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Franchise Opportunity

– 5 Considerations

In addition to the many questions that you should pose to a potential Franchisor, and the many questions they should pose to you, there are several other considerations for you to determine your compatibility with a particular Franchise system. If you are going to be getting into business with someone with the goal of creating an outstanding future together, you should cover more bases than just the basic questions to understand how the business makes money. That will be ultimately important of course, but several general considerations will be imperative for you to analyze as well, if you really want to understand your potential 'strategic-partner'.

Franchisor's Qualification System

One of the initial things you should strive to understand is the level of development that the Franchisor's Candidate qualification system has reached. Your first reaction to that might be 'Why do I care about a Franchise Qualification system – I only care if I get a Franchise or not?' I would suggest that you should care a great deal.

After all, if the Franchise Candidate qualification system hasn't been well developed, it may be a reflection on the business of the Franchise itself. The most important asset of any Franchise system will be its people, including both Franchisees, and Franchisor staff. Almost all companies will confirm that to be the case. They say it even if they don't believe it. They say it even if they don't actually put systems in place to ensure they add the best people, and nurture their development over time. So how do you determine if the statement matches the execution?

If people are the most important asset, it would follow that the system of finding, qualifying, and granting Franchises to the best Franchisees would be a well thought out and well developed system. If there is no formal step-by-step system to provide information to both parties then it may be an indicator that there is something amiss.

A good system will be able to provide you regular information to help you make an informed business decision about joining as a Franchisee. It should also

provide the Franchisor with information about you to help them make an informed decision as well. That decision should be whether you qualify as someone they can describe as one on their 'most important assets'.

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If the system doesn't allow for a step-by-step, give and take, system of information flow, then perhaps the other business systems within the Franchise aren't as well developed as represented either. The information system shouldn't be so fast that you are overloaded, but it should be steady enough that you can continue to assess, and deliver information, at a pace that makes sense for both parties.

If the system is too fast, for example if you are given Disclosure Documents within the first week of the due diligence process before many other things are assessed, I would suggest there is something wrong. To rush is to err. On the other hand, if the system is too slow, you won't get a true flavor for the company because of the sporadic nature of the flow. Culture is important, and a steady flow of data will give you a better feel for the culture of the business than trading information every three weeks for a six-month period. If you are not looking to make a decision with 30 to 120 days, I would suggest that you wait until you are to that point before you engage fully in a Franchise Qualification system. That doesn't mean that you need to be in business in that timeframe, only that you would like to make a decision in that timeframe.

Some systems will include a step-by-step system where you will receive information from the Franchisor, and then you will be required to provide some information to them. Once you provide the information, then the Franchisor will send you additional data to help you gain more intimate knowledge...and so on. The reason for that type of system, which I would judge to be ideal, is that each of you is illustrating commitment to the process. This is

an important factor for the Franchisor to determine because it is a great indicator to them that you will be able to follow and use a good system to your advantage. That's what Franchising is all about. The Franchisor has invested a significant amount of time and money to develop a proven system that is designed to earn all stakeholders a maximum return. Therefore the Franchisor must determine that each new Franchisee is willing and able to follow a good system. What better place to start than the basic evaluation system.

In today's world, that system should use various media to communicate with you including email, telephone, mail or courier, Internet, in person etc. Again, this will demonstrate the Franchisor's use of current technologies and methods to really get to know you, and to stay current in an ever-changing global environment.

If the Franchisor does not have a good step-by-step information flow and due diligence system then that alarm bell in your head should go off.

Communications with Existing Franchisees

One of the most important sources of valuable information will be the existing Franchisees. The Franchisor's system should include available exposure to all of the Franchisees. First of all, in most jurisdictions where Disclosure Documents are required, one of the required disclosures is a full list of all Franchisees, including contact information.

If you get a feel that a Franchisor is discouraging you from communicating with certain Franchisees – well, there's that alarm bell again.

That's not to say that all Franchisees will be happy, or that all will be great operators. In fact, most systems have disgruntled or unsuccessful Franchisees. It will be important for you to speak to the top echelon, the middle range people, and the poor performers. The test should be to identify the factors that differentiate the groups. Then determine how you are more like the successful people, and how you are not like the unsuccessful people.

The most important point is that the Franchisor has a system to allow efficient access to all Franchisees. Some Franchisors will provide email questions to send to all Franchisees plus ask you to call your own sample from the complete list. Others will provide for conference calls with several Franchisees. Others will provide for Discovery Days including existing Franchisees. Of course, conference calls and Discovery Days will include 'favorable' Franchisees. That doesn't

mean those processes aren't very helpful – you just have to realize who you're dealing with.

Other Franchisors will ask you to talk to people in your geographic area. Or people with a similar background. All of these things make sense, but you must ensure that you also have the ability to communicate with any existing Franchisee, and not just the suggested sample. You will be able to judge the Franchisor's openness through their reactions in this process.

Responsiveness

This one is fairly simple but very important. If the Franchisor responds to your inquiries quickly and efficiently, it's probably a good indicator of the type of responsiveness the company executes as a whole. Of course, that becomes very important when you require support once you become a Franchisee.

If a Franchisor takes several days to get back to you after your initial inquiry, you should take that as a warning sign. If they don't respond in an efficient and professional manner to your email and telephone inquiries as you go through the process, it probably means they are not running a tight ship.

A system that responds almost immediately, and then starts you on a step-by-step information flow, including personal contact, should be what you are looking for in terms of responsiveness.

Face-To-Face Meeting

The system of evaluation for both parties should include a face-to-face meeting. After all, you are trying to determine if you want to get into business together for 5, 10, 15 or more years. If a Franchisor wants you to join the system without a face-to-face meeting, it doesn't really make sense. Would you start a partnership business without meeting your partner? A Franchise is not an actual partnership, but the same criteria should apply. It should actually apply to the Franchisor every bit as much as to you. So if that meeting is not part of the process, the system is incomplete.

There are several ways for the face-to-face meeting to take place. Many Franchisors have development personnel that will meet you in your community or a convenient location for both parties. Some Franchisors require a head office visit. Others will host Discovery Days, either at their head office or on a regional basis. All of these methods are fine, as long as you have some time for some one-on-one interaction.

I once asked a mentor of mine when our company was first beginning to offer Franchises, about the best method to determine that 'right' match. He said to me

that the ultimate test is whether you would be willing to have the person over for a barbeque in your backyard. Of course, there are many other factors, but his point was that it should be someone that you would like to be in business with, and would enjoy their company.

The face-to-face meeting should also include an invitation for your spouse to participate. In fact, some systems require the spouse to be in attendance. Again, it is sensible to include spouses at the discovery stage because the ultimate decision to start a new Franchise business will be focused on building family dreams, and providing family security for the future. If a spouse is not fully aware and comfortable at the decision-making stage, it could create difficulties down the road as you build the business.

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The main point is that if a face-to-face meeting is not a part of the process, and your spouse is not welcome to attend, the process is faulty.

Unified Thinking

I'm not going to spend much time with this point at this stage, other than to say that the entire process of due diligence, for both parties, should be about determining whether there is unified thinking. My counsel is to step back at the end of the process and ask yourself the following question: Did the process help both parties to determine if they have unified thinking about the business at hand? If the answer is not yes, then you've either got more work to do, or something with the system is not right and you should examine alternatives.

Franchising is about finding the right strategic-partnerships to allow both parties to prosper at a

higher level together than they would if they were not to enter into an agreement to do business together.

You must be comfortable with the Franchising concept itself. It's the Franchisor's strategy to penetrate and dominate a marketplace. You've got to be comfortable with the Franchisor's strategies to do just that. If they make sense to you, it can be a great ride in achieving success together.

You should assess your needs, wants and desires to make sure that they can be met with a successful Franchise in the system. You should bring to the surface all of your fears, uncertainties, and doubts to determine if you can solve them with the business and the future you can create. The worst thing you can do is leave them buried.

Finally, can you see yourself reaching your goals, dreams and objectives by operating a successful business in the Franchisor's system? Will the Franchise help you to achieve those goals and dreams?

To receive a free copy of an E-Book titled 'Franchise Opportunity – Making the Right Decision' by Dennis Schooley, email that request to corp@schooleymitchell.com.

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