said.

An effective listener will be able to repeat verbatim the words said. This is effective in clarifying what was said, or keeping a discussion on track.

3. The listener gives the speaker the impression that what he or she has to say really matters.

Have you ever been involved in a conversation where the listener is doing all sorts of things while you are talking, such as opening mail, taking telephone calls, or having conversations with others? Perception is reality. Does this person really care?

4. The listener listens long enough so that the speaker knows the listener understands what has been said.

Have you ever listened to someone and after 5 seconds got what the person speaking said? Have you ever put up your hands and said, "I understand." The speaker is thinking, at the same time, "No way this guy understood me. I haven't said five words!" Ask what he meant and let him talk.

E. Commonly Encountered Situations

After a field consultant obtains an understanding of franchising as well as an understanding of their own role, and after they have learned to build strong communications with franchisees through the business planning process, developing trust and rapport, and mastering the basic consulting skills to enhance communications, special situations can be addressed. These situations include, problem solving, confronting and resolving issues, and managing change and resistance.

(1) Problem-Solving With Franchisees

A problem can be defined as any deviation between what should be happening and what actually is happening. A change of one kind or another usually causes the deviation between the expected and what is actually happening. The field consultant's role in problem solving is to help the franchisee think through the problem, not to solve the problem. Their role is to help the franchisee to understand that the most likely reason for the existence of the problem is the franchisee not fully and consistently following the franchisor's Operating System or not taking full advantage of all the Performance Improvement Resources available to them.

The following process can help the franchisee problem solve:

1. Collect information/Describe the problem [Most likely not following the system].

The purpose of describing the problem is to gather enough information to identify what change occurred that prevented the expected from happening or resulted in the unexpected from happening. The information-gathering process begins with asking who, what, where, when, and why to identify the problem.

2. Consider possible causes/Decide on the most probable cause [Determine which system[s] were not followed].

This is where the process of brainstorming becomes important. Write down every possible cause. Do not discount any cause as foolish or illogical.

3. Develop possible solutions/Decide on the best solution [From within the system[s]].

Once the cause of the problem has been identified, solutions can be developed. Solutions focus on the future. In considering possible solutions, re-examine the cause of the problem. Determine the resources available for solving the problem.

Draw on the experience of the franchisees and the experience of others in the system. Do not stop at the first possible solution that comes to mind. Brainstorm for all possible solutions.

4. Develop a plan for implementing the solution [From within the system].

The plan should include a clear statement of the goal to be reached, a statement of how the goal will be achieved, and a schedule for reaching the goal.

5. Follow up.

Inspect what you expect. Specify what follow up will occur and when.

(2) Confronting and Resolving Issues: the Compliance Program

Consistency and standardization are important to a franchise system. Consistency reinforces the expectations of the consumer, which results in brand loyalty. Compliance protects the investment that all franchisees made in the franchise system. What happens in a franchise system if the franchisee refuses to comply with the terms of the Franchise Agreement? How should this franchisee be handled?

The role of the field consultant in dealing with compliance issues is to communicate the deviation to the franchisee, to re-educate the franchisee as to acceptable standards, to demonstrate how deviation hurts their business, and to document deviations that continue. Note, however, that the field consultant is not the compliance officer. The compliance officer is the person who has the power to terminate the Franchise Agreement. *The role of field support personnel is to communicate, educate, and document.* The compliance procedure needs to be understood. The procedure should be adequately explained to the non-complying franchisee so there are no surprises. At all times, the field support personnel should handle compliance from an adult/adult relationship and help the franchisee make an informed decision about the appropriate behavior.

Compliance with Operating Systems and procedures is important. Franchisees may not feel obligated to compliance for two reasons. (1) The first is noted in the beginning of this chapter where we discussed the damage done when a franchisee is allowed to believe that they own the franchise. What "I own", as noted earlier, "I can do what I want" with and because I own it any requirements that go along with "ownership" are only perceived by me as "highly recommended or optional, if I happen to agree with them." (2) The second reason franchisees do not feel obligated to the requirements of their Franchise Agreements is that the franchisor is not compliant with its requirements under the Franchise Agreement. Often franchisors, with the best of intentions, let a requirement of the Franchise Agreement, relative to the franchisee, "slide" or let certain franchisees "have more time" or one or more franchisees, particularly those "who were among the first pioneers who know the founder," get special treatment [often due to the guilt and gratitude the founder feels toward them]. This lack of compliance sends a subtle and not so subtle message to the franchisees that if it is okay for the franchisor not to keep up their part of compliance, then it is okay for franchisees to not be in compliance as well.

When dealing with compliance issues, field personnel should handle the deviation from a marketing perspective and highlight how the deviation is impacting the franchisees' ability to achieve their goals. From a marketing perspective:

- X Customers expect "no surprises."
- X Customers talk to other potential customers who might go to other units in the same or other markets.
- X Customers gain confidence from compliance.
- X Staff is easier to manage with compliance.
- X Compliance makes the operation of a unit easier.
- X A Consistent EXPERIENCE is what creates an emotional bond between the customer and the BRAND.
- X Compliance creates that consistent emotional bonding experience.
- X We are in an experience economy

Compliance programs would be more successful if the franchisee were required to do regular compliance reviews of their own operation. The same compliance audit should be used by the franchisee that field consultants use when they do their periodic audits. Franchisees would be required to keep a record of their self-audits for comparison with the official periodic audits done by the Performance Improvement Center. [This is the first time the term Performance Improvement Center has been used. The Performance Improvement Center replaces the traditional name for "Corporate" or "Home Office" or "Headquarters" or "support Desk" and places the emphasis of the function of that place, i.e. to improve the performance of individuals, entities, systems and processes.]

Since franchisees know when they are out of compliance, it may be advisable to begin a non-compliance conversation with: "Your behaviors [identify] indicate a desire to be out of compliance. Being out of compliance is a request on your part, to us, to put you in default and begin the process and paperwork to fulfill your request to not be part of our system. Do you agree that your behavior is telling us that you do not want to belong to the system? Why or why not?"

Confronting Issues

Working through issues with franchisees is a skill that creates a positive impact on franchisees. Tactfully handling potential and existing problems is an art:

1. Identify the issue that needs to be addressed.
2. Clarify the franchisee's understanding of the issue.
3. Ask questions to determine the franchisee's intent or goal regarding the issue.
4. Listen. Demonstrate empathy when appropriate and reinforce positive intent.
5. Help the franchisee understand why the issue is important and how it will impact their business.
6. Discuss alternative strategies for achieving the franchisee's intent or goal.
7. Ask for agreement or commitment to a different strategy to resolve the issue.
8. Document the conversation and decisions.
9. Follow up.
10. Reinforce cooperation.

(3) Dealing with Change and Resistance

Change

Change is and will continue to be constant in today's business environment. Effective field support personnel deal with change by getting franchisees involved and leading them through change. (For further discussion of change, see Chapter 13, *Managing System Change*.)

Change can be threatening. One of the reasons franchisees are threatened by change is that they normally do not initiate the change, yet they are the ones most affected by it. This is where trust and rapport with franchisees will be important. People do not mind change as much as they mind being changed.

The basics steps in getting franchisees to accept change are:

1. Involve franchisees in the anticipated change. Involve representatives of the franchise community that are respected and that are influential. These groups include those who are high resisters as well as those who are early adopters. Both need to be involved as representatives of the franchise community.
2. Use an outside facilitator to process the change. Internal facilitators are suspect as not letting everyone's points of view be heard and of not being objective listeners.
3. Do not roll out the change to the entire franchise community at the same time. This practice, although widespread and common, almost ensures a lot of resistance to implement, "dragging feet," multiple priorities, "bad timing," a lack of commitment and therefore failures and "I told you so's."
4. Rather "beta test" the change with those among the franchisees who were part of developing the change and who enthusiastically embrace it and are willing to fully implement it and give it a chance.
5. Ensure that the change has enough support in time, money, and people to succeed.
6. Have the beta test group of franchisees be the ones who validate and "champion" the change to the next group of willing franchisees.
7. Be patient with the whole system making the change. It is far better to have those involved in the change be successful so the franchisor's credibility is established than have an unsuccessful rollout to the entire system.

The key question is, "How will the franchisee benefit from the change?"

Resistance

It is natural for field personnel to feel that if ideas can be presented clearly and logically and if they have the best interest of the franchisees at heart, the franchisees will accept expertise and follow their suggestions. As most field support personnel have probably already discovered, no matter how reasonable the ideas or suggestions, franchisees still resist.

Franchisees may be viewed as stubborn and irrational. Field personnel may become adamant. But resistance is more understandable if it is seen as:

- X A reaction to an emotional process taking place within the franchisee.
- X Not a reflection of conversation on a logical, rational level.
- X A predictable, natural, emotional reaction against the process of having to face up to difficult situations.
- X A necessary part of the learning process.

People use the phrase "overcoming resistance" as though resistance or defensiveness were an adversary to be wrestled and subdued. "Overcoming resistance" would use data and logical arguments to win the point. But there is no way to talk franchisees out of resistance, because resistance is an emotional process.

Behind the resistance are certain feelings. You cannot talk people out of how they feel. The field support person needs to help the franchisee get past the resistance and get on with solving the problem. The basic strategy is to encourage the franchisee to surface the resistance, not to fight it head-on. Feelings pass and change when they are expressed. The skill in bringing that about is to:

- X Identify when resistance is taking place.
- X Prepare people ahead of time for change.
- X Get the franchisee's input. Ask questions and listen. Let the franchisee be part of the change process.

- X View resistance as a natural process and a sign that you are on target.
- X Support the franchisee in expressing the resistance directly. Avoid arguing or showing any trace of hostility. (Don't make the other person wrong)
- X Do not to take it personally.
- X Remember, resistance is not the same thing as NO!

This process strengthens relationships within the entire organization as well as supporting individual franchisees. With the proper focus, everyone in the organization can get on with the business of business getting and keeping customers.

A very important PostScript for Field Staff -- Documentation

Every contact and every note and comment you make regarding every Franchisee must be recorded in [Company Contact Information Software Program]. Document everything—any time you get a phone call, any time you make a phone call, any face-to-face consultation—write it down. Include

- ♣ Date
- ♣ Time
- ♣ Name of contact and contact information (phone number)
- ♣ Content of the conversation
- ♣ Any follow-up needed
- ♣ Any assistance you or the Franchisee need in terms of people and other resources
- ♣ Commitments you have made with details regarding dates

How will you do this? By hand? Computer? Decide which system works for you then *use it faithfully*.

Keep all notes and files in a safe place (not in the trunk of your car). Back up your work on your computer.

These are records you create yourself but legally they are the company's property and can be subpoenaed by a court of law. You never know when you may be called upon to furnish these records. Always have them organized and up to date.

1. Documenting what you do commits you to planning. You can't be an effective professional if you don't plan. If you know that you make x-number of trips a quarter, need to be at x-number of location openings, make x-number of phone calls, when are you going to do it? How long will it take? What is the agenda, so you cover everything that needs to be done? These are all planning issues.
2. Your schedule must be written and adhered to. If not adhered to, you must look at your calendar and cut time elsewhere to get yourself back on schedule.
3. Documentation is always stronger than your memory. You will have many occasions to recall certain actions, statements, commitments, etc. The written record is your best source for remembering what went on.
4. Documentation helps you see patterns of growth (or lack of it) with Franchisees. Are they meeting commitments? Adhering to necessary time frames? With those who may not be doing well, it's a good check for you confirming that you have done everything you can to help them be successful.

The discussion in this “key system” has focused on the relationship between the individual franchisee and the franchisor and the field support staff who are the most constant contact for it. It is at this level that a system grows, thrives, and most problems are encountered and resolved.

Key Operating System #8: EFFECTIVE PRE-OPENING PROCESS INCLUDING: SITE SELECTION, BUILD-OUT, INITIAL AND ONGOING TRAINING PROGRAM

Awarding franchises to top candidates is only the beginning. You must have a carefully planned training program to assimilate them smoothly. You must also provide ongoing programs that will further develop existing franchisees and reinforce the purpose and strategies of your system.

Planning the training programs then involves decisions about where it should be done, what should be covered, what materials used, and who the trainers should be. The answers to these questions can vary widely from system to system but the following guidelines may be helpful.

- ♣ All franchisees must not be treated equally when it comes to the amount of time they spend with each part of the new franchisee training program. Training needs to be tailored to the skills, knowledge and past work experience of the franchisee.
- ♣ Franchisees must, as candidates, work in a certified location, be it company or franchised, so they can determine their commitment but equally important, operations personnel can assess where the candidate’s strengths and primary areas of focus need to be when he or she attends the new franchisee training program.
- ♣ Franchisees need to be given the Operations Manuals prior to attending the new franchisee training program along with self-tests, and they must be given a test over this material upon arrival for the new franchisee training program.
- ♣ The new franchisee training program must:
 - Be centered around how the training they are going to receive will prepare them to create and retain very satisfied and loyal customers who will return frequently and promote the business to their friends;
 - Include at least ½ day to the basics of business and franchising;
 - Be grounded in adult learning principles involving interactive and group dynamics where the new franchisees learn in small groups with one another processing and discussing ideas and processes so that these can be internalized.
- ♣ Since it takes at least 28 days for new habits to be formed, new franchisees must work in a certified location or Performance Improvement Consultants must spend a minimum of 28 days with each new franchisee. New franchisees must be certified to do what must be done to make the business successful.
- ♣ New franchisees need to have a structured follow-up New Franchisee Training Program six months after they have been operating their locations to ensure all questions have been answered and the very best habits have been learned and are being practiced on a daily basis.
- ♣ Refresher training for all franchisees needs to happen at a minimum every 5 years (may vary by company and industry). This training should cover everything covered in the new franchisee training program.

(Editor’s note: site selection and build-out are covered in Chapter 10.)

CONCLUSION

In this chapter we have discussed eight “Key Operating Systems” that work together to produce results for a franchise company. Although each must coordinate its activities with other offices in the company, some are more focused vertically in a single department (e.g., Finance) while others (e.g., Leadership and Customer Relationship Management) cut horizontally through all sections. No matter what the technological changes, we believe that these will remain key systems for franchise companies for decades to come.

Review Questions

True/False

1. Franchise businesses may be more successful than non-franchised business because of their ability to align related units to a Brand's Mission and Operating Systems. (P. 2)
2. As a franchisor, you must make franchisees the focus of everything you do. (P.3)
3. Today a Brand is defined by the feelings and perceptions the customers have after experiencing the Brand's products and services. (P. 5)
4. Leaders are defined as people who influence the beliefs, thinking and behaviors of others. (P. 8)
5. Many subsequent relationship problems could be avoided if we were clear initially that franchises are sold, not awarded. (P. 12)
6. Because the Operations Manuals should comprehensively document how the system functions and is administered, they can be used well in initial training. (P. 23)
7. The Manuals are owned by the individual franchisee and go with him to the place where the franchise unit operates. (P. 32)
8. The business planning process is the foundation of the relationship between the field support person and the franchisees. (P. 35)
9. Trust and rapport may be a pleasant add-on but are not necessary and may be counter-productive for the field consultant to accomplish his primary compliance function. (P. 38)
10. In dealing with deviation from the system, the field consultant must explain the deviation and show how it hurts the system and leads the franchisee away from his business plan to the extent of leading him out of the system. (Pp. 44 & 45)

Answers: (1) T; (2) F; (3) T; (4) T; (5) F; (6) T; (7) F; (8) T; (9) F; (10) T.

AUTHOR INFORMATION



Bob Gappa founded Management 2000 in 1981. Bob and Management 2000 have worked with over 950 franchise companies.

Management 2000 conducts seminars that cover topics of interest to franchise companies in the United States and Canada. These programs are approved by both the International Franchise Association [are recognized for credits in the CFE program] and the Canadian Franchise Association.

Management 2000's areas of expertise include helping franchise systems: plan for their growth, develop their leadership skills, write operations and training manuals, train their field consultants to be more effective with helping franchisees grow their businesses, establish a culture that focuses

on the customers' experience, developing effective ways to generate, qualify and grant franchises to the most qualified individuals, developing effective franchiser-franchisee relationships and helping franchisees develop growth business plans for their operations.

Over the years, Bob Gappa has written and had published many articles on franchising. Bob has been involved as a franchisee with several different concepts and brings a wealth of knowledge from that perspective in addition. Bob's many years of experience in the franchise community will be shared with you and you will gain valuable insights about your individual businesses.

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