TOTEM

FIVE SOURCES OF INEFFICIENCY IN A FRANCHISE NETWORK

"VISION without EXECUTION is HALLUCINATION."
Thomas Edison

49% of business leaders perceive a gap between strategy and execution; 64% lack confidence in their company's ability to narrow it. So imagine how complex the implementation of efficient business processes might be for a network of independent entrepreneurs at the regional, national, even international levels.

Here, we will suggest several tips to align your efforts to offset the 5 key sources of inefficiency in a franchise network.

1.   RELATIONSHIPS BETWEEN THE FRANCHISOR AND FRANCHISEES

In his book "Le partenariat stratégique: comment profiter pleinement des forces du franchisage", Jean H. Gagnon proves the importance of collaborative efforts of franchisors and franchisees to deliver better service to customers. Most franchise networks are well aware of that. However, according to one study, less than 15% of Quebec franchise networks have done something about that.

Indeed, according to Greg Nathan, the founder of the Franchise Relationships Institute, few franchisees believe that the franchisor comprehends the challenges they are faced with. However, a good relationship starts with the understanding of the challenges of each partner and with the implementation of a well-defined process that specifies who does what and why. To ensure trust between all stakeholders, there must be an actual balance between centralized decisions (franchisors) and decentralized decisions (franchisees) while respecting the brand values. This does not mean maintaining ongoing systematic consultations with the franchisees, but rather a targeted two-way communication highway based on the context and needs. Building on the foundations of a strong network culture and shared brand values that encourage a sense of belonging to the same business entity, franchisors and franchisees will

develop mutual trust that would allow them leeway to manage their respective companies, without harming the overall performance of the network.

Please note that the *Académie québécoise de la franchise* offers an excellent training program on this subject.

2. CHANGE MANAGEMENT

Effective change management has become a real headache for many franchisors. So many questions pop up... What's the best way to influence franchisees? Are there any tips? Are there tools to do it right? Obviously, the answers are not that simple. Gone are the times when the franchisor could impose changes on the network. Any attempts to force or pressure franchisees into change would hardly be considered a winning formula anymore. We must understand that there are two types of change: desired and imposed.

When the franchisor proposes changes to the network, he is *motivated*. Meanwhile, franchisees usually meet changes with suspicion, fear and anxiety... These are perfectly normal reactions.

Change management consists of effective, timely implementation of changes while minimizing disruptions among people. It's easier said than done... But the networks that succeed gain a powerful competitive advantage. The key to success here is to use various tactics to ensure that the proposed change becomes *desired* rather than imposed on the franchisees.

Here are a few tips to make it work:
- Bring the right people on board early in the process, depending on the type of change. Evaluate the advantages of involving selected franchisees, as well as franchisor and franchisee representatives at different levels. A good mix of profiles of contributors would help to get a better picture of the situation and to analyze the difference of perceptions.
- Analyze the impact of the proposed change on the people in the network and make sure the selected strategies encourage people to get involved.

- Anticipate individual resistance to select the best time and circumstances to announce changes, and make sure to offer the right support tools.
- Develop tools to assist people throughout the implementation of the proposed change.

Once you understand the human impact of the changes and get the right tools and strategies in place, the success of your network change implementation is within reach!

3. KEY LEADERSHIP ROLES

While all positions are important in a network, some of them however play a more strategic role for the organization.

Management Advisor

The responsibilities of management advisors go far beyond providing a communication link between the franchisor and franchisees. They must be skilled coaches, excellent communicators, be credible, have extensive expertise in various areas of the company, thoroughly know the brand, etc. And above all, they must understand the challenges, both for the franchisor and franchisees.

Since their mandate should not be limited to control functions, management advisors must be given the means to address the needs of franchisees. We recommend focusing on these two key elements:
- Provide them with the training and tools to become coaches, i.e. to support franchisees in achieving excellent performance results, with focus on strategic issues rather than operational problem-solving; and
- Have a sound advisors/franchisors ratio to provide the best service to the franchisees. It is an investment to consider[K1].

Totem recommends a training program by the *Académie québécoise de la franchise* targeted at management advisors.

Franchisor's and Franchisees' Management Team

The title of "franchisor" or "franchisee" by itself does not give you the power to have an impact on the network or on your work team. You must know how to inspire, influence and engage your people. A good leader must be well aware of his strengths and weaknesses. Too many leaders make the mistake of trying to excel at everything, which in the end takes a toll on them and consequently hurts the network. A leader who goes against his strengths risks failure, frustration and burnout. A skilled leader knows how to assemble his team, how to pick the right people to bridge the gaps while developing the necessary competencies himself. He respects the culture and values of his franchise, and manages his company accordingly.

Totem recommends all leaders to read "The Leadership Code" by Dave Ulrich and "Good to Great" by Jim Collins, two down-to-earth books with a powerful message.

Team Leader, Supervisor and Head of Department

While these managers are often left out of training programs, their decisions and actions directly impact consumers. Particular tools and training programs must be implemented to develop their skills and competencies, and to strengthen their engagement and motivation. They might be your future franchisees.

4. BUSINESS MODEL

Even an entrepreneur at times finds it difficult to fully understand his business model. Imagine how complex and frustrating it might be for franchisees to find their way around. Nevertheless, some franchisors have never even wondered if their business model is really optimized and if it actually meets the needs of prospective customers.

Here are some of the questions you must know the answer to:
- What is the value for our customers?
- What are customer expectations?
- Are our customers consistent with our target?
- What are the main customer segments? Are they the same across the network? Should they be the same?
- Is our customer relations strategy well defined? Is it consistent across the network?

- Who are our key resource people in the network? Do we have the right partners?
- What will be our challenges in the future?

Totem highly recommends the bestsellers "Business Model Generation" and "Value Proposition Design" by Alexander Osterwalder and Yves Pigneur.

5. FRANCHISE RECRUITMENT

We addressed the subject of franchise recruitment in one of our blogs.

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