



OPTIMIZING THE FRANCHISE RELATIONSHIP

PART 1 OF 2

Last October, the Franchise Relationships Institute published the results of its research to measure the level of satisfaction among franchisees. About 28% of franchisees gave the thumbs down to their franchisors, naming poor relationship as one of the reasons. Few of us could claim to have nothing but positive and enriching personal relationship experience. Just imagine the complexity of establishing a win-win relationship between all players in a franchise network! The performance and growth of a network would be impossible without solid foundations, which include a sound strategic franchisor/franchisee partnership. We hope that these tips would prompt you to take strategic steps to improve relationships within your network.

HAIL TO THE LAWYERS... AT THE BEGINNING

Would you go to a cardiovascular surgeon if you are looking for an effective treatment for your bad back? Sure, with his extensive medical background, the heart surgeon would be able to give you a few tips and advice, but his field of expertise is so far from your actual needs that it is obvious that he is not the right specialist for you. The same applies to the legal aspects of your business. Why would you hire an attorney specializing in family law or civil rights law to draft a franchise agreement? Unfortunately, as franchisors attempt to control their expenses, many of them turn to wrong legal specialists to save some money. However, these seeming savings in legal fees at the beginning of your franchise endeavor may prove to be very costly. The business complexity of franchising requires specific expertise. There is no place for copy-paste solutions in franchise documentation. Reusing existing clauses from the web or other contracts outside your context gives a mere illusion of protection, instead risking conflict, confusion and misuse, which might result in rocketing expenses in legal fees and so on, and thus risk throwing your relationship with your franchisees off balance. Nothing beats a clear, comprehensive contract that leaves no room for misinterpretation, that covers all key aspects of your particular business model, and that protects both the franchisor and the franchisee.



LEARN TO BE IMPATIENT

Franchisors often choose to keep existing franchisees even when they do not have the right fit with the organization, i.e. they do not have the necessary skills or abilities, they do not comply with the franchisor's standards or business model principles, they have negative attitudes or behaviors, they show poor financial performance... To optimize your franchise network relationships, you must make sure that none of them tarnish or in any way alter the excellent connection that you have with the others. Be strategic, but not overly patient. Before getting to the point of cancelling franchisee agreements, there are several steps that you can implement to support their development. The Totem team can help you identify those who are worth investing your time and money in, and assist you in designing the right tools.

QUIT BEING SUCH A SALESPERSON

A common mistake that franchisors make is trying to appeal to as many potential franchisees as possible, trying to be liked by absolutely everyone by "selling" them the banner, ideas, proposed changes through positive arguments that are meant to attract and seduce. While it might bring benefits and profits in the short term, there is no fooling people in the long term. They will eventually realize that they do not fully support your vision and values, or that they are not at ease with your ways of doing business. And without trust it would be difficult to establish a strategic partnership and have healthy business relations with your franchisees. In order to optimize your relationships with the current and potential franchisees, you must first and foremost make sure that you have a clear business vision, a thorough understanding of your goals with regard to your network and organizational values, and, of course, you must fine-tune the details of your business model and operations. In Ontario, where, unlike Quebec, franchising is regulated by law, franchisors are required to present potential franchisees with franchise disclosure documents with related cases provided as examples. These documents contain all the information that a potential franchisee might need to make an informed decision.

Being honest and straightforward with your franchisees about your business reality, the good and the bad of it, may cost you a few players but will certainly help you optimize the quality of your relations and the financial results across your banner.



PUT COMPLIANCE ASIDE FOR A MOMENT

Don't get me wrong, I by no means imply that compliance and standards are not important. In fact, respecting the specific franchise formula is crucial. However, spending time monitoring, controlling, adjusting the quality and regulating business compliance is not only unpleasant for the franchisor and the franchisee, but also distracts them from their respective roles in the franchise network. It is not easy to establish a strategic partnership between the franchisees and the franchisor without clearly-defined roles and scopes of responsibility. While you may be determined to optimize your relationships and to work strategically with your franchisees, often it is the how-to and the implications that are not quite as simple. A partnership should not be confused with a cooperative business model. The coop model is based on egalitarianism, exercised on the one-member one-vote basis, which is not the case within a franchise network! Working in partnership does not mean involving franchisees in all your decisions, but rather clearly and strategically defining the roles of every player, keeping emphasis on customer satisfaction. The franchisor may then focus on such tasks as concept definition, banner development, etc., and the franchisees – on their performance optimization. A franchisee who understands and supports the vision, values, standards and procedures, and, above all, appreciates the importance of compliance will be the first to ensure conformity with the franchisor formula. If you want franchisees to be true entrepreneurs, do not treat them just as operators or employees. Instead, get them involved in certain aspects of the network management.

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