

What is Franchise Recruiting & Selection

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Overview

Since 1972, the number of business format franchisors in the United States has increased to over 5,000 Brands that use franchising as a strategy to grow their systems. This growth in franchisors has increased the competition to find and sign qualified franchisee candidates. As franchising continues to evolve as a significant strategy for companies of all sizes to market and distribute products and services, the demand for qualified franchisees will increase accordingly. Management 2000 believes the ability of a franchise system to maintain a competitive edge in the 2000's rest, to a large degree, on the success of the franchisor's recruitment and selection process.

After working with hundreds of franchise systems both large and small, it is clear that many of the problems experienced by most franchise systems originate in the way franchisees are recruited, selected, qualified and brought into the system. During this critical process, the focus traditionally has been on "selling franchises," and "closing the deal," rather than determining whether a candidate is right for the system and the system is right for the candidate. As a result, many franchise systems are shackled with poor franchisor/franchisee relationships. These relationships create an adversarial environment which eventually prevents the franchise system from realizing its potential.

The purpose of a franchisee recruitment and selection process is to create the future of the company. To do this implies a fundamental shift in the traditional understanding of franchising, of the objectives of marketing, and of the role of the marketing representatives.

First, the franchise organization must understand the nature of franchising and agree that franchises are granted, not "bought and sold." This starts with the franchisor. Once this understanding is reached, it will significantly change the expectations the franchisor has of its licensing personnel, which will, in turn, influence the selection and recruitment process of franchise licensing representatives.

Second, the traditional marketing objective must change. Rather than focusing on the number of inquiries, the focus must be on the candidates and the value each will bring to the organization over the life of the franchise relationship. Granting franchises goes beyond a numbers game to a consultation process that produces more qualified applicants, in less time, and results in better franchisees.

Finally, licensing representatives must also change the way they see themselves. Rather than convincing prospects that they should "buy" a franchise, they must act as consultants, helping candidates make "informed business decisions." Rather than focusing on what the franchise can do for the candidate, the focus must be on the candidate and what he or she needs to do to make an informed business decision about joining the franchise. Listening and questioning skills must be developed and refined—not easy for traditional sales people, used to finding "hot buttons," "overcoming the objection," and "closing sales."

The result of these mental shifts will be the determination of mutual compatibility, better franchisees and an effective use of resources to find and sign qualified candidates.

A focused franchisee recruitment and selection process is comprised of the following interrelated parts:

1. Market Development Strategy and Plan

A Market Development Strategy and Plan provides the direction for building the system to achieve the vision of the company. The Market Development Strategy and Plan documents the company's marketing and operational decisions related to market analysis, market selection and penetration goals, competitive analysis, and franchisee structure and form.

2. Structured Franchise Licensing System

A *structured* franchise licensing system is designed to achieve the results of the Market Development Strategy and Plan. This system contains processes for identifying candidates, qualifying and interviewing them, follow-up procedures, granting a license, and opening a unit.

3. Skilled Franchise Licensing Personnel

Skilled franchise licensing representatives will know how to use the structured licensing system to achieve the results of the Market Development Strategy and Plan. The role of franchise licensing representatives is to help the franchisee candidates make an informed business decision about whether the franchise is the best opportunity to achieve the candidates' goals, dreams, and objectives.

The goal of this paper is to provide the reader a context for thinking about the franchise recruitment and selection process. This paper primarily focuses on the following questions:

- What does it mean to grant a franchise and why can't franchises be "bought and sold?"
- How is the Market Development Strategy and Plan used to effectively build a franchise system?
- What are the components of a structured system and why does a structured system work?
- What skills are needed for the franchise licensing representative to effectively recruit, select, and grant franchise licenses to qualified franchisees?

As franchising increases in popularity, from both the franchisor's and franchisee's perspective, the competition for qualified candidates will continue to intensify. As you read this, evaluate your company's franchisee recruitment and selection process. After studying this material you will have a greater understanding of how and why your company's process for recruiting and selecting franchisees can improve, how your relationship with franchisees can start on a firm foundation, and how your franchise system can reach its potential into the next century.

What Does Granting A Franchise Mean

Most franchisors are under the misconception that franchises can be “sold.” To effectively build a strong foundation for growth and to use the true power of franchising, franchisors must understand what franchising is, why franchises can't be sold, and how *granting* franchises establishes a proper context for building a strong relationship with and between franchisees.

What Is Franchising?

Let's start this discussion by exploring "What Is Franchising?" Franchising is a business strategy for getting and keeping VERY satisfied and loyal, frequent user, promoter 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. And it is a method for distributing products and services that satisfy customer needs.

The power of franchising is created when the franchisor and franchisees work together as a team with a mutual commitment to creating a Customer-Centric Brand focused on creating and keeping VERY satisfied and loyal, frequent user, promoter customers, resulting in increased market share for the Brand. Mutual commitment to market share enables the franchise system to get and keep more and more customers, who consume more and more products and services, more and more often, so that the system grows faster than the market demand for the product or service and faster than the competition. When these conditions exist, franchising as a business strategy, as a marketing system, and as a method of distribution, works best.

Franchising is also a business relationship between franchisor and franchisee based on a legal structure. Under this legal structure the franchisor grants to the franchisee a license to use the franchisor's brand name, philosophies, business principles, operating system, and ongoing performance improvement resources to accomplish the business purpose of the relationship, which is to get and keep customers. When this business purpose is accomplished, the franchisor and franchisee are better able to satisfy individual motivations and achieve individual goals, objectives, and dreams.

Why Can't Franchises Be Sold?

The premise that a franchise license is not sold and the franchisee does not own the franchise license is supported by the following facts:

- A franchisee cannot incorporate using the franchisor's name because the franchisee does not own the name.
- Should the franchisee want to exit the business, the franchise license is not sold; rather, the franchise license is transferred upon approval of the franchisor. The franchisee enters into a separate transaction to sell his or her assets.

- The franchise agreement has a stated term and must be renewed if the franchisee is to continue in business under the franchisor's brand name. If a franchisee owned the license, it would not need to be renewed.
- 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 market share for the franchise system.
- A franchise cannot be sold or bought. However, a franchisee does own the assets of the business. A franchisee has invested in a company's brand name, operating system, and ongoing performance improvement resources in the hope of obtaining a return on this investment. This investment is returned to the franchisee in two ways:
 1. From current revenue, as a result of using the brand name which creates customers and using the operating system which gets those customers to come back.
 2. From the increase in value of the franchisee's assets due to the association with the franchisor's brand name which enhances the franchisee's ability to produce future revenue.

The Effect of "Selling" Language

The use of the words "sell," "buy," and "owner," when referring to the franchisee, sends a message that is contrary to the real purpose of the franchise relationship. Such words focus on the legal structure of the relationship, rather than on the business purpose.

Let's explore the logic of selling franchises and evaluate the impact of this language on future franchisee behavior. First, the logic:

- If I sell you something, you, therefore, have bought it.
- If you have bought it, you, therefore, own it.
- If you own it, you, therefore, can do what you want with it.

This thinking process creates what we call, an "owner" mentality. Now, the impact of an "owner" mentality:

- An owner mentality has a crippling impact on the growth of the franchise system. This thinking leads franchisees to believe they can change the operating system at will. These changes create an inconsistent application of the operating system from franchisee to franchisee and from unit to unit. This inconsistency adversely affects customers' experience and expectations and invalidates the perception of the brand name created through the collective marketing efforts of the system.

- An owner mentality leads to the perception that franchisees within the system are competitors of each other rather than teammates responsible for enhancing the value of the brand name. This perception originates when the franchisees are told they are "independent owners."
- We have often seen franchisors reinforce this thinking by requiring franchisees to display a sign in the place of business which says, "This franchise is independently owned and operated." This, again, focuses on the legal relationship rather than the business purpose, which is to get and keep customers. It prevents franchisees, the franchisor, and the franchise system from taking advantage of the power of franchising. Since the assets are owned by the franchisee, we suggest the use of the words, "This (unit, store, office) is independently owned by (*name of proprietor*) and operated under a license from (*name of franchisor*)."
- An owner mentality makes franchisees believe the operating system is the way the franchisor controls them, rather than seeing the operating system as the way customers are retained and value of the brand name is built.
- An owner mentality prevents the franchisee from understanding why it is important to implement legitimate changes to the operating system as the system grows. The franchisee does not understand because franchising was never adequately explained—namely, that the operating system is for the customer, not for the franchisee. Changes in the operating system, when adequately tested and consistently applied, are made for marketing reasons, to fulfill the business purpose of the relationship, which is to get and keep customers.
- There is usually no context provided to franchisees for understanding the real purpose of the initial franchise fee and ongoing royalty fee. Franchisees mistakenly believe that the initial franchise fee was for the brand name, operating system, and training. They also believe that the ongoing royalty fee is only for the support the franchisor provides which makes the franchisee successful. This thinking creates a dependency in the franchisee and causes him to constantly ask, "What has the franchisor done for me today?"

These are only a few examples of how the words "sell" and "owner" adversely affect the franchisor/franchisee relationship, potentially dilute the franchisee's investment, and prevent the system from capitalizing on the power of franchising to get and keep customers.

Almost every problem franchisors face with franchisees originates in the way franchisees were educated to think about the relationship when they were recruited and selected in the first place. The problems experienced by many franchise systems can, in

many cases, be eliminated by establishing a proper context for understanding the franchisor/franchisee relationship during the recruitment and selection process.

	“Selling” Franchises	“Granting or Awarding” Franchises
The Function	Franchise “Sales”	Franchise “Licensing”
The Person	Franchise “Salesperson”	Franchise “Licensing Representative”
The Recruit	Prospects	Candidate
The Role	“Sell” a license/franchise	Help candidate to make informed business decision. Create the future of the company.
The Process	Assume, convince, manipulate, pressure	Involve, facilitate, guide, stimulate thinking
Approach and Skills	Tell, present, close	Question, listen, facilitate, and confirm decisions
The Language	Hot Buttons, sense of urgency, objections and close the deal	Motivation, candidates’ decisions, basic issues, granting the license
Franchisees	Owners	Member/Associate/Affiliate

New Language and Behavior

The following table outlines the differences between selling and granting franchises and offers suggestions for new language and behavior.

To help the candidate better understand franchising and the franchisor/franchisee relationship, the franchise licensing representative should communicate the following to the candidate during the recruitment and selection process:

1. **Unit-to-unit consistency is imperative to the success of franchising.**
If franchisees do not follow the operating system as prescribed, they are impacting the customer's perception of the product and service being marketed. Lack of consistency dilutes the investment made by all franchisees in the system. Candidates need to understand that the operating system institutionalizes the customer's buying experience. The operating system reinforces the image created by marketing and builds customer expectations. The operating system is for the customer, not the franchisee. The brand image is enhanced if the operating system consistently delivers what the customer expects.
2. **Franchisees are not competitors, even if located in the same market.**
All franchisee-managed and company-managed locations share the task of establishing the brand name as the dominant brand in all markets entered. This focuses on the business purpose of the relationship, which is to get and keep customers. By increasing brand-name awareness, more and more customers are created who use more and more of the products and services. Everyone in the franchise system, especially franchisees located in the same market, has a shared responsibility to work together as a team to "grow" the system and increase the system's market share.

3. The franchisor and franchisee have an interdependent relationship.

The franchisor and franchisees each must accept responsibility and accountability for the success of the system. It is not the responsibility of the franchisor to make franchisees successful. Franchisees must market the brand, work the operating system, and use the ongoing performance improvement resources to get and keep customers. Likewise, the franchisor must "grow" the system, provide the best operating system, and assist the franchisee to become more effective, efficient, and profitable by providing performance improvement resources. The franchisor and all franchisees must work together as a team for mutual benefit.

4. Communicate the purpose of the initial franchise fee and the ongoing royalty fee.

The initial franchise fee goes toward the following:

- Costs related to the preparation of the Legal Documents and individual state registrations
- Franchisor's expenses in connection with franchisee selection
- Training and support provided by the franchisor prior to opening
- New franchisee training
- Costs related to opening the franchise, including prototype plans
- The cost to develop and organize the franchise and related systems
 - Trademark and trade name registration and protection
 - Compliance with various laws

The royalty fees are remitted to the franchisor from revenues generated in the prior reporting period because:

- The brand name created a customer
- The operating system, used by the franchisee, got the customer to come back
- The performance improvement resources provided by the franchisor, helped the franchisee acquire and develop their ability to think about how to use the franchisor's brand name and operating system to accomplish the business purpose of the relationship, which is to get and keep customers.

The Market Development Strategy And Plan

Once franchisors and marketing representatives have a firm understanding of the purpose of franchising, a Market Development Strategy and Plan must be developed.

A Market Development Strategy and Plan provides the direction for creating the future of a company. It is the first step in implementing a focused recruitment and selection process. A Market Development Strategy and Plan should:

- Focus on the purpose of business, which is to get and keep customers

- Evaluate various options and conditions that influence the development of markets
- Document marketing and operational decisions that will chart the course of the development effort
- Focus on key *result* areas, areas of activity that contribute to the achievement of the market development goals and vision

Strategic Thinking

The Market Development Strategy and Plan is a result of an ongoing planning process that determines how the company will be developed. This process should focus on three strategic areas:

- The goals and abilities of the company
- The current and future customers for the company's products and services
- The competition for getting and keeping customers.

The strategic analysis should focus on some of the following strategic questions:

- The Company
 - What are the company's mission, values, and vision?
 - What are the company's strengths and weaknesses?
 - Will the company be international, national, or regional in scope?
 - How fast does the company wish to grow?
 - What resources (people, money, material, time, and space) are available to develop the company?
 - What strategies besides franchising will the company use?
- The Customer
 - Who is the customer for the company's products and services?
 - What are the market segments for the company's products and services?
 - What is the market potential for the products and services today and in the future?
 - What is the growth potential of the industry?
 - How is market share measured?
 - How will the products and services be marketed and promoted?
- The Competition
 - Who are the company's major competitors?
 - What are the competitors' strengths and weaknesses?
 - In what markets do these competitors have a strategic advantage?

- How do the competitors' products and services differ from yours?
- How will the company create a competitive advantage?
- How will competitive barriers be created or handled?

Impact of Strategic Analysis

Strategic analysis provides a basis to make decisions that will determine the direction of the development effort and result in answering the following questions:

- What business strategy (franchise-managed and/or company-managed) will be used to penetrate each of the identified market segments?
- What are the criteria for the ideal geographic markets to be penetrated?
- What are the primary, secondary, and tertiary geographic markets to be pursued?
- What structure and form will the franchise take, i.e., single unit, multiple units, development agreements, sub-franchisor, or area manager?
- What is the profile of the franchisee candidate?
- What will the franchisee performance standards be?
- How much market penetration (number of units and volumes/unit) will be required to support the initial marketing effort?
- What will be the site selection strategy for determining where the best locations are for the franchises?
- What growth is required (number of units and volumes/unit) to maintain a competitive position in the market?
- What initial support will franchisees need to open and develop the market?
- What infrastructure will be needed to support franchise-managed and company-managed units in each market entered?
- What should the initial franchise fee, ongoing royalty, and marketing fees be?
- What roll will we, the franchisee and/or outside services play in negotiating the lease of the new location?
- How will we ensure the highest customer loyalty?

To remain competitive, a business needs to increase its market share by growing faster than the market demand and faster than the competition. Marketing conditions are ever-changing and business is never static. New products, new market segments, and new niches are created almost daily. As market conditions change, it is a strategic necessity that the franchisor maintain flexibility and control over every market entered; otherwise, the system is vulnerable to competitive attack.

Without a Market Development Strategy and Plan, many franchisors abdicate their right to the market. In many cases, franchisors select markets by reacting to candidate inquiries rather than determining a focused strategy for market penetration. This situation is aggravated when the franchisor gives the franchisee an exclusive territory with no performance standards. The franchisee then thinks he/she "owns" the territory (market) and sees other franchisees as competitors. Consequently, when market conditions change or competition increases, neither the franchisor nor the franchisee is strategically positioned to respond, and the franchise system suffers as a result.

In summary, a Market Development Strategy and Plan consists of the following components:

1. The company's mission, values, and vision.
2. A definition of who are the customers.
3. A definition of the various market segments.
4. A definition of the market selection criteria.
5. An analysis of the potential markets to be developed. This analysis may include:
 - Number of potential customers
 - Competitor analysis
 - Desired number of franchisees in each market
 - Number of units needed to penetrate and develop market share
 - A strategy to build and maintain brand name awareness.
6. A plan to coordinate the various departments in the company to accomplish the market development goal, i.e. site selection, lease negotiation, loyalty, build out, etc.
7. A summary of the target markets. This summary may include:
 - A description of the market
 - Units in the market
 - Timeline for development
 - Number of franchisees and units per franchisee
 - Marketing dollars to be generated to maintain a competitive position

Structuring A Franchise Licensing System

For many franchisors, a franchise licensing system traditionally has consisted of putting an advertisement in one or more national magazines or newspapers, reacting to inquiries by sending a brochure, hoping the candidate calls back, conducting a prospect presentation that tells how great the concept is, and signing whoever has the money.

This approach in the 1990's is a formula for franchise mediocrity. The growth in the number of franchisors has increased the competition to find and sign qualified

franchisee candidates. To remain competitive in recruiting qualified candidates, the franchise licensing systems of the 1990's must:

- Select candidates who are right for the system and a system that is right for the candidate.
- Educate and prepare candidates to think the way they must think to satisfy the business purpose of the franchise relationship, which is to get and keep customers.

The franchise recruitment and selection process creates the future of the company. The franchise licensing system should support this purpose by structuring a process that will accomplish the following goals:

- Help candidates make an informed business decision about whether the business opportunity will enable them to achieve their personal goals, dreams, and objectives.
- Grant franchise licenses to qualified candidates who will enhance the franchisor's brand name, consistently use the operating systems, and take advantage of the performance improvement resources.
- Find and sign qualified candidates in the most cost-effective and timely manner.

The Process

The process used to recruit and select qualified franchisees is similar to the process used to recruit and select employees. The role of the franchise licensing representative is similar to that of an executive recruiter. The franchise licensing representative must determine whether the candidate is right for the system and if the system is right for the candidate. As with the employment process, there are several steps that lead to a decision to join an organization.

The franchise licensing system should be designed to find, qualify, interview and grant licenses to the type of candidates that are needed to pro-actively support the Market Development Strategy and Plan. It should contain a structured approach to promoting, qualifying, interviewing and follow-up, granting, and opening a franchisee. These components are further described below.

The chart below compares the steps in the employment process with those used to recruit and select qualified franchisees.

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 applicant.	Initial contact with candidate.
4. Credentials received.	Resume	Request for consideration.
5. Meeting to discuss the position.	Interview	Interview
6. Follow-up research by company and candidate.	Additional interviews; reference checks.	Candidate and franchisor 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 franchisee agreement signed.
9. Skill development.	Employee training.	Franchisee training.
10. Candidate starts.	Employee is on the job.	Franchisee's initial unit opens.

1. Promotion Process

The purpose of the promotion process is to identify candidates that meet the qualifications to become a franchisee. The promotion process focuses on who the franchisee candidates will be, how they will be contacted, what the promotion budget will be, and what the anticipated results are.

We suggest that the franchisor develop candidate profile and qualification criteria.

These criteria should be used to determine and evaluate which promotion strategies will best attract qualified candidates to the franchise opportunity.

The promotion strategies selected will then better support the Market Development Strategy and Plan.

2. **Qualification Process**

The purpose of the qualification process is to determine if the franchisor and a candidate have a mutual interest in continuing discussions. Mutual interest occurs when the following conditions exist:

- Candidates have made the decision to be self-employed.
- Candidate has access to the necessary financial resources.
- Candidates' time frame for becoming self-employed is compatible with the franchisor's time frame for penetrating the market.
- Candidates want to learn more about the industry, how the franchise operates, and how a franchisee makes money in the business.
- Candidates have the special requirements or skills that are necessary to function in the business (certifications, for example).

These conditions can be used as criteria during initial candidate contact to assess if candidates have the qualifications to continue pursuing the franchise. Most franchisors are reluctant to disqualify candidates at the initial contact. An effective qualification process enables the franchisor to focus resources towards those candidates who are in a position to proceed and results in quicker identification of the better candidates.

3. **Interview and Follow-up Process**

The purpose of the interview process is to:

1. Help candidates obtain an understanding of the franchise opportunity
2. Help the candidate understand if they have the requisite skills, knowledge and abilities to be a successful franchisee,
3. Help the candidate decide if they can achieve their personal, short and long term goals of improving their income, lifestyle, wealth and equity, by becoming your franchisee. To achieve this each candidate must ask themselves the following questions:
 - a. Where am I today?
 - b. Where did I think I would be by today?
 - c. Where do I want to be tomorrow?
 - d. Can I get there by continuing to do what I am doing today?
 - e. Can I get there by becoming a franchisee of this concept?
4. Help the franchise licensing representative assess whether a candidate is the type of person the franchisor wants as a franchisee.

The interview process and support materials should be designed to facilitate a discussion about the candidate's motivations, the candidate's qualifications, the franchisor/franchisee relationship, and the operation of the business. The franchise licensing representative uses questioning, listening, and facilitating skills to create the environment for mutual trust and an effective exchange of information.

The relationship between candidates and the franchise licensing representative, when properly positioned, will enable both parties to make informed business decisions about whether a candidate is right for the system and if the system is right for the candidate. The result is to determine if there is mutual compatibility, which forms the basis for continuing discussions.

To facilitate an effective exchange of information, the licensing representative:

- Articulates a clear definition of the purpose and desired result of the meeting.
- Directs candidates to prepare for the meeting by listing questions about the franchise and by thinking about their personal motivations.
- Ensures all decision-makers are present.
- Uses the skills of questioning, facilitating, and listening to lead the discussion.
- Uses materials that support the purpose, agenda, and results of the meeting.
- Discusses the F.D.D and franchise agreement from a marketing perspective and obtains the F.D.D Acknowledgement of Receipt.
- Summarizes results and makes a list of outstanding questions.
- Gains commitment from candidates for specific follow-up actions.

The follow-up process should enable candidates to confirm their understanding of the franchise opportunity and help them obtain the answer to the question, "What else do I need to know or do to make an informed decision about this franchise opportunity?" The expected result of the follow-up process is the candidates' submission of the application package for the franchise.

Candidate follow-up includes discussions with existing franchisees and additional research, which helps validate the candidate's understanding of the franchise opportunity. The candidate follow-up process should be systematic and completed within an agreed-upon time frame. The franchisor validates the candidate's qualifications through the receipt of validation documents, reference and financial checks.

4. Granting Process

The purpose of the granting process is to make final assessment of the candidate's qualifications. If this assessment is positive, candidates will be granted a franchise license. The granting process involves assessment of the candidate's application from the operations, training, financial, and legal personnel within the organization so the following questions can be affirmatively answered:

- Does the candidate possess the necessary qualifications to join the franchise organization?

- Will the candidate work within the system to achieve the business purpose of the relationship, which is to get and keep more and more customers?
- Due to the litigious nature of franchising today, more and more franchisors video tape interviews to validate compliance with disclosure requirements and to confirm candidates' understanding of the opportunity.
- The final step in the granting process is an acceptance interview. At this interview, candidates affirm their understanding of the opportunity and the relationship. The franchise agreements are signed, initial fees are paid, and the opening process begins.

5. The Opening Process

After the franchise is granted, new franchisees become the responsibility of the operations, training, design and construction, leasing, and other departments involved in the opening process. This process should be systematic and planned. As with the other steps in the process, the value of the franchise should always increase with every contact that the franchisee candidates have with the organization. The result of the opening process is a new franchisee, ready to begin business.

Why a Structured System Works

Franchisee recruitment and selection is a process, not an event. Often, when people come to the Management 2000 seminar, *How to Recruit Better Candidates and Close More Franchise Sales*, they are looking for the magic technique or set of words that can be used to convince candidates to become a franchisee and sign the check. But granting franchises is a process which must focus on the candidate motivations or reasons for acting. It is a process that can be organized and structured in a systematic way to accomplish this goal. Here's why:

1. An Evaluation System is Provided

Candidates usually do not have a systematic methodology for evaluating the opportunity they are being offered, so the franchisor must provide that systematic method. A structured system also helps the franchisor evaluate the individual candidate's willingness to follow a system. If candidates fail to follow the system during the recruiting and selection process, they probably will not follow the operating system once they are franchisees.

2. Clear Expectations Are Established

A structured system gives candidates a clear expectation of what should happen next. It affixes responsibility on both candidates and the licensing representative to move the process forward. It requires candidates to commit to *take some action* and to take that action *by a specific date* to move the process along. This action (or *inaction*) allows the licensing representative to make decisions about proceeding with the licensing process, decisions which

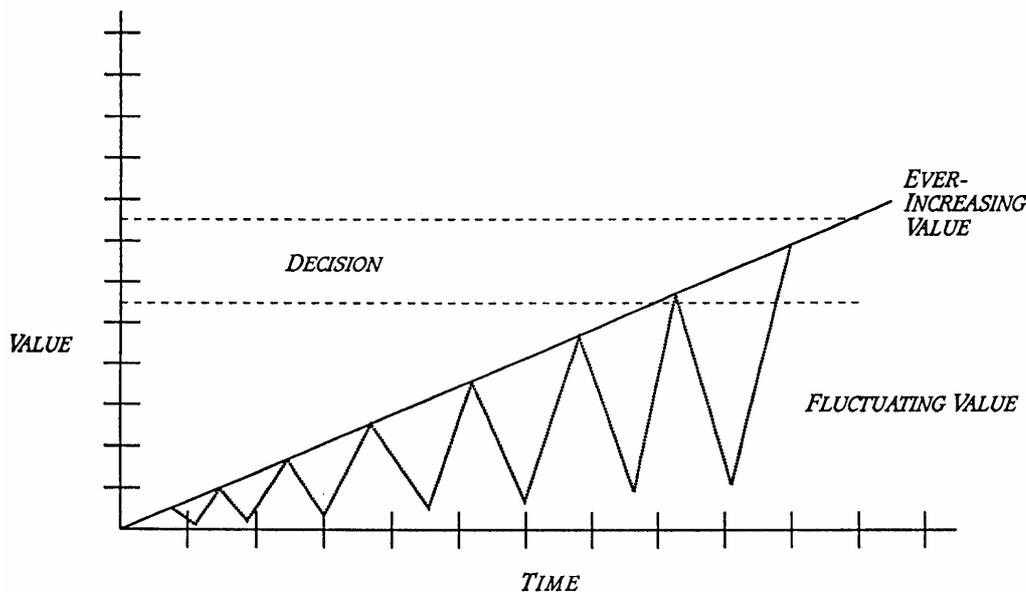
are based not on the ambition to "sell" a franchise, but on the genuine and sincere interests of the candidates themselves.

3. Focus is on the Candidate

5. A structured system clarifies and focuses on candidate motivations. Most candidates do not have clearly defined goals, objectives, and dreams. The franchise licensing representative facilitates a candidate's decision-making process by providing a thinking structure for candidates. The licensing representative helps candidates define goals, take an "inner-view" of why self-employment is being considered as a strategy, and see how franchising can be used to accomplish defined goals. To achieve this the recruitment process must ensure that each candidate ask must ask themselves the following questions:
 - a. Where am I today?
 - b. Where did I think I would be by today?
 - c. Where do I want to be tomorrow?
 - d. Can I get there by continuing to do what I am doing today?
 - e. Can I get there by becoming a franchisee of this concept?

During a candidate's evaluation of the franchise, he or she will be exposed to events, experiences, and information that create perceptions about the franchise. The franchise licensing system structures these experiences so that each results in an ever-increasing perception of value about the franchise. Management 2000 calls this the *Franchise Value Curve*, demonstrated below:

FRANCHISE VALUE CURVE



The solid, line represents the candidate's increasing sense of the value of the franchise. Conversely, the dotted line represents value fluctuations that occur with certain events, experiences, or information.

With every value fluctuation, such as those that occur with standard "sales" procedures, it is that much harder for the licensing representative to bring the candidate back to his or her previous level of enthusiasm (sense of value) for the franchise.

The franchise licensing system must be designed to prevent occasions of value decline and instead constantly increase perceived value and move the qualified candidate forward.

Value fluctuations occur due to inadequate preparation, inadequate follow up, lack of candidate focus, lack of commitment to moving the process ahead, and failure to use the various materials and documents to create value during the licensing process. A structured system, consistently followed, is one way to prevent against these missteps.

4. Limited Resources - People, Time, Money, Space

Every organization has limited resources of people, time, money, materials, and space. Many times franchisors' resources are allocated without clearly defined goals, a defined strategy to develop markets, or a focused promotion effort designed to attract candidates who are qualified for the franchise. A structured licensing system spells out every step, allocates a time sequence, and specifies the results expected. The chart below demonstrates a structured franchise licensing system:

Licensing System Structure

Activity	Days	Expected Results
1. Implement promotional strategies.	1 - 14	Generation of leads.
2. Initial phone interview.	5 - 25	Information package sent. Candidate commits to return Request for Consideration.
3. Request for Consideration returned.	15 - 30	Franchise licensing manager follows up, schedules interview with qualified candidate.
4. Interview.	20 - 50	Candidate obtains understanding of franchise. Franchisor gains insight into qualifications and motivations.
5. Interview follow-up.	25 - 60	Candidate commitments completed. Demonstrates understanding of franchising.
6. Candidate application received.	40 - 75	Preliminary decision by franchisee selection committee to grant franchise.
7. Acceptance interview.	55 - 80	Agreement signed, fees paid.
8. Pre-opening activities.	60 - 240	Site selected, lease signed, store built out, franchisee trained, merchandise ordered, staff selected and trained.
9. Store opens.	120 - 270	Franchisee productive.

The Skilled Franchise Licensing Representative

Helping a candidate make a decision about joining the franchise requires a fluid communication process that includes a mutual exchange of getting and giving information, as well as a candidate's commitment to specific actions to achieve results.

During the recruiting and selection process, the franchise licensing representative must know at all times exactly where he or she is, exactly where the candidate is, and exactly what needs to be done to move the process along. This can only be achieved through the skillful use of facilitation, questioning, and listening.

These skills, grounded in principles of psychology, psychotherapy, and adult-learning, are used within every profession. They form the basis of all productive human relationships. Using them effectively during the franchise recruitment and selection process starts with understanding motivation.

Motivation

People do things for their own reasons, not for someone else's. The most important step in helping a candidate make an informed decision is to surface the candidate's personal motivations. These are always going to be around their short term goals [improving their income and lifestyle], and their long term goals [building wealth and equity, while eliminating personal debt]. Those candidates who have a grasp of their personal long term goals will make better franchisees than those who only have an idea of their short term goals.

Traditionally, franchise sales people spend very little time understanding why a candidate wants to pursue an opportunity. The tendency for the traditional sales person is to focus on the merits of the franchise. But telling about the franchise opportunity, prior to understanding the candidate's reasons for acting, only satisfies the desire to tell. The licensing representative must seek first to understand, then to be understood.

To be motivated means to be aided by motives. Motives are reasons for acting, that is, *why* people do what they do. Motives change constantly and the licensing representative must be always alert to this. To learn what motivates a candidate, the licensing representative will use questioning and listening to explore these important areas:

- Needs, Wants, and Desires
- Goals, Objectives, and Dreams
- Fears, Uncertainties, and Doubts
- lifestyle, income, wealth, equity, debt elimination
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Needs, wants, and desires are the initial drivers that motivate candidates' interest in self-employment and franchising—either they want a change, or they're tired of working for someone else, or they want to be in control of their own affairs. Questioning and listening leads the licensing representative to probe these needs, wants, and desires, helping candidates define and close the first gap, that is, the gap between where they are today and where they hoped they would be.

Goals, Objectives, and Dreams

Once this gap is bridged and the candidate believes that it *is* possible to achieve change, the candidate will have a reason and context for evaluating how the franchise opportunity will help close the second gap between where they are today and where they want to be *at a defined future date*.

Once the candidate defines goals and personal vision, the candidate will be more receptive to information and more committed to understanding how to use the franchise to achieve them.

The discovery process is one of constant flux. Questioning and listening skills are the franchise licensing representative's barometer for what the candidate is feeling and thinking at any one time. They enable the licensing representative to confirm information, uncover new information, assess how a candidate feels, and determine the level of commitment the candidate has about the franchise opportunity.

The power of probing questions and active listening lets the licensing representative to continue to learn about the candidate as well as assess the candidates' compatibility with the franchisor.

Fears, Doubts, and Uncertainties

During the course of the recruitment and selection process, the candidate is asked to commit to specific actions to be accomplished within a specific period of time. It is usually at these points that candidates resist making those commitments. The logical question is, "Why the reluctance?"

The traditional sales approach would be to find out, "What's separating you from doing this deal?" And the candidate would respond with what are traditionally considered "objections." The traditional sales person would then try to overcome these objections by providing additional information that convinces the candidate the objections are no longer valid.

A skillful franchise licensing representative will go beyond these objections and focus on the source of the objections—the candidate's expression of a *basic issue*. A basic issue is a fear, uncertainty, or doubt about this franchise opportunity being in his best interest. It is the source of *why* the candidate feels the way he does.

Basic issues must be surfaced and resolved, because no matter how promising the match between the franchise and the candidate appears to be, it means nothing unless the candidates' fears, uncertainties or doubts are resolved and that proceeding with the franchise is in that candidate's best interest.

The basic issue could be that, in fact, the candidate hasn't made the decision to be self-employed; or, they have the money, but they are fearful of the financial investment; or, they want to be their own boss, but lack the confidence in their skills, knowledge, and ability to make it work.

Probing questions and active listening allows the licensing representative to surface these fears, uncertainties, and doubts and provide a forum for open discussion about them. Understanding these influences continues to help candidates further refine the gaps between where they are today, where they wanted to be today, and where they want to be in the future.

Getting Information

The licensing process should support the franchise licensing representative's need to get information. This is accomplished at various stages throughout the process by:

- Structuring every contact the licensing representative has with the candidate
- Building a common agenda at the start of each contact
- Encouraging the candidate's involvement in moving the process ahead
- Using the skills of facilitating, questioning, and listening

Giving Information

Giving information involves supporting the candidate's need to know about the business opportunity.

At every stage in the licensing process, the candidate is exposed to information about the franchise opportunity. This information and the related experiences are used by the licensing representative to build the value of the franchise as well as address the candidates' "need to know," so they can obtain and confirm an understanding of the franchise opportunity. This information and related experience includes the following:

- Advertisements and other promotional materials
- Contacts with franchisor personnel throughout the process
- Interview materials
- The FDD and franchise agreements
- Validations with existing franchisees and other testimonials
- Visits to an operating unit
- Statistics
- Business planning

Getting Commitment

Getting commitment involves mutual responsibility on the part of the candidate and the franchise licensing representative to move the process ahead. This is accomplished by affixing responsibility on both parties to move the process forward.

As previously stated, commitment means that the candidate will take *some action* within a *specific time frame* to move the process along. These actions result in incremental decision-making and discovery throughout the process:

- Candidates decide to be self-employed
- Candidates decide to pursue franchising as a strategy
- Candidates have the necessary financial resources
- The franchisor decides that a candidate meets minimum qualification criteria
- Candidates obtain and confirm their understanding of the franchise opportunity

- Candidates decide that franchising is right for them
- Candidates complete the application process
- The franchisor grants the franchise

Summary

The franchisee recruitment and selection process creates the future of a franchise system. To remain competitive into the next century and to reach the full potential of franchising, a franchisor must have a strong franchisee recruitment and selection process. This process includes a Market Development Strategy and Plan, a structured franchise licensing system, and skilled licensing personnel.

- A Market Development Strategy and Plan provides the direction for building the system to achieve the vision of the company.
- A structured franchise licensing system achieves the results of the Market Development Strategy and Plan and structures the candidate's evaluation process.
- Skilled franchise licensing personnel will use the structured system to achieve the results of the Market Development Strategy and Plan.

Skilled licensing personnel help candidates make informed business decisions about whether or not the franchise is the best way to achieve a candidate's goals, dreams, and objectives.

The franchise licensing process allows both candidates and the licensing representatives to mutually exchange information and make commitments that determine if the candidate and the franchisor are right for each other—what Miller and Heiman in their book *Conceptual Selling* call a Win-Win situation, where the ultimate decision is good for the candidate and good for the franchise.

Leading a candidate through the decision-making process requires communication skills of *facilitating, questioning, and listening*. These skills which are grounded in principles of psychology, psychotherapy, adult-learning, are used within every profession. They form the basis of all productive human relationships.

Within the sales profession, these skills have usually been applied in a manipulative, product-focused way; but meeting the competition of the future requires a mental shift in understanding the nature of franchising, understanding the thinking of prospective franchisees, and understanding the role of the licensing personnel.

- First, the franchise organization must understand the nature of franchising and agree, as was discussed previously—that franchises are granted, not sold. This starts with the franchisor. Once this understanding is reached, it will significantly change the expectations the franchisor has of its licensing personnel, which will, in turn,

¹ *Conceptual Selling*, by Robert B. Miller and Stephen E. Heiman, Holt & Company, Inc., New York, 1978.

influence the selection and recruitment process of franchise licensing representatives.

- Secondly, the traditional marketing objective must change. Rather than focusing on the number of inquiries, the focus must be on the candidates and the value each will bring to the organization. Granting franchises goes beyond a numbers game to a consultation process that produces more qualified applicants, in less time, and results in better franchisees.
- Finally, licensing representatives must also change the way they see themselves. Rather than convincing prospects that they should "buy" a franchise, they must act as consultants, helping candidates make informed business decisions. Rather than focusing on what the franchise can do for them, the licensing representatives must focus on what the candidate needs to make an informed decision. Listening and questioning skills must be developed and refined—not easy for traditional sales people, used to finding "hot buttons," "overcoming the objection," and closing "deals."

The result of these mental shifts will be the determination of mutual compatibility, better franchisees and an effective use of resources to find and sign qualified candidates.