



The Franchisor Transition: The Road from Founder to Leader

By Jack Pearce, CFE

This story happens all the time and is the definition of franchising. You start a small business that quickly catches on and gains attention from both customers and investors alike. You refine the business model and decide you want to share your opportunity with other like-minded entrepreneurs. You take the necessary steps to bundle your concept into a legitimate franchise opportunity and begin the process of selling individual units to prospective franchisees.

Now you are faced with what I call the “Franchisor Transition”. You must make the leap from small business operator to multi-location franchisor / leader / mentor. This new leadership role is very different from your original business management role and in fact, is a completely different occupation. You no longer simply perform the daily operations of a small business but now must serve to qualify, develop, train and support other investor / owners in duplicating the success you originally achieved when you founded the concept.

Qualifying Franchise Candidates

The first few investors who step up to buy into your new franchise concept are often referred to as your “Pioneer Franchisees”. It requires patience and intense due-diligence to find just the right candidates who can apply the same energy, enthusiasm and skill sets necessary to duplicate your success. At the same time, you want these individuals to follow your plan and stick to the original business model in order to achieve a strong branding goal. This type of entrepreneur, an investor with skin-in-the-game, yet willing to follow someone else’s direction is not easy to find!

At this point you find yourself acting like a recruiter, looking for specific interests, skill sets and an alignment of goals. You become a judge of character, measuring intentions and looking for the right chemistry to carry your brand banner. At the same time you may also be struggling to make the financial transition from business owner to franchisor and the opportunity to collect those initial franchise fees (IFF) becomes very enticing.

This is the first challenge in the Franchisor Transition. You must somehow resist the temptation to simply collect the first available IFF funds and instead stick to finding just the right character with the best fit in skills, temperament and most importantly, additional

knowledge and experience which may further enhance your concept. In other words, you are looking for the best collaborator, not just the first investor.

Development of the Brand

What is the single most frequent question every franchisor hears from their franchisees? It is, "What have you done for me lately?" It's great you have shared your business concept with other like-minded franchisees, but now they are looking to you for leadership, innovation and growth. Two of the most important responsibilities of the franchisor are, 1) sell more franchise units (growth), and 2) take the long-term view in developing the brand (innovation).

Again, your role has changed from simply increasing sales in your singular small business operation to now having to compete against other brands on a local, regional or national level. This requires you to wear the hat of both a Chief Marketing Officer, as well as being the head of Franchise Development (industry lingo for new unit sales). You must constantly review and refresh the image and vision of the brand in order to both attract new franchisee candidates, as well as satisfy the demands of individual unit-level customers.

In this Franchisor Transition phase you find yourself calling on leadership skills you may not have given much thought to before now. You cannot simply bring your own ideas and images to the table and expect franchisees to quickly or enthusiastically adopt them. Instead, you must build consensus among constituents and perform collaboration techniques in order to achieve adoption and buy-in.

The adoption and buy-in process relies heavily on building a culture of strong franchise relationships. Trust and transparency between all parties can only be achieved when best practices, such as honest collaboration and two-way communications are used routinely. If the franchisees do not buy into and/or adopt your new ideas, then individual unit-level implementation will not happen. It becomes fairly simple there must be a win-win scenario in order for success to happen at both the franchisor and franchisee levels!

Training Franchisees

The next transition challenge is the process of training new franchisees to become proficient at the right skill sets, to build a healthy culture of collaboration and to motivate them to follow the defined business model. This is not an easy task considering most founders or entrepreneurs have never experienced the role of an adult educator or had to deal with developing, managing and delivering a technical curriculum. Pile on top of that the diversity and complexity that comes with a random set of new franchisees and you end up with an enormous challenge for the Franchisor Transition.

Not only are the educational challenges intense in this phase, but there is also a high degree of pragmatism and structure required. The goal is to get the new franchise locations opened and operating as quickly, efficiently and profitable as possible. The franchisee must establish a new business entity, obtain federal and state licenses, locate, acquire and build-out an appropriate location, perform pre-opening marketing and employee recruitment, learn the basic operating system, establish professional relations with banks and

accountants and ultimately open their doors for business. And this is just a partial list of what needs to be achieved through training.

Too often the importance and difficulty of this educational process is overlooked in the grand scheme of developing a successful franchise enterprise. If the founder does not have this skill set or temperament to successfully complete this phase, then he or she must ensure someone within the organization is a master at it. The training phase is probably the single most critical element in achieving brand consistency and operational proficiency, as well as the bedrock foundation for building strong franchise relationships, culture and communications.

Effective Franchise Support

The final challenge in the Franchisor Transition is to achieve success in the process of on-going franchisee support. The founder has led franchisees through disclosure, created a vision for the brand, executed the training and must now deliver the kind of support necessary to drive individual unit profitability. If all the previous phases of transition have been done successfully, then this phase should actually be the easiest but it is no less important than the others. Hiring, training and retaining a team of skilled Franchise Business Consultants (FBCs) is absolutely essential for the long-term success of the brand and its individual units.

The FBCs must rely on the foundation of honest communications, transparency and a mutual alignment of goals in order to work effectively with the franchisees in the field. This culture began at the top of the organization with the founder or chief executive and must now filter down through every facet of franchise operations. The most successful franchise organizations are very good at achieving these support goals and depending on the business concept, just exactly how support is done can vary in hundreds of different ways.

In general, franchise support is the mechanism by which the intellectual property of the franchisor is transferred to the franchisee for the purpose of replicating the success of the business model. It is not difficult then to understand why strong franchise relationships and a positive culture are synonymous with support success. A good source of reference for building a strong support team can be found in the IFA Handbook, "Effective Development of a Franchise Support Organization" (available for download at <https://www.nextlevelconsultant.net/copy-of-projects>).

Summary

Recruiters refer to them as "transferable skills", but the variety necessary to make the transition from franchise founder to leader is truly astounding. From developing the Franchise Disclosure Document (FDD) to training adults to manage and operate their own business, nothing comes easy in this process. Building a culture of strong relationships grounded in communication, listening skills, constant dialog and tactful decision-making is a tall challenge for any entrepreneur. And rarely are these skills learned from a book or taught in the classroom.

It is not an easy or simple path to make the transition from a single-unit business owner into a well-structured and smoothly operating multi-unit franchise organization. The

Founder must assume a variety of roles and unique responsibilities while maintaining a delicate balance between collaborative leadership and a singular entrepreneurial vision. Ultimately, the measure of success is found in enterprise-wide financial profitability at the franchisor and individual unit levels, as well as system-wide franchisee satisfaction and validation.

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