

FAIRPLAY FRANCHISING

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Abstract:

In my newest book „Fairplay Franchising“ I deal in detail and as the first one with the soft facts in franchising. We are not only interested in the soft factors of franchising and there is no place for social romanticism. Primarily we all want to earn money with our work. The bases are an esteeming contact and socially responsible action. From my point of view exists 9 factors:

1. Who wants to milk the cow, must also feed it
2. Added value comes from esteem
3. Success needs fair guidance
4. Franchise is an emotional home
5. The potential of the soft factors is stronger than you believe
6. Success and growth also bring risks with themselves
7. System leadership and thinking on networks create advance
8. Every success has play rules
9. Consequence is more important than severity

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Introduction

In the eighties as a young student during my study I have read my first book about franchising and was inspired by the idea immediately. So I wrote my dissertation about franchise (the first on about this subject in Austria) and since then this subject doesn't let me go any more. Since this time I have as a consultant collected experiences with more than 1200 franchise projects.

Franchising is a trendsetting model: Who is ready to take over responsibility, finds in the franchise new chances for himself. Franchise means first and foremost maintenance of the partnership: Money can only be earned in this kind of system from people, who respects each other and who works with each other and as well for each other. Who maintains an esteeming and careful contact. Who is aware, that specialist knowledge and know-how are quite slightly perishable goods without these qualities.

This is the true potential of franchise: It offers a clear concept, from which those can profit, who really want to work together in the economic life. My credo: A clear concept and a functioning company type are not enough, trust, security and safety – these soft factors are in franchise systems like in modern enterprises more importantly than ever. Only the one, who respects his partners, will be permanently successful.

In my newest book „Fairplay Franchising“ (www.fairplay-franchising.com) I deal in detail and as the first one with the soft facts in franchising. We are not only interested in the soft factors of franchising and there is no place for social romanticism. Primarily we all want to earn money with our work. The bases are an esteeming contact and socially responsible action. From my point of view exists 9 factors, which I come up in my book in detail:

10. Who wants to milk the cow, must also feed it
11. Added value comes from esteem
12. Success needs fair guidance
13. Franchise is an emotional home
14. The potential of the soft factors is stronger than you believe
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18. Consequence is more important than severity

1. Who wants to milk the cow, must also feed it

Franchise requires long-term thinking and responsible investing in the common success. To earn money with lasting effect, a system must be ready developed and profitable. Franchise allows a franchisee a ready to use concept – the product promise of the franchisor is a combination of above-average profit, long-term security and social respect.

A franchisor has to understand from the beginning, that he must feed the cow, before he can milk it. A system must be developed comprehensively to earn money with lasting effect. A franchisee has the privilege to buy a ready and already experienced system, therefore only those franchise systems are successful, which invested time, money and energy in building up a successful system from the beginning. Only if the franchisor observes the "product promise", franchisees will be permanently prepared to participate him in the economic success, which means to pay him franchise fee for providing a ready commercial model and the accompanying services. Only a long-term franchise partnership is really profitable for a franchisor.

The magic formula for cooperation is called trust: a franchisee trusts the franchisor, that he offers him a ready to use concept. And the franchisor has the moral obligation not to misuse this trust.

2. Added value comes from esteem

Franchising is people management and based on strong personal connections. People will and must be taken seriously – esteem is a central concept in franchising and engaged partner management one of the most important tools. Franchise systems are communities of fate, a synthesis from the egoism of the involved partners, which should lead to the common success. Taking over social responsibility is indispensable for the added value.

One of the most essential successful factors in the franchise is the division of labor. Everybody in the system makes exactly, what he is able to do best. However, division of labor also means that everybody must count on the activities of the other and can trust in it. Trust forms the successful potentials in franchise systems. High trust motivates people, not to disappoint the trust sedate in them. They feel taken seriously and respected in their individuality. This increases the responsibility – the base for a fair cooperation. This trust base is only acceptable, if the person stands in the centre and if a partnership is on the same eye level.

Recognition and esteem lead to the fact that the connection to the franchise partners becomes more intensive and with it the conversion of the franchise concept succeeds better. Where recognition and esteem are lived professionally, it is as well seen economically– longer terms of the partnerships, lower fluctuation, lower care intensity or partner management on another level.

The seed of the esteem is planted long before signing a franchise contract. From it should arise later an esteeming contact in all situations of the franchise: esteeming aspects are as important in the contract creation, in the formulation of the manuals, in the partner management as later in dealing with crises and emergencies.

3. Success needs fair guidance

In a franchise system it is not about subordination but about classification. Therefore, strict hierarchy is less actually than fair guidance. A franchisee accepts a system, he does not submit to this – a partnership on the same eye level. In the ethical code of the European franchise association “the principles of the partnership and the cooperation on the same eye level” are expressly stressed.

If the franchise concept is defined clearly, if the company type is ready developed and if the play rules of the partnership are clear, a sort of base democracy should be developed in the franchise system. It is about integration and participation of the partners – about empowerment. The fact that it isn't a fair weather program goes without saying: the value of a partnership is reflected in difficult situations. Who has learnt in good times to handle openly, tolerant, honestly and fair with his partners has good chances to exist in crisis as well.

The franchise advisory board plays an essential role, the function of a conversation platform and perhaps also of an arbitration place can be done by them. The advisory board is the connection between franchisor and franchisees. For the franchisor it is a source of information and communication interface. For the franchisees it is the drop-in centre for suggestions, improvement suggestions and complaints.

The second important tool of fair guidance is the annual conference. The annual conference is a mirror and mostly at the beginning of an annual conference you can already feel the real mood in the system through the year, whether the chemistry is right. Annual conferences have on the one hand the function, that the franchisor informs and on the other hand to have an informal exchange, which is at least as important. At least 50 percent of the time and the resources should be dedicated to this informal part.

Beside these both important instruments (advisory board and annual conference) there are more useful tools: a fair guidance, a well functioning communication system, an as well functioning information policy and a perfectly controlled and cultivated intranet or other knowledge databases. Besides a professional partner management is unavoidable.

4. Franchise is an emotional home

Who does not pay enough attention to the soft factors, won't progress, as pure partnerships of convenience are not able to be successful permanently. It is unavoidable to consolidate and to care for the business connections also at a personal level: To create trust, to give security and safety. The partners in a franchise system must feel emotionally at home.

They must be identified with the common brand; they should be proudly on their system and their brand. Brand is like emotion.

Pride is the most important ingredient to make a franchise system to an emotional home. People, who work in a franchise system and sell the products or services, must be positive in and proud of all their activities. They have to know, that their brand is strong and their products are good.

A strong emotional home creates only, who pays attention in every detail and takes care that from the beginning on all partners feel in good hands in the franchise system. Already in the recruitment phase it has to be checked seriously, whether both fit to each other.

Franchisees must feel their emotional connection in two directions: On one hand, they must find recognition among the partners and on the other hand they must be able to communicate their role as a franchisee successfully outward.

It is important, to develop rituals in the franchise system, which fit to every development stage: How is the welcome of new partners? How do we lead the system in partnership? How do we set up a quarrel culture, which admits discussion and helps to avoid injuries? And, finally: How do we separate from a partner that he can eliminate with an upraised head from the franchise group? And how do we make internal and external PR?

5. The potential of the soft factors is stronger than you believe

Beside a professional franchise package and a company type in line with market requirements the soft factors contribute substantially to the emotional connection strength of a franchise system. Not only a franchise contract holds the system together, also the voluntary connection of the partners in the system. And this arises from right behavior. It does not come around either or - the balance between hard and soft factors is important. In a real community becomes from many I a We!

The concentration on the soft factors isn't a social romanticism. A fair contact rises of course the term of a partnership, strengthens the connection forces in the franchise system and reduces the fluctuation costs.

Who lives the principle of the fair contact, will soon find out, that the care intensity can be driven back, as the connection of the partners to the franchise system by the effect of the soft factors increases by itself. In the last consequence a fair contact is also an economic need.

The balance between clearly defined hard facts on one side and the soft facts, which strengthen the system, on the other side form a strong basis. A base, on which can be worked focused and calmly. Who knows what he expects from the other and what he may expect from the other, must not question constantly, how strong the partnership is. He can be focused on his work. Role consistency is absolutely necessary to be successful in franchising.

6. Success and growth also bring risks with themselves

Who thinks systemically, recognizes fast, that with the growth of a franchise system a massive movement walks along. It belongs to the main tasks of a franchisor to extend the round. However growth brings systemic changes, which must be monitored and accompanied.

Every franchise system needs a certain number of partners that it becomes attractive for the franchisees and is worth for the franchisor. In this sense growth is necessary, a clear factor of success. It is important to find the right measure of growth.

If the franchise system grows too fast, the danger insists, that the franchisor cannot offer a professional service to the franchisees. There are not enough resources in the franchise headquarter.

If the franchise system grows too slow, the psychic pressure grows even faster: Why, all partners ask themselves, no new franchisee follows? Have I placed as a franchisee possibly on the wrong horse?

To calculate the economic efficiency of a system is one thing to do. Therefore exist tools and formulae, table calculations and consultants. Much more difficult is to identify the right growth. Therefore is no clear answer. What can be said, however – vaguely enough – is following: after a successful pilot period a young franchise system should grow on an average about three to five partners per year.

The systemic component must be considered. How are the "first franchisees" appreciated? How are the „trouper“ integrated in the system development? How open are spoken about dropped out partners?

For the integration of new partners certain rituals are recommended. For the system integration the so-called PNP (partner net plan) is very helpful, it contains all necessary steps for the integration. Some franchise systems install system integration manager, which take care of the partner in the early stage or use buddy or godfather systems.

7. System leadership and thinking on networks create advance

“None of us is as good as all of us,” Ray Kroc, the founder of Mc Donald's recognized as first, what franchise is about. It is not only important that the franchisor knows, what makes his partners successful. He must also recognize that those who assemble the concept have an essential portion in the success.

The logical conversion of the network thought is the base for system leadership. It is important that the franchisor leads the franchise system. However, it is as important not to disregard the network thought.

In the guidance of a franchise system suitable canals must be planned, that thoughts and suggestions, which come from the network, can be taken up realized for the benefit of all in the system.

A franchisor, who wants to lead successfully, must focus his management on participation and communality. Not subordination is the subject, but classification and coordination.

Correct interpreted system leadership arises from the knowledge, that and how a concept works. Only, who had a pilot outlet and adapted his system successfully on these experiences, will be able to face his partners competently. Only who has found out by himself, how a successful franchise system works, can transmit this knowledge. Who leads a franchise system at that level, won't be disputable in his leadership.

To promote the network thought in a franchise system implies to claim anything from the partners – active cooperation and feedback from the market. A successful system leadership requires the ability to adapt a franchise-, marketing- or distribution concept to changed market conditions. The franchisor is only able to do it, if he knows by the feedback of his partners about the current market situation.

A systematic realization needs a vertically as well as horizontally understanding of a network. This means the network tough has been maintained between the partners.

Important instruments of a system leadership in networks are a professional knowledge management, the partnership balance, controlling and benchmarking as well as the absolute transparency.

8. Every success has play rules

The clearer the hard facts are formulated, as much more easygoing the realization can be. No success without play rules. Rules and standards must be defined, explainable and understandable from the beginning, that they can be complied. This is closely related with running communication, training and education.

From the experience, which the franchisor has won from the pilot outlet, he can set up understandable and reliable rules, which will lead to the success. If the play rules are formulated clearly, if everybody knows, what the other expects from him, if the partnership is defined, it is the best way to be successful. This role consistency is indispensable. What for the Christians the Ten Commandments, this should be the rules of the franchise system for the partners: they must become the second nature of them, they must go without saying.

Play rules are essential for a system and the cornerstone of a successful partnership! Therefore it is also important to punish irregularities!

Responsible enterprisers demand above all information. They must be supplied regularly with actual information from the system headquarters, to be able to work effectively. Opportunity to it arises over and over again: at the partner conferences, in the partner management and regularly via extra- and intranet or other forms of knowledge databases.

9. Consequence is more important than severity

Consequence is not the same than dourness. Some elements in a franchise system are essential for the success, that their conversion and care is a main duty. Franchisees must recognize that franchise systems follow certain regularities and people follow certain rules, which make the orientation and classification easier for them. It is not a matter of showing special hardness. It is important to behave clearly and to be consequent.

Consequence allows the observance of rules and the examination of the observance in an esteeming form. For me one of the most important rules in the franchise is: No added value without esteem! From which the next rule follows: Not be strict but be consequent!

An indispensable condition for consequent action is knowledge. Both sides must be consequent that the system works successfully. Here an advantage of franchising is shown: Everybody profits from the group, the franchisee becomes in the group a learning enterpriser and of course the franchisor as well.

Consequence is, in the end, also a form to show esteem face-to-face: A partner, who is ready to play by the rules, documents his esteem towards the franchise system. Who isn't able to deal with the rules, should not longer forced in a corset: It is from both sides a form of esteem, if franchisor and franchisee are able to separate at the right time in adequate form.

A tricky spot in franchise systems: Separation as the last consequence. The best way in such cases are step models: who does not observe this or that play rule, must count on this or that consequence, for example with a warning and a further explanation of the respective rule. If this does not lead to an attitude change, the next step should be done together with a mediator. An outstanding mediator tries to find a common solution, which is accepted from both sides.

Only if a solution won't be found during the mediation, the last step is the separation. An esteeming contact with each other is also recommended in this situation.

Prospect

The high motivation of the involved partners and the almost necessary growth will make franchise to the most successful distribution and enterprise form of the future. However, only the systems will assert themselves, which find a well-balanced way between hard facts – like a distinctive marketing competence, the comprehensive adjustment on the regional market of the franchisee, the logical penetration of the franchise concept in the market – and the so-called soft facts, how the fair enterprise culture basing on mutual esteem.

People change with the social development, and hence franchise systems must co developed necessarily, if they understand their job as what it is basically - "people management"!

The independency of the involved partners is and remains the successful factor number 1 in the franchising. Who is ready to take over responsibility, finds in franchising new and calculable chances. The aim is a successful and long-term partnership on the same eye level.

„Fairplay Franchising“ is – maybe a little bit pathetically expressed – my personal credo on the subject franchise. Mine more than 1200 consultation projects have confirmed this way of thinking during the last 25 years. A clear concept and a functioning company type are not enough. To create a environment of trust, safety and protection, esteem and recognition, participation and empowerment – these „soft facts“ are in successful franchise systems more importantly than ever.