

DEFINE

Unit Fifteen

Business Management in a Franchise Group

Purpose

Develop a Business Management Plan for the franchise group which gives everyone in the group the best chance of business success

Actions

Action 1: Understand your franchisees' need for assistance with business management

Action 2: Make sure you have the structures and support systems in place to give this assistance

Action 3: Work out how your franchise support staff will provide the business coaching support needed

Supporting Material

SM15a Radio Show 16 with John O'Brien, How to succeed in tough times

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Action 1: Understand your franchisees' need for assistance with business management

Managing their franchise businesses

Every franchisee is a business owner and responsible for managing their own franchised business profitably.

The thing is though, many franchisees are not experienced in business and really do not have the skills to set up and grow their own businesses. The attraction of a franchised business for many is they expect to get help in these areas and need to be supported.

This issue was dealt with to some extent when the Critical Franchise Structure was developed in Units Six to Eight. You will have looked at the likely personality and skillset of your franchisees and planned for the franchisor business to take on some of the local area marketing and administration tasks where appropriate.

It should look something like this.

Typical Franchise Critical Structure

Franchisee or Corporate Outlet			Franchisor Business			
Service or supply of product	Franchisee Business Admin	Responsibilities for the franchise	Marketing	Support office	Franchisor Business Admin	Franchisee Recruitment
Doing the job	Local area marketing Finance IT HR Finance for franchisee personal business	Franchisee reports Franchise payments Brand rules	Brand Marketing Local Area Marketing Recruitment Marketing	Induction Support Communication and meetings Systems maintenance	For Franchisor Franchisor Reports HR Finance for franchisor business IT For Franchisee Insurances Bookkeeping Personnel specification	Recruitment processes

So, some of the more specific tasks are outlined above.

But the issue often goes further.

Every great franchise group has grappled with this one and the best have put in support staff to act as business coaches to their franchisees as they move through the different stages of business growth.

Listen to John O'Brien when I interviewed him about some of the really difficult decisions he had to make through the Poolwerx journey. Changing his support staff from those who specialized in the technical aspects of pool maintenance to those who could help his franchisees grow in business was crucial to successful growth both in Australia and overseas.

SM15a Radio Show 16 with John O'Brien How to succeed in tough times

Some of this is so important I have put an excerpt below.

As a preamble to the excerpt though, it is worth understanding the business growth path Poolwerx has established in the network for their franchisees to give everyone the incentive to do the best job and stay with the franchise in the long term.

1. The network has two franchisee levels
 - a. A franchised retail outlet selling pool maintenance products
 - b. The franchisee with the retail outlet will also sub-franchise a number of Man-In-A-Van mobile maintenance franchise. The retail outlet franchisee is responsible for training and managing the Man-In-A-Van franchises.
2. Franchisees growth path is as follows
 - a. Franchisees start as a Man-In-A-Van
 - b. Then when they are ready business-wise, they will become multi-unit franchisees with two, then three, then four vans under management which they supervise etc.
 - c. Then when they are ready they will become a franchise retail outlet owner and responsible for their own sub-franchisees in vans
 - d. The last step is to become a multi-unit franchisee of retail outlets with vans

John is talking about the support for business issues in the following excerpt within this context.

Excerpt from Radio Show 16 with John O'Brien from Poolwerx – How to succeed in these tough times

Brian: *I guess an average lifespan of your franchisees or in your own community is about eight years, so what's the impact on support and so forth? I would imagine the longer they're there, the less requirement there is. So, do you find that the amount of staff and time and the hours you have to commit to training and support, is there an impact there anyway?*

Does your franchisees' need for support reduce, increase – what's the picture?

John: *I wish it would.*

I find if anything, the number of support staff to our franchise partners doesn't increase in tough times, but the type of support they need changes over time.

As they become more sophisticated, more mature in their business, they need different types of support. They need mentoring, they need business planning support, they need profit and loss reporting and reviewing, cash flow assistance, technology assistance.

So, we have taken the opportunity in these tougher times to make some changes.

In fact, we started a process two years ago or three years ago where one of our four major KPI's is franchisee satisfaction, satisfaction with the support they get. So, we have an external third party rank our franchisee satisfaction and thankfully our satisfaction has grown up for the last three years. There's nowhere to hide on that one, they are very open on how happy they are with the fees they're paying and the support they're getting.

The score we got a few years back was not good, so we went and spoke to our representative Advisory Councils and we found out that our group had kind of matured past the capability of our support staff.

It's hard, but in the last two years, we've swapped out 60% of our field and head office staff are no longer with us. Some of them have moved on and taken franchises.

But we replaced them with, in some cases younger staff and, in other cases more experienced, more qualified support staff from other franchise brands. We've very much grown our own people to do the support role, but we've also recruited people with experience from other respected brands and that brings in a lot of experience into your business. And through that we found we've been able to lift the quality of support that our franchise partners were looking for and therefore being able to be there for them when they're ready to take the next step and that will encourage them to growth.

There was an interesting point in there about business coaching.

As we changed from needing so much technical support (we have 10 people in the field across Australia) we've also slowly but surely trained them from being Poolwerx technical experienced focused people to being experienced franchise coaches – business coaches.

And we have this process in terms of growing where we sit down with each franchise partner and we do an exercise and review it each year. We know what the business should be doing at maturity and we know what the milestones are along the way, so we know when they are ready to move up the career path and need to open up a second store, put on their third van, put on a service manager, take out an extra overdraft and whatever it might be. So, we're constantly looking with our franchisees at what their business looks like when it's done and how are we going in terms of getting there.

All the rest of John's Radio Shows are worth listening to as well to get an understanding about the different jobs his group takes on to support his franchisees to grow profitable and happy businesses and the cultural values in Poolwerx. John is very open about his journey and some of the extraordinary difficulties he has experienced along the way.

Action 2: Make sure you have the structures and support systems in place to give this level of assistance

First identify the overlapping administration tasks that fall out of the Franchise Critical Structure

Your first task then, is to expand on the overlapping administration jobs you identified in your Franchise critical Structure and clarify what where you think your franchisees will struggle in managing a business and what your franchisor office will do to help them.

These overlapping tasks generally fall into the following areas:

Franchise Reporting and Payments

There will be rules around this and your Support Team need to know how to deal with them.

The Brand

There will be rules and regulations around how the brand is looked after. This will include everything, from customer service to signage.

Delivery of your product or service

You will have standards on how your product or service is supplied. Your Support Office will need to understand so they can monitor and train your franchisees in these.

You also need to be clear if you are supplying some of the product.

Local Area Marketing

Many franchisees will need to take on some Local Area Marketing and you will need to recruit people who are happy to take on these tasks.

Others, however, will not be able to do even the basic marketing tasks. Picking up the phone to make that cold call is very much beyond the personality profile you need to deliver the service required.

You will have considered this in your Marketing Plans.

Then look at general administration areas where you can or should be involved

There are areas where you can help your franchisees with packages or by doing some of the roles yourself. Some examples are:

Insurances

You will probably be in the position to organise a better rate for your group, especially if the necessary procedures are in place.

Bookkeeping, especially around money coming into the franchise

In this digital age, bookkeeping is generally done through software packages such as Xero. There are apps available so you can take on some of the tasks for your franchisees. Where there is a 'Point Of Sale' system in place or where you want the sales to be handled by a central office (like Jim's) this will be appropriate. Systems like these help you to keep an eye on how the group is going.

Remember, your franchisees are responsible for managing their own businesses and you will not be doing their bookkeeping or looking after their accounts for their own businesses.

Helping with their general business management is probably more of a business coaching task than doing the work for them.

Franchisee personnel and staff management has become a significant issue for franchisors

Some franchisees will have to look after staff.

Where this happens, especially with staff who have contact with customers, you probably need to make sure they are looked after so they are happy and not resentful. You will have staff care

issues you want followed.

In addition, there is a lot of legislation around staff management these days and recent FairWork amendments give franchisors the responsibility for making sure their franchisees do not break the rules around hiring, firing and staff management, especially around Award pay scales etc.

Listen to Damien Gooden discuss the challenges in this Radio Show.

SM15b: Franchise Radio Show 82 with Damien Gooden from HRCentral – ‘HR’

I really support his closing lines around the need for a franchisor to have an open line for support, especially when dealing with HR issues. A discussion up front with you or your Support Office can quickly stop problems escalating to the media or the law. John O’Brien talks about having a three-strike rule in his group. A franchisee goes to the Support Officer with the grievance first. If not resolved they are referred to the Director of that section. If still not resolved, they get to chat to John. His line is open 24/7 for these calls and I am sure he does not have to take them very often.

In the Radio Show Damien Gooden advises, the way to manage this level of responsibility so your franchise outlets are managed properly and so you can show you have done your best to make this happen, is to have policies and procedures in place.

Make sure your franchisees:

- Understand the Awards that fit with their industry
- Understand the rules that apply to managing staff within these Award categories
- Understand the general rules and processes that apply to managing staff

In addition, you need to have:

- Training in place at induction and through your Support Office and when you have meetings or events
- Support Officers who understand what is needed and can give advice as required

We recognize smaller franchise groups will not have the need or the funds to put on a dedicated HR Officer. However, these issues need to be dealt with carefully, whatever the size of your business. There are many consultants with the ability to help on an as needs basis. We deal with HRCentral simply because they are focused on franchised businesses and understand the need for linked HR procedures for the franchisor and franchisee.

Business coaching

So, looking at Damien’s advice and what John O’Brien has done, will you need:

- Some form of measurement to rate franchisee performance and business growth?
- Will you need business coaching to help franchisees manage their own businesses?
- If so, how will this happen?

Anything else

Every business is different. You need to clarify if there are other tasks you need to have specified and supported by your staff.

Action 3 – Work out how your franchise support staff will provide the

business coaching support needed

List each of the overlapping business tasks identified and work out how your franchise support office will deal with their side of the equation.

Something like this might help. Most of these will come from the Critical Client Flow or Critical Franchise Structure you created in Module 1 and the idea is not to repeat work but the table below may help to extend the issues and give you a framework to build the business management and administration support you need to consider.

Issue	Franchisee responsibility	Support from franchisor	Who will look after this in the franchisor office
Local Area Marketing	Say: Distribution of brochures Attendance at local school events	Website Social Media Primary contact with Real Estate Agents to get jobs	Marketing Manager Field Officer to deal with issues
Money in and out	Costing of one-off jobs Fill in Day Book with staff hours	Costing of standard jobs Quoting Invoicing	Administration Manager Bookkeeper Field Officer to deal with issues
ETC.			

Then you can further extend the tasks as you document the Operations Manuals in Module 3.