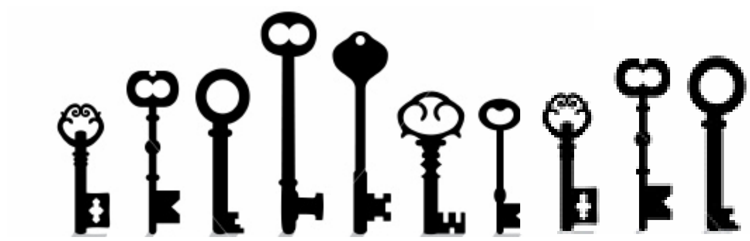
Franchise Development Ebook

The Franchise Sales Tipping Point

10 Keys to Creating a Franchise Sales Breakthrough



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In an article in *Time Magazine*, reporter Bryan Walsh defines a "tipping point" as "the levels at which the momentum for change becomes unstoppable."[1] Dictionary.com defines it as "a build-up of small changes that effects a big change,"[2] like the proverbial straw which finally breaks the camel's back. The idea of the "tipping point" comes from the notion that wholesale change, such as accelerated franchise sales growth, doesn't really happen gradually, but occurs at a climactic moment in time. If you buy into this idea, than you must also believe you can design a franchise sales tipping point by identifying and putting in place those key elements which work in concert to eventually burst open the floodgates of opportunity.

All iconic, category-killing franchise brands at one time have experienced a franchise sales tipping point. Most started out as small franchises and grew slowly, struggling as most franchisors do to find their next franchisee. Then something happened, the precise moment in the company's history when the franchise came out of obscurity and appeared to announce itself to the world, declaring, "We are now a force to be reckoned with." If you've ever worked for a company as it tipped, you will now remember it as the time when franchise candidates seemed to already know who you are and want what you have before you even have the chance to talk with them. It's at this point that franchise candidates seem to come out of the woodwork in droves, seeking to join the brand.

Before hitting their tipping point, these franchisors may have felt like they were pushing a rock up a hill in order to achieve their growth objectives. After they hit the tipping point, however, these same franchisors often feel like they are chasing a runaway boulder down the other side of that hill, struggling to keep up with the momentum.

Now that's a problem worth having!

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[1] *A Green Tipping Point* , Time Magazine Oct. 12, 2007

[2] Dictionary.com's 21st Century Lexicon
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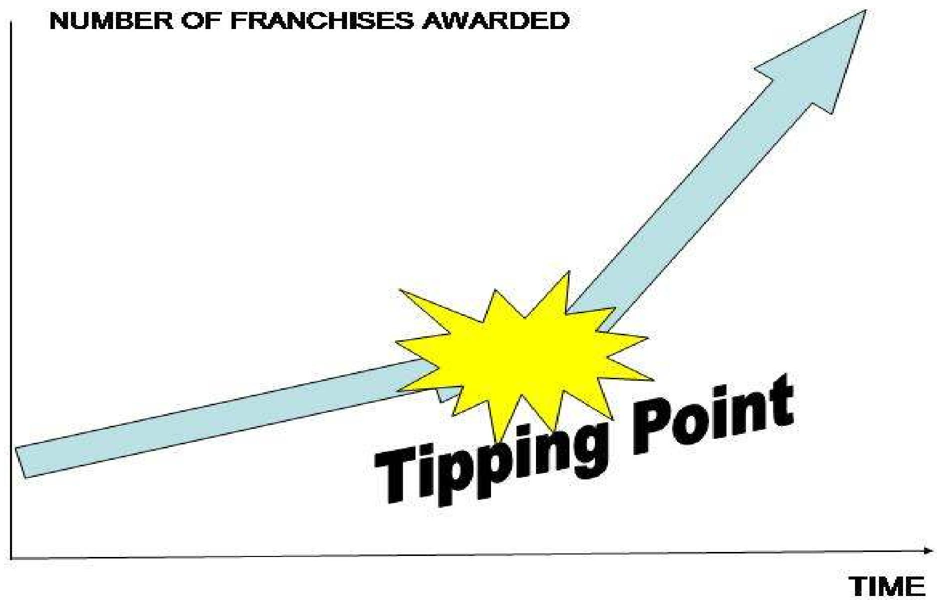

A Tale of a Tipping point

After graduating from the University of Connecticut in the spring of 1985, I read a story in the local newspaper about the CEO and founder of a 20-year old regional sandwich franchise with almost 400 locations who was promising to become a powerhouse brand with over five thousand stores across the U.S. in the next 9 years. Given that two weeks earlier I had received my freshly minted B.S. in Marketing from University of Connecticut, I thought they might benefit from my vast theoretical textbook marketing rhetoric. They bit; and offered me my first job as a franchise salesperson.

So it was that I started my franchise career with Subway in June of 1985. On my second day I received my first box of business cards, reading “Joseph E. Mathews, Franchise Development Manager.” Under that was the tagline “5,000 restaurants by 1994,” a mere 9 years away.

I remember thinking to myself, “It took us 20 years to get to 400; what makes Subway Co-Founder Fred Deluca think he will have 5000 units by 1994?” I remember thinking: as soon as Deluca wakes up from his daydream, I will need a new box of business cards.

Obviously, he proved me wrong. Deluca had brilliantly grasped the idea of a “tipping point” and the rest is franchising history. He knew Subway’s tipping point had come and he seized on the opportunity and drove the company to record expansion. Some of the contributing factors included:

1. Low entry cost, relatively easy operations, and scalability of the model. Deluca created a proven franchise which worked on many different levels; everyone from the owner/operator to the empire builder could participate.

2. Rise in immigration. Subway recruited aggressively within the Pakistani, Indian, and other Asian communities in the United States. Even those with limited English skills could still succeed as Subway franchisees. As Subway's story got out into these communities, their number of referrals grew.

3. Easy access to capital. Subway hit its tipping point before the Savings and Loan collapse of the late 1980's. Unlike today's tight credit market, local banks and savings and loans were aggressively lending money in those days. This made it easy for franchisees to get start-up and expansion capital.

4. Ascension of McDonald's. Years earlier, Ray Kroc helped McDonald's hit its own tipping point by branding a burger and proving what was possible for the food category. Investors then figured someone could also brand a piece of deli meat between two slices of bread. When I asked, "Why are you looking at Subway?" many people explained, "I can't afford McDonald's…Subway is the next best thing." For franchisees, Subway became "the poor man's McDonald's."

5. Perceived limited franchising options. This was before the Internet gave rise to franchise opportunity portals as we now know them. Researching franchise opportunities was difficult for most candidates and they often limited their investigation to the brands with which they were already familiar, perhaps via a first-hand consumer experience, or a news article generated by PR, a visit to a trade show, or a recommendation by a friend. Most candidates had a very narrow perception of how many franchise brands were out there and Subway quickly captured "front of mind" with potential franchisees..

6. Feet on the street. Deluca built a team of Area Developers (or "Development Agents" in Subway vernacular) in every major market in the U.S. Unlike other franchisors who sell the "green grass" and "blue sky

areas," Deluca awarded Area Developers to the early adopting franchisees that brought Subway franchise operations into virgin territory.

7. Ego appeal of food service. At that time I used to joke, "There are only 3 types of people. Those who want to write a book, those who want to go to law school, and those who want to own a restaurant." People intrinsically wanted what Subway offered.

Today is a new era of franchising. Many of the external factors Subway capitalized on are no longer in place for franchisors in today's market. For instance, *the same Subway team using the same strategies which worked so brilliantly with Subwa*y failed to grow a series of other brands such as Cajun Joe's, We Care Hair, and Bagelz. Although these were decent brands lead by proven teams, Subways' success formula proved to be a recipe for failure when applied to these other brands.

As market conditions change, so has the strategy to create a tipping point. And creating one has never been more difficult. The reasons are as follows:

First, there are more total franchisors than ever before fighting for the attention of approximately the same number of franchise candidates as before.

Second, social media and the internet have robbed franchisors of their ability to craft the franchise candidates' first impression about the franchise business. Often candidates will stumble on information posted by a franchisee, customer, supplier, citizen reporter, or journalist before they visit the franchise opportunity website.

Third, investment capital is hard to come by for many potential franchisees. Many have seen their net worth slashed by more than 50% through a combination of the recent free-fall in the stock market and the cratering of residential real estate values.

Fourth, candidates engage in more self-selection and personal investigation prior to being receptive to a personal contact from the franchisor's representative. Simply put, candidates demand more transparency and easier access to information from the franchisor. The franchise salesperson is no longer the gatekeeper of information or exclusive teller of the franchisor's story.

Last, candidates are starting the franchise investigation process with lower levels of trust than before, making establishing contact and creating meaningful dialogue more difficult for the franchise salesperson. The franchisor salesperson, once counted on to be the franchisor's appointed "trust agent of the brand," has been fired from that role by the franchise candidate. The franchisor's consumer and franchise opportunity websites, social media strategy, PR strategy, and broker network community now act together in concert as the franchise candidate's initial trust agents.

As you can see, creating a tipping point may be more difficult now than in past years, but it is still possible if you study the premise of "the tipping point" and identify the few key areas that drive all franchisee recruitment results.

Franchise Performance Group has been studying and creating franchise sales tipping points since 2002. In this paper we will identify and explain the **10 Keys to Creating a Tipping Point**. While these 10 keys apply equally to all franchise brands, each franchisor will need to craft its own tactics for each key. If you succeed in all 10 areas at the same time, *when* exactly your company will reach a tipping point is unpredictable, but I can tell you, based on my experience, **it will happen**. Conversely, if you fail in one or more of these keys, regardless of how many franchises you are selling now, your development program runs the risk of coming to a grinding halt.

FPG's 10 Keys to Creating a Tipping Point ©

1. Strong unit-level economics
2. Solid franchisee validation
3. Clear value proposition as a franchise opportunity
4. Clear profile of a successful franchisee
5. Intelligent franchisee recruitment process
6. Cost-effective lead generation strategy
7. Skilled franchisee recruiters
8. Candidate-friendly financing
9. Franchisee-centered, results-oriented corporate culture
10. Effective Leadership ensuring great execution of the first 9 keys

The purpose of this paper is not to flush out the winning formula for each key. We wish to leave the franchisors with a high level understanding of what each key is and where to focus their time, money, and talent to create breakthroughs.

Key # 1: Strong unit-level economics.

This single key is the greatest predictor of a franchisor's future success! All enduring franchise brands are built on a foundation of both the consistent successes of its existing franchisees and almost certain future financial successes of future franchisees. Bottom line: your business needs to be producing acceptable returns for the vast majority of franchisees *according to the franchisees' definition of "acceptable*." Also, these success stories need to be heard. Franchisors and franchisees need to aggressively share their stories.

Right now many thousands of potential franchisees are searching online for a way make a better life for themselves and their families. These candidates may not contact you until they first satisfy three basic questions that every candidate has:

- Does your business make money?
- Is the business sustainable? Will it continue to make money into the foreseeable future?
- Can I see myself in the business?

If through your online presence, franchise candidates can predict your model will satisfy these three concerns, you are much closer to your goal of filling your franchise sales pipeline with highly engaged and buyer-ready franchise candidates. Remember, these candidates often reach these conclusions through "guesstimation" **BEFORE** they talk to you.

If candidates can't quickly and almost effortlessly determine that your franchise model satisfies these three concerns, they'll quickly dismiss your opportunity before you have the chance to share the rest of your story. Most won't ever fill out a lead form or call and you'll never realize how close you might have been to your tipping point.

In the absence of credible information, human beings appear to be wired to make up a worst-case scenario to fill in their information gaps. For instance, what do parents think whose teenager is out past his curfew and who doesn't call home? Do they only believe, "He must merely be having fun and not paying attention to time," or do they also entertain the possibility of a horrific accident?

Implications

If franchise candidates can't research your opportunity online and find some evidence that your business model produces highly predictable long-term sustainable profits, they may automatically assume it doesn't. If they can't find evidence your franchisees are happy, then they may assume they aren't.

Right at this moment, somewhere in cyberspace, surfing the web are franchise candidates who could and should buy your franchise but perhaps they have either dismissed or glossed over your opportunity because they wrongly assume your business model won't work for them in the absence of information to the contrary.

Now we don't want to oversell the value of financial performance. While it's first and foremost on the list of what people are looking for, there is in fact more to the list. In his classic Harvard Business Review article entitled, *"One More Time: How do you motivate employees?"* Psychologist Frederick Herzberg found that while an adequate income is critical to the satisfaction of an employee, money is by no means the only factor in this equation.[3] On the one hand, Herzberg found money to be an "all or nothing" yardstick for bottom line satisfaction. In other words, if the money is not right (by the employees' definition of "right"), people will discount all the other drivers and motivators, such as "making a difference," "learning," "new challenges," "loving the work," "flexibility," "control," and "personal achievement."

On the flip side, however, money alone typically isn't enough to keep someone's attention for very long. While many franchise candidates are unemployed or under-employed, other candidates in the franchisor's pipelines are already making a good living. However, aside from earning a steady paycheck, many can't find a compelling reason to go to work in the morning. Money alone isn't enough to keep their heads in the game. As long as the other *quality of life and*

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[3] Herzberg, F. 1968, "One more time: how do you motivate employees?", *Harvard Business Review*, vol. 46, iss. 1, pp. 53–62

other drivers are available in your business model, many candidates will consider *taking a short-term step back in earnings to experience the long-term quality of life and financial benefits.*

Using a poker analogy, consider your financial returns as your ante to the franchise poker game. If you don't offer franchisees consistently strong returns, you don't have the ante and therefore you don't have a seat at the table.

Carrying this logic forward, Item 19 and Financial Performance Representations (FPR) are more important than ever. Make this information as public and as accessible as possible. On the PR materials, franchise opportunity website, and social media front (and under the scrutiny of your attorney), circulate stories highlighting your franchisees' financial success.

Keep in mind there is no universal measure for financial success. The financial results your opportunity predictably produces have to meet or exceed the expectations of your target franchisees. However, in the present economy many franchise candidates seem to have higher financial demands than in the past. Those heightened expectations include:

- Rapid break-even. Many current franchise candidates do not have as much financial staying power as they have had in the past. Because of their depleted net worth, reduced available liquid assets, and possible absence of other sources of income, they often have less tolerance for risk and red ink. Many of the higher growth franchisors in today's market are crossing the break-even point before month 6 and are in sustainable cash flow positions by month 12.

- Replacement income. Many franchise candidates are willing to tighten their belts for only so long. They want to get back to past levels of earnings as quickly as possible. (Keep in mind "the way it was" is relative to each franchise candidate.) I believe many franchise candidates need to see a clear line of sight to "the way it was" between 13-24 months.

- Equity. Simply put, many of the franchisors we study produce little appreciable equity value. Many franchisees or many systems are lucky to sell their business for the money they put into it. While cash flow seems to be higher on the candidate's radar screen than equity appreciation, we believe more content and information than ever before is going to be posted by small business and franchising experts on blogs, online publications, and other forms of social media waking the candidate up to an important criteria they may be glossing over today.

Action Items

Bite the bullet and create a FPR and introduce this information early in the recruitment process. Your target franchise candidates should find this information attractive, enticing them to take a deeper dive into your recruitment process.

What is the typical entry cost for a new franchisee? What is the typical resale price of your existing businesses? Which is higher? If resale values are not higher than a new franchisee's entry cost, you have a unit level economics problem. Address it.

How long does it take for a new franchisee to ramp up? If a new franchisee is not crossing the threshold of break-even in 6-12 months, you may have a unit-level economics problem. Deal with it.

How long does it take for typical franchisees to replace their past income and "get back to normal?" If franchisees manage the business full time and cannot return to their past levels of income within 18-24 months, you may have a unit-level economics problem. Take action.

Many franchisors look at their top franchisees and say, "See? My model works." Then in the next breath they dismiss the results of average and underperforming franchisees, saying, "If they only followed the system, they would be winning too." But that isn't how franchise candidates or financial institutions look at it. It's a simple fact that any franchise system of any scale has top performers who set the bar for everyone else. Put these performers in most franchise systems and they will replicate their success. On the flip side, each system gets infiltrated by some franchisees that have the uncanny ability to prove time and time again that there is no such thing as "idiot proof." So dismiss the results of the best and the worst, and focus on the middle. If your middle-of-the-road franchisee is not producing acceptable results according to your typical franchise candidate's definition of "acceptable," then your growth will halt. If the franchisee is achieving a desirable outcome, then you are well positioned to hit your tipping point as long as you pay attention to the other 9 keys!

Key # 2: Solid Franchisee Validation.

How happy are your franchisees? In an honest and lucid moment, would they encourage other candidates to invest in your franchise or tell them to run like the wind? If given the chance, would they make the same investment again themselves, or would they high-tail it in another direction?

And how do you know? Have you anonymously contacted franchisees to pose these questions, conducted a franchisee satisfaction survey, or are you relying upon a gut feeling?

FPG 80% Rule
If 80% or more of your franchisees do not indicate:

- they are either successful or expect to become successful according to how the franchisees measure success, and
- they would make the same decision again today,

your franchise sales results will suffer. Consistently positive franchisee validation fuels franchise development results. If franchisees paint a different picture than the franchisee recruiter paints during the process or dismisses the financial performance highlighted in the FDD, then the franchisor, not franchisees, will lose credibility. Trust plummets and strong candidates seem to enter what experienced franchise salespeople jokingly call “the franchise candidate witness protection program” and stop returning calls and emails.

Bottom Line
Consider that franchising is ultimately a two metric business:

1. Franchisee unit level economics, and
2. The quality of the franchisee/ franchisor relationship.

If you do not possess a community of happy and profitable franchisees, *regardless of how many franchisees you are currently selling*, *your business is already in decline.*

During a recent event I attended, best-selling author Jim Collins described how many companies he designated as moving from "Good to Great" eventually declined or failed. Collins argued that their seeds of destruction were sown when the companies maintained an outward appearance of winning. He observed a phenomenon wherein companies blinded themselves to all indicators of their potential problems because current business was positive. He labeled this phenomenon "the hubris of success."

In other words, companies often lull themselves into thinking everything is great and will frequently dismiss evidence of future problems.

That is why FPG recommends that franchisors make a concerted effort to break out of a "group think" mentality of the corporate office and seek out contrarian viewpoints.

Recently, FPG was hired by a high-flying franchisor to create a breakthrough in franchise sales results. At the beginning of the project, we mystery shopped their opportunity, evaluating them according to the 10 keys you are reading about. When it came to franchisee satisfaction, the optimistic CEO proudly proclaimed, "We have the happiest franchisees in franchising." When we conducted our research a majority of franchisees, although initially happy with their investment decision, were becoming increasingly dissatisfied with the corporate culture. Although franchisees posted strong financial returns, no franchisee we interviewed enthusiastically stated they would make the same decision again. Many said the franchisor appeared to have stopped communicating with them and was more concerned with franchise sales then franchisees' profitability.

The franchisor was shocked by our feedback. To the franchisor's credit, they took immediate and positive action, creating both an outreach program to existing franchisees and subsequently turned around what would have been an increasingly negative situation. These moves helped stave off an undercurrent of franchisee dissatisfaction which would have eventually strangled growth. As a result this franchisor continues to expand even in the current difficult market.

Regarding franchisee satisfaction, one of the biggest "Ah ha!" moments I had about franchisee validation stemmed from a conversation I had several years ago with Eric Stites of Franchise Business Review. I questioned him about the results of his "Top 50" franchisee satisfaction awards. In one particularly crowded residential service category, I noticed that a particular franchisor was rated higher than two other stellar franchisors I had worked with in the past. I said, “I have studied this category and these two companies have tremendous training, great financial returns, the highest sales in the category, skilled operational support teams, and visionary leadership. They are stronger money-making opportunities and better-run companies than the one you gave the highest marks to. How can this company be ranked number one?” And his response was brilliant. “Joe, satisfaction isn’t about what the franchisors do more or better.”

He went on to say satisfaction is about what franchisees expect to receive in the beginning and what they end up experiencing in the end. The top company promised little at first and ended up delivering more than they promised. The franchisees of the other companies entered the relationship with much higher expectations and thus demanded more. Stites added, “The two franchisors you mentioned have a harder time living up to their franchisees’ heightened expectations.”

And he’s right.

During a sermon at our church, our pastor cited a recent study on the satisfaction level of Olympic medal winners. He said the most satisfied of the Olympic medal winners (of course) were those who won the gold. Surprisingly however, the second most satisfied were the bronze medal winners and the least satisfied were the silver medalists. While the bronze medalists were happy just to be on the podium, the silver medalists were more disappointed because they expected to win gold.

Implications:

Inconsistent or poor franchisee validation kills momentum over time. Every franchisor has a blind spot, and destruction often lurks where franchisors aren’t looking.

If candidates research you online or by telephone and your franchisees are saying unfavorable things, you’ll obviously lose people. Anybody can post anything online these days and it only takes one bad post to chase away an otherwise buyer-ready franchise candidate. Poor franchisee feedback (spoken or written) adds kryptonite to your sales process.

Dissatisfaction is often not about what the franchisees do or don’t receive in the way of financial performance or services. Dissatisfaction stems from the gap between what your franchisees expect in the beginning and what they experience in the end. And these expectations are established DURING THE FRANCHISE SALES PROCESS.

Action Items
Know what your franchise candidates will hear and read before they do. Do you know what expectations your franchise salespeople are setting upfront? Are your franchise salespeople setting your franchisees up for future dissatisfaction and killing your future momentum by what they are saying or doing today? And how do you know? Do you routinely mystery shop your franchise sales people and process and compare your franchise candidates' expectations against what franchisees actually experience afterwards?

In addition, do you monitor your online reputation? Franchisees, suppliers, and customers can post anything on the internet in the social media age. Their blog posts, comments and social media mentions may create PERMANENT impressions. While their attitudes may change over time, their comments may live in cyberspace forever and continue circulating.

Are you driving your online reputation or letting it unfold favorably or unfavorably on its own? Do you know what information a candidate will find on the web before they talk to you? Do you already know what impression they will form before they do? Are you actively going to work to shape their impressions before they make themselves known? Do you use Franchise Business Review, FranSurvey or other franchisee satisfaction surveys? Do you routinely communicate with your franchisees and do they have a voice in your culture?

And are the middle-of-the-road franchisees making the money they expected? If you were a franchisee, would you be happy with the returns? Could you run your household, send your kids to college, and save for retirement on the money they are making? If "No," you have a unit level economics problem and you need to fix it now. There is no higher priority. If "yes," you are positioned to "tip." Add "strong financial returns" to your "value proposition," which we will discuss next.

Key # 3: Clear value proposition as a franchise opportunity.

Zig Ziglar once said, "People don't buy drills, they buy holes." Carrying his logic into franchising, franchisees don't really invest in franchise opportunities; they invest in the future they are designing for themselves and their families. They buy the next chapter of their lives. Whether you are selling multi-million dollar hotel investments or low entry cost home-based businesses, franchise candidates are investing in a perceived solution to a personal problem. Most franchise candidates invest in franchises for reasons WHICH HAVE NOTHING TO DO WITH BUSINESS. They only appear business-oriented to the mediocre or underperforming franchisee recruiter who is not skilled enough or doesn't care enough to ask the necessary probing questions to uncover what is really driving the franchise candidate.

If recruiters were to build enough trust with candidates so the latter begin to open up, and ask the candidates enough probing questions to uncover their motivations for buying a franchise, they will hear of a deep, profound, personal need which is driving the candidates' investment decisions. These predictable personal outcomes are the franchisor's value proposition to the franchise candidate.

SEMPO, a global non-profit organization serving the search engine marketing industry defines a "value proposition" as "the sum total of the benefits a customer receives from a product or service."[5] At FPG, we go even further and define it as 'the likely outcome candidates will experience if they decide to purchase a specific franchise." The value proposition is the "hole" and your franchise is the drill.

While many franchisors are skilled at communicating clear "value propositions" for their products and services to their customers, fewer seem to grasp how to craft their value propositions as franchise opportunities.

For instance, FPG client Shelly Sun, CEO of BrightStar Healthcare, said the following in a recent FPG webinar: "We know 85% of our franchisees had a poor experience with home health care and they tell us they are buying our franchise to make a difference." BrighStar's franchise development team clearly understands they are in the "make money by making a difference in the lives of others" business. Only BrightStar franchisees are in the healthcare business.

The typical BrightStar franchise candidates are not those who would ever consider buying a bar or liquor store regardless of the potential financial returns. Nor would they sell cigarettes. Right down to the core of their being, they want to

[5] http://www.sempo.org/learning_center/sem_glossary#v

be able to look back on their careers and say, “I provided for my family and made a difference in the community. My life mattered.”

Your value proposition should inspire your franchise candidates into action, calling them forward. The BrightStar development team beats their value proposition like a drum throughout their franchise opportunity website, email drip campaign, press releases, and their recruitment process. In the 24 months since FPG helped them craft and communicate their value proposition and design their franchisee recruitment process, BrightStar has more than doubled their franchisee recruitment results while at the same time raising their candidates’ required qualifications.

Implications

If you fail to effectively communicate your value proposition in a way that cuts through the information overload of today’s online world, you will struggle with lead generation, website conversion, and keeping candidates engaged in your process.

If your value proposition is consistent with the life your target franchise candidates desire for themselves and their families, you will find your candidates responding enthusiastically. They will request information, return calls and emails, move rapidly through the process, attend Discovery Days, and sign agreements with regularity.

Action Items

Rehashing tired clichés such as “buy happiness,” “take control of your life,” or “be your own boss” no longer works. Candidates will either tune you out altogether or hear something like the sounds which Peanuts character Charlie Brown hears when adults talk (“Wont-Wont-Whah!”). To get people to tune into your story, you have to be specific. You have to make it personal and inspirational. People have got to crave your opportunity within the fiber of their being.

Do you know what your franchise delivers in the way of financial rewards, quality of life, and life purpose? Is it defined on your website? Is it woven into your PR and social media content? Do you write about it weekly on your blog? Have you integrated it into your drip campaigns and do your salespeople know how to communicate your value proposition in a way which inspires action in the franchise candidates?

And how do you know? Have you mystery shopped your process to determine whether or not the story the candidate hears is consistent with the story you want to tell?

Key #4: Clear profile of a successful franchisee.

If you recruit franchisees who are good fits for your system, you will find they will perform at or above average levels, be easier to train, and will enjoy the business more, which drives positive franchisee validation and provides fertile ground for recruiting more like-minded candidates.

To find the right fit, franchisor first need to know who it is they are looking for. Often I talk to franchisors who say things such as, “I am looking for well-capitalized executives for multi-unit expansion.”

My follow up question is often, “**But are they looking for you?”** As a consultant specializing in franchisee recruitment and lead generation strategies, I am somewhat concerned about who a franchisor *aspires* to recruit. But given the nature and value proposition of their business, ***I am more concerned with whom they are going to recruit.***

Recently, on a flight from Cincinnati to Connecticut I had the pleasure of sitting next to Peter Block, legendary business consultant, management guru, and best-selling author of *Flawless Consulting.* He told me lead generation was easy. “It’s showing up where people who want what you have are already looking for you.” As a franchisor, are you consistently showing up where people who would be inspired by your value proposition are looking?

The approach many franchisors take towards lead generation reminds me of a funny story I heard about a 40-year old bachelor who was seeking his soulmate. The bachelor hired a matchmaker and described to her his ideal woman. “She has runway model looks, an Ivy League pedigree, and a C-level corporate position. She is a great cook, speaks three or more languages, plays a musical instrument, and runs marathons.” The matchmaker paused for a second, and replied, “First of all, it’s almost impossible to find a woman like this. But if I did, why would she ever consider dating someone like you?”

Be brutally honest with yourself. If you peel back the layers of your business and study the nature of the franchisees' work, what it takes for franchisees to win, the predictable outcomes franchisees produce, and the corporate culture of your company, you will most likely find your franchise will be attractive to some groups of people more than to others. Given these criteria, whom are you likely going to attract?

And given whom you will most likely attract, what do you need to do to make them successful?

Implications

Throwing a large net and generating many generic, nameless, faceless leads from all different sources isn't a very workable plan. Nor is setting impossible qualification standards for franchise recruiters to meet. Every lead you generate has a cost to you in both manpower and money. Every minute you spend working a candidate who is not fit from either the franchise candidate's or franchisor's perspective is time you are not working with candidates who can and should buy your franchise.

Lead generation needs to move from a numbers game to a prioritization game. If you have money, it's easy to spend it to generate mass quantities of leads. The unintended outcome of this way of thinking is that a franchise development team suffers a breakdown by spending too much time on the front end of the pipeline trying to find their needle in a haystack. It's easy to forget and important to remember that lead generation isn't a stand-alone silo. It's a part of the overall seamless, silo-less franchisee recruitment plan. For instance, if a franchisor wants to recruit 20-100 franchisees over a 12-month period, they should be advertising, promoting, communicating, designing franchise opportunity websites, and recruitment processes to encourage those 20-100 future franchisees who are inspired by the franchisor's value proposition to step forward and identify themselves. The total number of leads a franchisor generates is sexy, but largely an irrelevant statistic. These particular hundred are all that matters.

Usually, deciding who fits the franchisor's profile requires a hard, counter-intuitive look. For instance, FPG recently consulted with a 40-year old convenience store chain which was just starting out as a franchisor. They had had some early success recruiting a few well-capitalized and highly diversified business owners for their million-dollar investment. Given their commodity products (such as milk, cheese, and eggs) these early franchisees saw this investment as a "safe and secure harbor" which balanced out these business owners other, more volatile businesses.

In addition, because the franchisor is a new franchisor *and doesn't have it all figured out as a franchisor*, these business owners were enamored with the idea of working closely with the franchisor's executive management and being an active part of the leadership team. Often we believe the franchisor's value resides in their intellectual property and proven processes and systems. In this case the franchisor's value proposition included the idea of working with the franchisor *to prove, refine*, and in some cases *help invent* the franchisor's processes and systems. If the concept was as refined as McDonald's, these particular franchisees would not have joined the system.

When you know both whom you are looking for and who is looking for you, it is much easier to generate qualified leads who are a good fit for your system. Because these leads are also actively seeking you out, you simply have to tell your story and leave enough tracks in the community or in cyberspace (such as business and social networks) so these candidates know where to find you.

Action Items

Do you know how to establish a profile for your top-performing candidates? What about their personality types? Skill sets? Motivational drivers? Business experience? Psychographics? Do you know all the commonalities of your successful franchisees? Can you distinguish what separates top-performing and most-satisfied franchisees from everyone else? Have you run behavior and values profiles (DISC, Myers Briggs, etc) to measure what separates the top franchisees from the bottom? If so, have you incorporated these tools into your franchisee recruitment process?

Key # 5: Intelligent franchisee recruitment process.

I am a big fan of sales processes. However I am a bigger fan of buying processes. And when a company's franchise sales process is inconsistent with the franchise candidate's buying process, breakdowns occur. While many franchisors have done an excellent job over the last twenty years recruiting franchisees, many of the strategies and techniques we counted on in the past appear to be producing diminishing returns. FPG believes we are in the middle of a franchise-buying behavior transformation driven by two things:

- Easy access to information through the internet and social media
- Stock market collapse in 2008.

In this key we will briefly discuss the impact of these changes on buying behavior and discuss tactics and strategies for the new buying paradigm.

If we were to examine the typical franchise candidate's decision-making process for candidates who invest in a franchise, you will find four major linear steps: Entrepreneurial Aha!, Data Gathering, Engagement, and "Yes" Decision.

Keep in mind, the franchise buying process is often a highly complex and emotional journey with many unforeseen twists, turns, and bumps along the way. To keep it simple, we will focus on the four major linear stages franchise buyers navigate through along their path towards making their "Yes" decision.

Entrepreneurial AHA!
Before franchise candidates buy a franchise, enters the sales process or even fills out a request information form, the idea of becoming a franchisee must first show up on their radar screen. We call this "light bulb" moment an "Entrepreneurial AHA." Perhaps candidates wake up one day with the horrifying revelation, "My life stinks," "My ladder of success is leaning against the wrong wall," or "I need to be doing something different." It could be a seasoned entrepreneur who comes to the final conclusion, "I'm milking a dying cash cow. My best days are behind me. I need to look for a new growth vehicle." Other candidates become impressed by a particular concept through a unique and inspiring experience or encounter as a customer, through a news story or PR, or some other way. However they get there, the process starts when the decision makers awaken to the idea that they should explore the idea of owning a business.

Data Gathering
Second, candidates start gathering information about one or more of their perceived options. Often candidates who have had a particularly positive experience as a customer or tight relationship with a franchisee or employee may only investigate that one franchisor. Others will poke around franchise portals

and pull data on multiple franchisors. But at this time candidates want to be left alone to gather data at their own pace. During this stage, they won't return calls or respond to emails. They gestate like a caterpillar in cocoon, living off a steady diet of data and information. They won't come out of their cocoon or let franchisors come in until they are good and ready. Keep in mind they may leave contact information in order to receive more content to noodle over because the franchisor or portal may require it, but they aren't ready "to be sold." It's unclear how long franchise buyers gestate…some gestate for years, while others take only a few days. But for those who engage the franchisor, some profound experience, timely piece of information, or catalytic event leads them to throw their hat into the ring and say, "Now I'm ready. Talk to me."

Most candidates decide to engage or disengage with a particular franchise opportunity BEFORE they speak to the franchisee recruiter. In the new buying paradigm the candidate makes this determination almost exclusively based on content available to candidates about the franchisor on the franchisor's website or written by others and circulating in cyberspace. *The franchisor has lost the all important first conversation to the web.* No longer is the franchisor's representative the gatekeeper of the franchisor's story; the internet is.

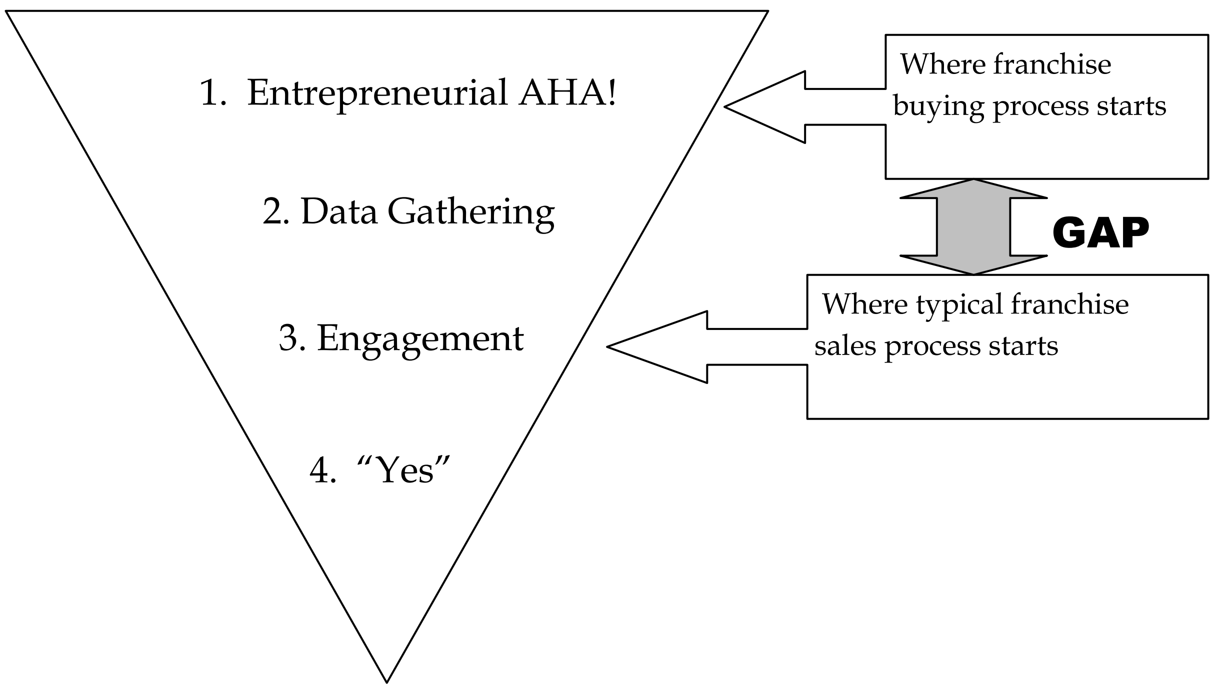
Engagement

Out of the untold masses who gather information, most withdraw from the decision-making process before they engage the franchisor. For those who do engage, they profoundly connect to something in their data gathering process in such a way they feel compelled to stand up and say, "I am now ready to talk to someone and determine whether or not this franchise is a fit." It's only in this stage where franchise candidates make themselves known and allow franchisors to enter their space. Keep in mind this doesn't mean they come pre-sold and ready to move forward. It does mean they are ready to stand up, be counted, and move the process forward and make a final determination as to whether or not the business fits what they are looking for. When candidates finally engage, typically they are 60-90 days away from making a "yes" decision.

Yes

Franchise candidates complete the process, recognize the fit, connect to the value proposition of the franchise opportunity, see commonality between themselves and the other franchisees, and believe the life they are designing for themselves and their family will occur as a franchisee. Therefore, they make a “go forward” decision, cut a check, and “John Hancock” your franchise agreements.

FPG Franchise Buyer Decision Funnel ©



Prior to the internet, portals and Google, franchisors had no way of knowing candidates until they were already in the Engagement stage. For those who were recruiting franchisees in the 80’s and early 90’s, leads would call in requesting a brochure and conversation. Since the proliferation of franchise portals and franchisor websites, franchisors are becoming more aware of franchise candidates earlier in the candidate’s data gathering process. However, few franchisors have materially altered their methods of recruiting franchisees to reflect these changes in technology and buying behavior.

Instead, the typical franchisor sifts through their lead pool, sorting out and killing off candidates who are in the early “Data Gathering” stage while looking for candidates who are already in “Engagement.”

While many franchisors have finely-tuned systems for moving candidates through the decision funnel from “Engagement” to “Yes” decision, far fewer franchisors have information campaigns on their website or elsewhere designed to move them from “Data Gathering” into “Engagement,” or to create “Entrepreneurial Aha’s.” This creates the “Gap” we highlight in the *FPG Franchise Buyer Decision Funnel ©.* Most franchisors, perhaps unwittingly, expect franchise candidates to bridge their own gap. Smart franchisors create website, email drip, and social media content designed to bridge the gap.

Implications

In 2002, when I left franchisor corporate America to start FPG with the hopes of uncovering and mastering the franchise sales winning formula, I saw that regardless of the system used, a typical franchisor could easily reach 85% of the people who requested information about the franchise by telephone. Today, franchisors are hard-pressed to reach 40% of their leads. Keep in mind that virtually 100% of franchise candidates have cell phones strapped to their bodies. In addition to text messaging, emails, smart phones, and other technologies, candidates should now be much easier to reach, not harder. That tells me most candidates want data from the franchisor, not interaction (not at first contact, anyway).

This means candidates are crafting their first impression from information gathered from the franchisor’s website and the internet (including sources the franchisor *does not control).* Without a forward thinking sales process designed for today’s tech savvy, conversation-resistant, information-starved candidate, some franchisors will lose quality franchise candidates to more astute, aware, and strategic franchisors with a better understanding of how candidates buy franchises, not necessarily to better opportunities.

Here are 3 material franchise-buying changes which have already occurred. Smart franchisors will re-invent their processes to reflect these changes and start inventing content and tools to address the needs of candidates in the gap.

The old franchise sales paradigm	The new franchise buying paradigm
The franchisor is the gatekeeper of information.	The internet is the gatekeeper of information.
The franchisor representative tells the candidate the franchisor's story by telephone or in person.	The franchise candidate creates a composite story from the franchisor's website plus whatever content the candidate locates about the franchisor online.
Process starts when the franchisor and the candidate schedule a call or plan a face-to-face meeting.	The process starts when the franchise candidate experiences an "Entrepreneurial AHA!" and jumps on the internet and starts reading.

When we first started designing franchisee recruitment processes for franchisors, the process consisted mostly of a series of telephone conversations and meetings designed to qualify, screen, and educate the candidate on the value proposition of the franchise and what it takes to win as a franchisee. The process would typically consist of the following steps.

1. Introductory interview and overview of the concept.
2. FDD review
3. Drill down: What tools, people, and resources are available to help franchisees drive results and manage the business?
4. Franchisee Validation and casting of financial projections
5. Discovery Day
6. Yes/No decision.

Today, in addition to the above, our new processes include:

- Multi-media franchise opportunity website to manage candidate's expectations as to what the business is and isn't and the call to action of scheduling an introductory call.

- Email campaigns designed to break down candidates' resistance to holding a telephone conference, share the value proposition of the franchise, communicate success, and tell the franchisor's story (often from the successful franchisees' perspective).

- "Making Your Move: Straight Talk About Starting a Franchise," an 11-part video tutorial series designed to keep candidates engaged and positive by helping candidates eliminate fear, avoid self-sabotage, and clear up misperceptions.

  To sample these videos, click the following link: http://video.franchiseperformancegroup.com

- \Use of blogs, social PR, and social media content to leave "bread crumbs" which eventually lead candidates to the franchise opportunity website. To assist us with this strategy, FPG recently engaged Thomas Scott, partner in the franchisor "Showhomes" and twice-nominated Pulitzer Prize journalist, to lead our social media strategy and assist with email campaigns.

Since 2002 we've seen some major breakthroughs in the technology available to franchisors to help them manage leads and candidate relationships. Powerful CRM systems starting with Emaximation, then Process Peak, and finally Captivate from FranConnect round out the best available choices.

Keep in mind these technologies are not the franchisor's story, nor are they the franchise sales process. They are a medium to help franchisors tell their story and manage their process. For instance, as author of *Street Smart Franchising* and *Meaning of Life Project,* we tell our story in both paperback and electronic book formats for the Kindle. The stories are the same, the formats are different. Emaximation, Process Peak, and Captivate are like the Kindle. And uploading a lousy story onto a Kindle doesn't make it a better story. The good news is both of our books are well written and make thoughtful gifts for all occasions. And if you order now, we will throw in a set of "forever sharp" culinary knives which will allow you to cut through a rusty pipe in one moment, and then slice an onion without shedding a tear.

As it relates to helping franchisors better tell their story, each of these CRM tools has the necessary features to allow franchisors the ability to build a bridge from "Data Gathering" to "Engagement." The bridge, however, doesn't build itself. The franchisors need to design the content and inject it into their process.

For example, Office Pride, a janitorial franchise dedicated to making money while operating from biblical principles, does a sterling job of offering bridge-building content designed to move candidates from "Entrepreneurial AHA!" into "Data Gathering" and "Engagement."

First, Office Pride and FPG worked together to design a new franchise opportunity website. Go to www.OfficePrideFranchise.com and see how Office Pride communicates their value proposition to their target franchise candidate, a lower-middle class, blue collar, or lower-level white collar, decidedly Christian employee looking for her/his first business. ***Office Pride is currently converting 5% or more of unique visitors to leads****, almost 400% more than other franchisors.* Because we repurposed much of the same artwork from their consumer site, we designed a new site *for well under $10,000*.

Second, the "Data Gathering" leads will immediately start receiving a campaign designed to educate, inform, entertain, and inspire them into action with the value proposition of the franchise business, which would include the Christian culture of the organization. In addition they will receive the 11-part franchise buyer video tutorial series *"Making Your Move"* which we mentioned before.

Todd Hopkins, CEO of Office Pride, has agreed to open up his process to any franchisor who wishes to study our strategy. We thank Todd for his generosity and his commitment to "Do the right thing" both inside and outside of Office Pride. To receive this campaign, visit www.OfficePrideFranchise.com and leave your contact information. Please fill out the form **using the first name "TEST"** so their recruiters do not waste time calling you.

Action Items

Do you have a franchise sales process which is consistent with how people buy franchises? Does your website help you engage candidates before they request information and do you have the technology to keep them engaged once they start? Do you generate content aimed at creating an "Entrepreneurial AHA!" and "Engagement" or do you wait for candidates to create their own "AHA!" and become fully engaged?

Have you mystery shopped your process to determine how well your story is told from your target franchise candidate's perspective?

Key #6: Cost effective lead generation strategy.

For many franchisors, the traditional advertising vehicles – portals, print advertising, PR, and broker networks– do not appear to be working as effectively as they were five years ago. We predicted the slow decline of these once-proven vehicles in our last white paper, *"Future of Lead Generation: 6 Big Changes Which Will Alter Franchising Forever,"* which is available to you as a free download at www.FranchisePerformanceGroup.com. Since we've already written a detailed paper on this topic, we won't rehash what we still believe to be highly relevant information. Instead, we will focus only on additional insights we've had since the paper was published.

For those who have read the paper, you may remember we took issue with franchise portals for not doing more to provide franchisors with better educated, more informed, and buyer-ready leads. Since then we've spoken to owners or representatives of most of the major franchise opportunity portals about our assertions. Almost unanimously these spokespeople said, "We are in the business of generating contact information. Franchisors need to be in the business of creating franchise buyers." Based on these comments, over the next several years, we can expect more of the same commitment to gathering contact information from franchise opportunity portals without any thought about where these people are in their decision-making process.

Referring back to the *FPG Franchise Buyer Decision Funnel* ©, franchise opportunity portals intersect most people when they are early in the *Entrepreneurial AHA!* Stage or transitioning into *Data Gathering*, when most candidates aren't ready to talk to the franchisor's representatives.

Many franchisors have either abdicated their responsibility or are unaware of their need to create online content which is intended to move leads into Engagement, where they are prepared to have at least one open, robust conversation with a recruitment representative. Hats off to the franchise broker community, which has structured a business model which bridges this gap, collecting $25,000 commission checks in the process. As former COO of one of the largest broker networks, I remain a huge fan of the broker channel and I believe they perform an invaluable service. But I also believe too many franchisors have created a dependency cycle on broker leads, driving the typical commission check up from $8000 in the year 2000 to well over $20,000 in 2010 (a more than 250% increase).

While broker networks remain an important part of the total franchise candidate lead generation mix, I would never recommend they be the only ingredient.

We don't believe franchisors are doing enough to help their own lead generation causes. Prior to 1990, before the internet had any impact on lead generation, half of all new franchisees would find learn about the franchisor through some previous connection to the brand. The new franchisee could have been a friend or family member of an existing franchisee, a satisfied customer, or an intrigued supplier. As franchise opportunity websites and broker networks gained influence, franchisors became more reliant upon this consistent and seemingly effortless influx of leads. In the process many franchisors have lost their ability to reach out and actively network for new franchisees. Why learn to fish if the fish are already jumping in the boat?

But the fish aren't jumping as often as they used to and smart franchisors are going to relearn how to fish. There is one large pool in which all potential franchise candidates swim: the internet. And intelligent, meaningful, relevant, and entertaining information is the bait.

Internet guru Scott Klosoky told Thomas Scott, CEO of Brand Journalists, that potential buyers are no longer passive recipients of data and information. They actively seek out "streams of information" about the people, companies, and topics they are interested in. Although experience would tell us the fish are always biting on information, it seems few franchisors have figured out how to bait their hooks.

Many franchisors are failing to give candidates what they really want, which is information they can trust. 2010 may mark the beginning of the end of hyper-slick franchisor websites or sugar-coated PR fluff pieces as we now know them.

Someone recently sent me a link to what he called a "cutting edge, next generation website." As the website loaded, a video of an actress popped up and she began introducing both the website and the franchise opportunity. It was painfully obvious she was reading copy from a teleprompter instead of speaking from the heart. Not only was this website not "the next generation," it was designed from an old, tired, failed franchise sales paradigm which believes candidates still want to be sold a franchise and will believe the franchisor's hype about itself.

Here is a marketing tip. Candidates don't want to visit websites and find some plastic, untalented, never-was "B movie" video talking head regurgitating mindless "Be your own boss" and "Take control of your life" catch-phrases with fake enthusiasm. They want information they can trust, written and spoken by people who are the real deal, not an affected performance by a washed-up tinsel town reject looking to make a few extra bucks between "straight to DVD" zombie movies.

Does anyone really believe any intelligent franchise candidates are going to be induced by some previously recorded video infomercial host to roll the dice with their family's financial future? How much more impact would the video introduction have had if the introduction was an unpaid endorsement from successful franchisees speaking from their hearts about how they transformed their lives by joining the franchise?

It's time for franchisors to acknowledge that candidates already know the difference between authenticity and slick (and worse...amateurish pretending to be slick) salesmanship. They desire straight feedback about who the franchisor's customers are and why they shop their business. They wish to learn how the business works and what it takes to win BEFORE they talk to a franchise sales representative.

With the proliferation of more sophisticated social media, PR, web and blogging tools available today, franchisors have a golden opportunity to tell their story to a captive pool of franchise candidates who are hungry for such information. During a recent Franchise Update conference on franchise sales, you could practically count on one hand how many franchisees *were successfully recruited through the franchisors' implementation of a social media strategy.*

In contrast, Showhomes, a rapidly growing, emerging growth franchisor specializing in decorating and staging vacant, upscale residential properties for quick resale, stands out as an exception. Showhomes attributes $300,000 in franchise fee revenue in 2009 to their social media outreach efforts. Thomas Scott, Showhomes partner and resident social media expert (and collaborator on this book), is quick to point out what he does differently than everyone else which appears to make the difference.

When explaining his approach, Scott, a former journalist and two-time Pulitzer Prize nominee, gave me a huge "AHA!"

Scott outlined three things Showhomes does differently than other franchisors. First, He explained the difference in writing styles between PR writers and journalists. "PR writers are often hired to promote and sell products and services. In contrast, journalists entertain, intrigue, grab attention, and inform readers by putting out engaging content. *I am not a PR writer. I am Showhomes' Brand Journalist*."

Aside from using a different writer's voice, Scott explained how his tactics are different. "When I was a journalist with the *New Orleans Time Picayune*, every day the newspaper carried hundreds of articles, all competing for the readers' attention. I wanted them to read my article. I couldn't 'sell them' on why they should read my article. Instead, I wrote a snappy headline which grabbed their attention and followed up with captivating content. Content is king."

Scott appears to relate to the internet as if it is one big newspaper with an almost infinite amount of articles fighting to grab his readers' attention. Scott already knows his target franchise candidate gravitates towards the "real estate section" of the internet. He releases a continuous stream of snappy, newsworthy, and engaging content, such as blogs, online publications, and other online resources, where those interested in residential real estate and home decorating typically troll for information. Unlike today's newspaper, which is read today and lines the bird cage tomorrow, internet content, when optimized for search engines, has permanent staying power. Scott likens his leaving steady streams of information with targeted internet venues to leaving a trail of bread crumbs which leads his target franchise candidate to the Showhomes franchise opportunity website. There he can tell his story, communicate his value proposition, and convert both first-time and returning visitors to fully engaged and buyer-ready leads.

Scott insists his strategy will successfully translate to other brands. "Candidates, who are already interested in the products, services, or ideas of your business will try to tune into your story. For instance, people who have had a bad experience with home health care are already tuned into content about a home health care business. People who work in the real estate or interior design industry are already interested in a home staging business like Showhomes.

People who are into working out are already interested in the fitness industry and so on."

Lastly, Scott isn't interested in the total number of leads Showhomes generates. Scott subscribes to the FPG lead generation philosophy of quality and fit over quantity. Scott says, "I want to recruit 25 franchisees in 2010. Therefore, I only need to find 25 franchise candidates who want what we have. All my social media content, advertising, franchise opportunity website, and email drip campaigns are designed to communicate our franchise opportunity value proposition to those 25 who are a good fit for our system. I don't care about anyone else."

Implications
Is Showhomes a trailblazer in the next frontier of lead generation or a "one hit wonder" like 80's pop band Dexy's Midnight Runners, the group responsible for the brain-stabbing abomination "Come on Eileen?" Is Showhomes' success an indicator of a new winning formula for lead generation which leverages internet content to intersect, inform, and engage new leads or to reinvigorate old leads? Are they creating a lead generation template allowing franchisors to bypass franchise opportunity portals and brokers and engage leads directly?

Action Items
Are you posting steady streams of captivating information intended to educate your target franchise candidate on the value proposition of your business? Do you have stand-alone franchise opportunity website designed to transition franchise candidates from "Entrepreneurial AHA!" and "Data Gathering" to "Engagement?" Are you actively networking and posting in online communities whose members can connect to your value proposition?

Key # 7: Skilled franchisee recruiters.

In the new economy, driven by the 2008 triple-whammy of the cratering stock market, free falling home values, and increasing unemployment, much of the American population are left financially and emotionally stretched. Many, through no fault of their own, saw 50% of their net worth wiped out by the same nameless and faceless investment bankers and fund managers they paid to protect them and their families.

And if you take the time to read or watch the common societal complaints reported by the mainstream media and dissect the underlying themes, you will hear story after story of about personal and corporate breakdowns in trust and integrity.

Whether it's baseball players using steroids, Tiger Woods cheating on his wife, politicians running up deficits, Wall Street tycoons compensating themselves with multi-million dollar bonuses after tanking the stock market, federal bailouts of investment banks and auto manufacturers, BP's hemorrhaging oil well and other disasters, average Americans have little tolerance and great animosity for those they don't trust.

And let's be honest: buyers don't often trust salespeople. In the present economy, the harder sellers sell, the less buyers will trust them and, as a result, the fewer products and services they will sell. Applying the same phenomenon to franchising, one can plainly see franchise candidates don't want to be "sold" a franchise. They simply want to find one that fits their needs and wants. And their radar screens are now finely tuned to identify those franchisors they feel they can and cannot trust with their depleted discretionary dollars.

The same traditional franchise sales methods which may have worked in the past might now create a breakdown in trust in the new "trust and relationship" economy. Before the stock market crash, I had been part of franchise sales symposiums wherein the following techniques were offered up to attendees by franchise sales leaders and presenters as best practices. And at the time, participants received this information positively, feverishly scratching notes and anxious to try out what they heard. See if your experience now is any different from their experience then. Those techniques included:

1. Tell your candidate you have other people interested in the same territory. Then quickly run an ad in the local newspaper to generate a lead so you aren't lying.

2. Tell the franchise candidate, "I have to present you to the franchise approval committee, but first I have to be sure that, if you are approved, you are ready to join." But don't tell them *you are the approval committee*.

In the past this may have lit a fire under the candidate's feet. Today, that same candidate might say, "Let the other guy have it," to test the franchise salesperson's credibility.

Franchisors need to learn how to work with franchise candidates differently than they did in the past. Smart franchise companies sense this change and are transitioning their people and processes away from the old "franchise sales" paradigm and into a new paradigm of doing business which we will call "franchisee recruitment."

FPG Paradigm Comparison: Recruitment vs. Sales©

Recruitment Paradigm	Sales Paradigm
Franchisor selects only those candidates who both match the franchisors' profile of successful franchisees and whose objectives can be met with a high degree of probability using the franchisors' business model as the vehicle.	Franchisor sells franchises to all candidates who demonstrate a willingness and financial ability to purchase one.
Franchisor focuses on whether or not candidates are a match for both the business and corporate culture.	Franchisor focuses on whether or not the candidates will buy the franchise.
Franchisor focuses on recruiting *quality* franchisees.	Franchisor focuses on recruiting a *quantity* of franchisees.
Franchisor seeks to eliminate potential failures by either denying marginal candidates or having a plan to mitigate both candidates' and franchisor's risk.	Franchisor seeks to maximize growth by accepting marginal candidates and turning a blind eye to additional risk.
Franchisor educates the franchise candidate on what the business is and isn't and properly manages expectations.	Franchisors seek to accentuate the positives of the business while downplaying the negatives.

American Heritage Dictionary defines "paradigm" as "a set of assumptions" and "a way of viewing reality." Keep in mind a paradigm only appears as "reality" to those stuck in the paradigm. Until recognized, the paradigm occurs as "the way it is" or "the truth" to those entrapped within it.

For instance a franchise sales veteran once asked me, "What is your sales style?"

I responded with, “I don’t have a sales style. I first probe to understand who the candidates are and what they are looking to achieve. Then I help them to determine the likelihood they can achieve their goals a result of being a franchisee. The more likely they see their goals being achieved, the more likely they will buy. I don’t have to sell.”

This person looked at me quizzically and then dismissed my answer by saying, “My ‘B.S. Meter’ is redlining!” This person just wasn’t ready to acknowledge there are other successful ways of recruiting franchisees besides using hard-sell techniques.

FPG believes franchisors that mindlessly cling to outdated sales paradigms and techniques are going to be surpassed by those who adapt their processes and behaviors to reflect the new needs and demands of the franchise candidate in the current “trust and relationship” economy.

In the new economy franchise representatives must step up and be more than simply salespeople. They need to be seen by the candidate as “trust agents,” representing and balancing BOTH the franchisor’s and franchise candidate’s best interests.

How important is building a trusting relationship with the candidate in this new economy? FPG was recently called in to evaluate an underperforming franchisee recruitment team of a nationally known brand. The CEO saw a steep decline in franchise sales results over the last few years. I asked the CEO, “Which members of your recruitment team would you trust with your own money? Of which would you say, ‘I blindly trust everything they say simply because they said it’?” He paused and said, “None. I don’t trust their feedback. I never feel like I’m getting the whole story.” And apparently neither do franchise candidates, because the franchisor isn’t selling many franchises these days.

FPG is often retained by franchisors to mystery shop their franchise salespeople and evaluate the effectiveness of their recruiters and franchisee recruitment process. Few of the salespeople we have evaluated possess the skills to effectively interview a candidate, leaving our mystery shoppers with a consistent experience of not being heard or understood, which leads to a breakdown in trust. Each franchise salesperson started with the wrong focus, zeroing in on the features and benefits of the franchise opportunity rather than the needs, wants, experience, and desires of the candidate. None of the recruiters asked the mystery shoppers any questions other than those which served the franchise salesperson's agenda. No one asked, "What is your liquidity, net worth, and time frame to start a business?"

Instead, again and again we heard, "This is a great franchise opportunity for you," seemingly without any recognition that not everyone is right for every business. This "everyone is right for our business" posture leads to a breakdown in trust, diminishing the effectiveness of the recruiter. While all of the recruiters presented themselves as credible sources of knowledge about their respective opportunities, not one of them left the mystery shopper with the experience, "The recruiter is watching out for my family's best interests."

Why are we harping on this? If you are a recruiter, think about the last person you successfully recruited for your brand. Did you experience yourself as a salesperson? Or did the relationship transform into more of a trusted advisor/facilitator type of relationship? Ask yourself, "If the relationship ends with a bond of trust, what must I do to begin the first conversation to create this bond?"

Implications
Trust is a crucial part of franchise sales. Franchise salespeople need to be skilled in establishing themselves as trusted agents of the franchisor *early in the first conversation* with the franchise candidates. Trust is earned, and shouldn't be assumed.

Action Items
Start creating "trust-building" content for your website, PR, and social media, such as testimonials, awards, data, and expert opinions. Retrain all your franchise salespeople, equipping them with the necessary skills it takes to win in this new economy. Don't assume they have what it takes now because they had what it took in the past. The game has changed. Are they changing with the game? Listen in on their conversations with candidates until you hear they can create a trusting relationship, time and time again, early in the first conversation. Are the franchise salespeople "facilitating an investigation process" or "selling a deal?" Is their process "franchise candidate-centered" or "franchise opportunity-centered?" Are they helping the candidates connect the dots between who the candidates are and what they want to accomplish and what the business offers, or are they just generically pushing the features and benefits of the business? Are they crafting a solution to the candidates' problems using the franchise opportunity as the vehicle, or are they simply schlepping a franchise?

Mystery shop your franchise salespeople and area developers in order to understand from the buyer's perspective what it is like going through your process, and talk to your people. Don't assume you already know how they conduct themselves, or that your intentions and instructions are being carried out as desired.

Key # 8: Candidate-friendly financing.

Franchise candidates need easy access to capital. Many candidates who were "slam dunks" to get financing in the past are now receiving rejection letters and are faced with the prospect of trying to finance franchise opportunities through internal funds or with help from friends and family. During last year's Franchise-Update conference in Chicago, Darrell Johnson, CEO of Frandata and former "blue suit and power tie wearing" member of the banking community, predicted lenders are going to be as concerned with the potential match between the candidate's skills, background, and experience to successfully run the franchise venture as they are with the candidate's ability to repay the loan. Those franchisors who don't adopt the recruitment philosophy as described on the previous key may find their default rates higher than their peer group. Those chains with higher loan defaults than their competitors may wake up one morning and find their franchise candidates and existing franchisees completely cut off from raising start-up or expansion capital.

Implications

Financing is harder to attain than in the past. As a result, franchisors may have to go to far greater lengths than before to help franchisees obtain capital. This means using banking underwriters such as FranData, crafting an Item 19, possibly considering a mix of different conventional (such as SBA) and unconventional (such as self-directed IRA's) financing strategies. Bankers appear to equate how the candidates' background, skills, experience, and resources will be deployed in the business with their ability to repay loans.

For instance, a few months ago, I received a call from a good friend and highly skilled franchisee recruiter who is employed by a home healthcare franchisor. He told me, "Joe, you will never guess what happened. A lending officer just interviewed my candidate to qualify him for our business…Not to qualify him for a loan, but as a *franchisee for our business*! She was doing my job!" The madness has started.

Action Items:
Get involved. Get a bank report and join franchise registries. *Reread Key #7*. If you aren't operating from a recruitment philosophy now, you run the risk of getting cut off from funding later. Keep in mind, BANKS HAVE ALREADY ADOPTED THE FRANCHISEE RECRUITMENT PHILOSOPHY!

Consider using PR and social media to create more perceived success of your brand…Know that bankers use Google.

Communicate some financing options on your franchise opportunity website – just because you know what financing options are out there doesn't mean your candidate will know them too.

Give some thought to what type of 'package' your candidates would need if they had to visit a community bank – would they need a business plan, a pro forma, an overview sheet? Do the heavy lifting for them by having the parts of the package you can legally provide already done.

Have your franchise offering reviewed by Frandata or another underwriter to clarify and satisfy the needs and concerns of bankers and finance companies.

Key #9: Franchisee-centered, results-oriented corporate culture.

Franchisee validation is driven by three factors. The first is unit-level economics (see Key #1). Are franchisees' financial returns meeting their expectations? The second factor is the quality of the franchisors' training, support, and performance management systems. Would franchisees say the value of the tools and support they receive is greater than or equal to the royalty dollars invested? The third factor is the quality of the franchisor-franchisee interpersonal relationships. Do franchisees, employees, and leadership of the franchisor trust each other and work towards crafting mutually profitable campaigns, offers, and solutions? Do franchisees feel they are heard and understood? Does information routinely flow up and down the organization or just funnel down from on high? Would franchisees say they are informed about issues important to them? Would they say they feel like an integral part of a team or more like the low man on the totem pole?

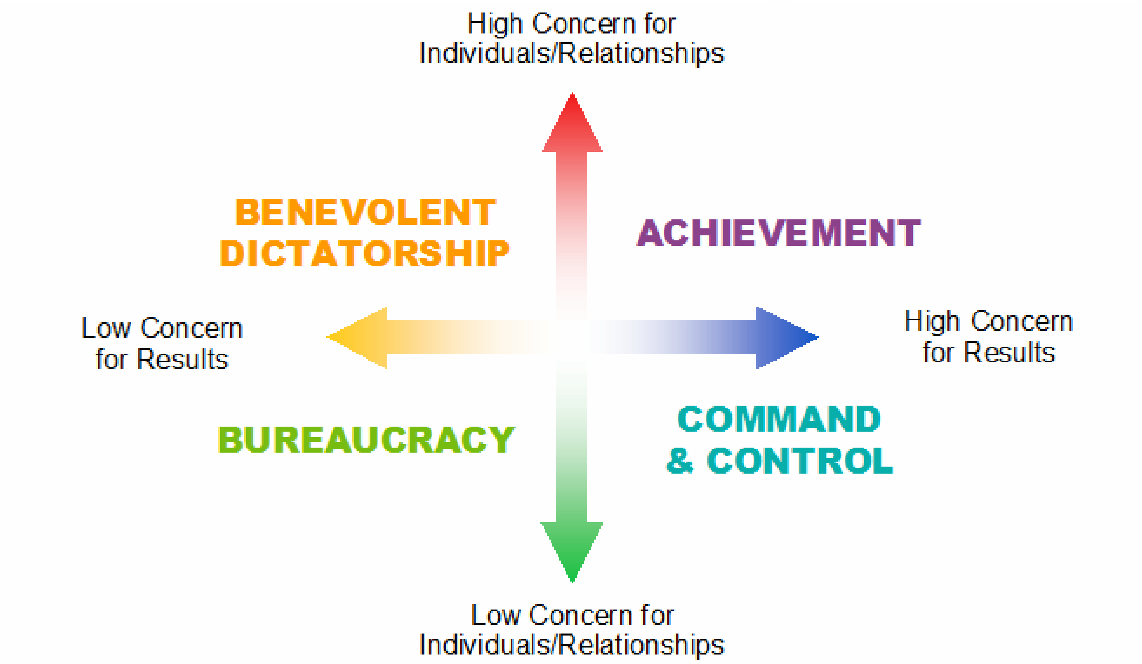
The way franchisees would answer these questions speaks volumes about the culture of the franchise organization. And strong financial returns are not a substitute for strong franchisee-franchisor relationships. Enduring franchise brands offer franchisees both.

Franchisors with a strong, inclusive, collaborative, franchisee-friendly corporate culture will attract more sophisticated and talented franchise candidates than more heavy-handed franchisors who resort to threats, punishment, and coercive command-and-control techniques to try to keep franchisees in line.

Dr. Jay Hall, Ph.D. spent a lifetime studying the impact of corporate culture on individual performance. Dr. Hall has identified four prevailing corporate cultures, which FPG has licensed and modified to reflect what occurs in franchising. Each culture is marked by two distinguishing characteristics: the franchisor's level of concern for franchisees' results, and relationships.

Keep in mind at any time any company can exhibit traits from any one of these cultures. However, over the long haul, franchise organizations tend to exhibit a dominant pattern of beliefs and behaviors.

We will look at these cultures in a progression starting with the least effective and moving towards the most effective.



The Bureaucracy

Bureaucracies are highly legalistic, highly layered companies where the lower you go in an organization, the less decision-making responsibility and authority an employee of the franchisor has. The organization seemingly exists to maintain the status quo, avoid accepting personal responsibility, and elude being held accountable for producing results. When a franchisee is faced with a unique challenge or makes a special request, the knee-jerk reaction throughout the layers of management is “No,” coupled with “We don’t do it that way,” regardless of whether or not what the organization is currently doing actually works or remains in the franchisees’ or customers’ best interests. Change is met with stiff resistance and individual initiative is frowned upon by management. Employees and franchisees are expected to follow the rules, do what is expected, and resist original thinking. Policies and procedures are set to control employees to ensure compliance, not to drive results.

Impact on Employees and Franchisees

Ponder the type of corporate employees and leadership which would survive in this franchise culture in the long term. Those franchisor employees who are dedicated, results-oriented, efficient, entrepreneurial, visionary, big-picture thinkers, or out to make their mark in the world would be ostracized, and then quit or be fired. Only those who simply want to earn a steady paycheck while hiding out and avoiding personal responsibility would want to stick around for the long haul in this environment. Think about the type of person whose goal in life is to secure a good job with the Post Office or Motor Vehicle Department. Are you picturing a real "go-getter and risk taker?" I mean no disrespect to those with loved ones working in either bureaucracy. I am merely saying they work there for reasons other than, "I want to make my mark on the world."

Because bureaucracies value sameness and security over performance and efficiency, they remain a breeding ground for underperformance.

Now think about the quality of the interactions between the bureaucratic franchisor support staff and the franchisees under their charge. Would these conversations and communications pertain more to tactics and strategies about how to drive franchisees' sales and results, or would the conversations tend more toward what franchisees must do to continually stay in compliance?

Recently, a somewhat bureaucratic retail chain forced its franchisees to adopt a management information system at a cost of tens of thousands of dollars per location to its franchisees. Franchisees who beta-tested the system reported that the system had bugs, routinely lost data, and was not ready for a national roll-out. Those in charge ignored the franchisees' warnings and forced franchisees at threat of default to adopt the new system. It was more important to the franchisor that all franchisees operate from one flawed standard system than several working systems. One year later, their newly adopted system still corrupts data and transaction information, making many reporting functions meaningless. Franchisees are livid over this, but powerless to do anything about it within the present bureaucratic structure of the company.

Impact on Results
Franchising was invented to make businesses more decentralized, flexible, and nimble by completely empowering those closest to the customer. As you can see, bureaucracies are designed to create the opposite effect. Therefore, bureaucratic franchisors have little staying power in today's competitive commercial marketplace because they kill off what we all know works. This is why most surviving bureaucracies exist in the public sector where people have no other alternatives with regard to corporate cultures.

I recently dragged myself down to the Motor Vehicle Department to get my driver's license renewed. While being cattle-herded towards the middle of the DMV's patented customer discouragement and infuriation center known as the "customer waiting area," I noticed small signs carefully placed next to each customer service window reading, “Profanity and abusive language towards employees will not be tolerated.” I burst out laughing, thinking to myself, “Doesn’t anyone in the DMV ask, ‘What is it about the way we do business that makes our customers routinely react by being profane and abusive?’” But keep in mind bureaucracies are not designed to ask such questions. If the DMV wanted to be completely honest, the little signs would read, “We make you be here and we aren’t changing anytime soon. So deal with it and have a nice day. Or don’t. What do we care?”

Benevolent Dictatorship

Benevolent Dictatorships are typically informal, folksy, low-stress companies where much attention is paid to making people feel good. “Feeling good,” “being appreciated,” and “loyalty to leadership” are more important than bottom-line results. This culture is commonly found in small, privately-held franchisors where the founder or owner places friends and family in key management positions, not because they are the most qualified people for their jobs, but because they can be trusted to do the owner’s bidding without pushback. Unless an employee possesses the right last name, marries into the family, or plays poker or golf with the owner, often there is little room for advancement. The owner isn’t really out to build a powerhouse brand, but a little fiefdom where employees, friends, and franchisees are taken care of. If you were a franchise candidate attending a Discovery Day, at first glance this culture seems informal, unassuming, and perhaps attractive to a new entrepreneur. But the dysfunctional, undistinguished underlying belief of leadership which perpetuates the existing culture is, “Employees and franchisees aren’t capable of producing exceptional results on their own. They need to be taken care of,” as opposed to “Franchisees and employees are highly capable individuals who need the tools, resources, and freedom to win.”

This attitude creates a top-down, paternalistic culture. While interpersonal relationships are held up as important to the organization, these relationships are skewed as they aren’t marked by the typical characteristics of an adult relationship. These relationships more resemble the parent-dependent child relationship than a fruitful employer/ employee relationship.

Impact on Employees and Franchisees

Because the Founder or CEO has so little faith in the capabilities of managers, staff, and franchisees, power, money, and authority is concentrated at the top. The Founder or CEO is the puppet master, pulling the strings and making employees and franchisees dance to a tune only he or she hears. As long as employees of the franchisor keep dancing and don't ask a lot of questions like, "Why are we dancing? What is the song we are dancing to? What other dances could we be doing?" or Heaven forbid, "Can we pick our own song and dance moves?" they will survive.

As in bureaucracies, information mostly flows downhill, instead of up and down the organization. The CEO or Founder makes decisions from the ivory tower and leaves middle management the role of town squire to announce decisions to the franchisee citizens of the fiefdom.

Think of what happens to talented and upwardly mobile employees or talented franchisees of this kind of organization. The Founder or CEO calls 100% of the shots. Those who want to see their own ideas implemented, wish to collaborate in the decision-making process, or are unwilling to consistently do the bidding of the Benevolent Dictator Founder or CEO will not remain. They will find a culture which values performance and initiative. Think again of the type of leader or employee who would survive in such an environment…and those who survive often stay forever. Where else other than the Department of Motor Vehicles can they find such a secure job where superiors have such low expectations of personal performance and results?

Now watch the vicious circle which forms. You start to see that group behavior is always designed to rewared the existing group behavior. Carrying his observations forward, **"Your existing corporate culture is always designed to survive intact."**

Impact on Results

Now think about the quality of training and ongoing support these surviving low-skilled officers and employees can offer franchisees. Will it be enough for results and action-oriented franchisees to win or will they find it necessary to go outside the organization for tools and support? If these franchisees complain about either the quality of support or not being invited to participate in decisions impacting them, their comments aren't often heard in a commercial context. The franchisor will often respond with, "Don't these unappreciative franchisees know how hard we work? Don't they realize we are just trying to help them?" In such a scenario intentions and appreciation are more important than performance and results.

A "Benevolent Dictator," CEO of a national franchisor, does not give officers and department heads annual operating budgets. He makes the decisions on how his money is spent on a case-by-case basis. While he executes his own financial plan, he seldom shares what that is with others, keeping department heads guessing. In addition he regularly moves employees around to different departments without consulting with department heads or the individuals being redeployed about what they want and need. The CEO believes he knows best and his employees and franchisees will understand over time.

Command and Control

If I had to pick the most common corporate culture to franchising, it would be "Command and Control." Command and Control companies have strong central authorities where most decisions are made. While power and authority may be more diffused than in the "Benevolent Dictatorship" culture, it's still consolidated at the top. While data routinely flows up from franchisees to the corporate office, decisions are more often than not handed down. While franchisors may have advisory committees consisting of franchisees, these committees aren't decision-making bodies. They exist to advise the decision-makers who are free to accept all, some, or none of the advice. In addition, franchisor leadership isn't always transparent with information, disclosing only what they deem franchisees "need to know." While the franchisor leadership may verbalize such things as "franchisees are partners and stakeholders in the company," their attitudes and actions would tell a different story.

From the get-go, it seems franchisors design themselves to be this way. For instance, almost every FDD and Franchise Agreement ever written perpetuates this culture. If you were to read your FDD right now, most likely you will see paragraph after paragraph about what franchisees must or must not do along with corresponding punishments should franchisees fail to act accordingly. If you were to then read the franchisor's obligations, more than likely, you will come across language such as, "Although not required, the franchisor may from time to time at its own discretion choose to…"

Then read what most franchise thought-leaders write. A while ago, I posted on *Linked In* the notion that in all practical terms the brand is community property, and smart franchisors will enroll all stakeholders in building the brand, including franchisees, employees of franchisees, employees of the franchisor, customers of the franchisees and vendors. This idea was mauled by other posters, insisting it's legally the franchisor's brand and it's rented or licensed to franchisees, missing my point entirely. Let me be clearer here than I was on Linked In. From a legal standpoint, it's clearly the franchisor's brand. From a legal standpoint, it's the responsibility of the franchisor to protect the brand. From a marketing standpoint, successful brands successfully embed themselves into communities. Look at Apple, Harley-Davidson, and White Castle Hamburgers. These brands have a cult-like following and lives of their own. These companies offer their brands up to their respective communities to build relationships on their own terms. In response, customers and stakeholders make it their responsibility to ensure the brand thrives.

I recently did some work with Snap-On Tools. Professional mechanics prefer Snap-On Tools over their competitor's tools to an amazing degree. If you were a mechanic and someone asked you, "Who makes the best hand tool?" you would most likely say, "There's Snap-On and there's everyone else." To demonstrate the cult-like following of the brand, Michael Doweidt, Snap-On's Director of Franchising, showed me photos of men walking around Nascar races with Snap-On tattoos on their shoulders, backs, and forearms.

If this was a franchisee sporting the same tattoo in some "Command and Control" systems, at least one franchisor would declare this an unauthorized use of their logo and force the franchisee to make an appointment with a dermatologist to have it removed. While personally I am not a big fan of tattoos and recently told my 17-year old daughter, "Only over my cold, dead, maggot-infested body will you ever have a tattoo," I applaud their brand excitement and loyalty.

The bottom line is you can't command or control such brand excitement or loyalty. Nor should you want to. It unfolds and takes a life of its own. It's like the old cliché, "If you love something, let it go." Command and Control executives say, "If you love something, keep it under lock and key and limit access to those with security clearance."

Impact on Employees and Franchisees

Command and Control cultures are formed from several limiting and somewhat dysfunctional beliefs about the nature of people. Let's fast forward a bit and compare these beliefs against those leaders who operate from the "Achievement" culture mindset which we will discuss next.

Command and Control Cultural Beliefs	Achievement Cultural Beliefs
Left to their own resources, people slack off. You need to stay on top of them if you want them to get the job done right.	Most franchisees and franchisor employees want to perform well and do the right thing. If they know what is expected of them and we provide the necessary resources, and eliminate red tape and bottlenecks, they will typically deliver what we need by the time we need it.
People's individual goals are less important than organizational goals. If you work here, leave your personal goals at the door.	High achievers want to achieve. It's my job as a leader to encourage and celebrate individual achievement and align an individual's personal goals with organizational goals. It's naïve to assume goal-oriented people are going to leave their goals at the door.
We franchise because we want to build our company using other people's money. Franchising is a necessary evil if you want to grow quickly and have limited access to other capital.	We franchise because our best chance of enduring success is to entrust our brand and trade secrets to skilled entrepreneurs who will typically execute better than those we would employ.
If you want franchisees or employees to perform, you must reward the behavior you want and punish the behavior you don't want.	While I can always dangle a carrot or use a stick to make a horse run, I choose a better way. I breed thoroughbreds and then just open the pen and let them out. They will run because that is what thoroughbreds were born to do. It's their nature.
Mistakes are unacceptable and avoidable. You must create processes and systems to minimize and eliminate	Mistakes are normal and natural. If people aren't making mistakes, they aren't trying hard enough. People

mistakes.	learn as much or more from mistakes as they do from success. Demonizing mistakes destroys initiative. I want employees and franchisees to try hard, win big, and make some mistakes along the way. I just don't want them to repeat the same mistakes twice.
This is our brand and we license it to the franchisees. We control the brand and they use it with our permission and approval.	Our brand belongs to the community and must have meaningful value to all stakeholders, such as customers, franchisees, employees of the franchisees, employees of the franchisor, and vendors. It's OUR brand and we all need to accept responsibility to add value to it in order to win.

If you are a highly skilled, motivated, upwardly mobile franchise professional, in which of these two cultures would you rather work?

If you were someone looking to invest in a franchise, which culture would be more attractive?

Impact on Results
The core values of a Command and Control culture are results, power, and control. Now here is the rub. I've recruited franchisees for more than 20 years. When asked, "Why do you want to start a business?" almost every franchise candidate says, "I want more power and control." So you can clearly see why in this culture, franchisee-franchisor conflict is inevitable. That's why companies with this dominant culture are so often sued by disgruntled franchisees, or routinely have franchisees banding together to create alliances to beef up their numbers to take a stand against the company. They end up fighting each other for control rather than the competition for market share.

I once had a conversation with a Command and Control CEO of a service franchisor. We were discussing the needs and goals of the organization. He told me that he had the goal of building up a $500,000 legal fund to protect the company from any future lawsuits from franchisees. I found the goal bizarre. Several years later the same CEO was dragged into a class action lawsuit by a group of disgruntled franchisees. He told me at that time he had already spent that much and more in legal fees and then the case dragged on for an additional year. Think of how much time, money, and attention was diverted from growing both the franchisees and franchisor's business. Think about what would have been possible for both organizations had they been able to quickly settle and move on.

Recently a Command and Control board member of a food concept walked into a new franchisee's recently opened place of business unannounced. It was a peak time and the new franchisee struggled to handle the customer volume. The board member became angry and started barking out commands to the franchisee's employees, ordering them around. When the franchisee objected to what she believed to be inappropriate behavior she was told, "We are the parent company and franchisees are like children. They have to do what we say." After telling me this story, she said, "I already have parents and don't need more. I wish someone told me I was going to be their child before they took my money." How motivated was the franchisee after the encounter? What is the predictable impact of this encounter on her results?

Achievement

The Achievement culture creates the most fertile ground for cultivating outstanding long-term results by providing an inviting work environment which attracts and retains highly skilled and self-directed franchise candidates, executives, and employees.

Leaders see their jobs as facilitators. They routinely interact with the top-producing employees and franchisee thought-leaders making sure they have what they need to win. They identify and eliminate potential bottlenecks or barriers to forward momentum. They are not egocentric. They give the necessary power, authority, and resources to those responsible for creating results. They are transparent with information. They are clear about the individual needs of employees and franchisees and work to align their individual goals with business objectives so everyone wins.

FPG offers *Developing Peak-Performing Franchisees©*, an ICFE-certified training and coaching program for operations professionals dedicated to helping franchisors and franchisees win together. During these training events, we often ask franchisors, “How do you know when your franchisees are winning?” We often hear answers involving measuring operational key performance criteria, sales in particular. But when I ask them, “How do your franchisees measure success?” I often get a moment of silence. When I push more and ask, “Do you know what your franchisees were looking to accomplish for themselves and their families when they invested in your franchise?” More often than not, I hear “No.” It’s my experience the typical franchisor doesn’t know whether or not its franchisees are winning according to the franchisees’ definition of winning.

Pita Pit, a 200-unit franchisor with operations in both the US and Canada is different. Using *Developing Peak Performing Franchisees©* training and support methodology, Pita Pit’s support teams seek to understand who their franchisees are as individuals and what drives them. Stephanie Powers, Director of Franchisee Support, works with her team to show franchisees that by implementing their recommendations they can move closer to achieving their stated goals and objectives. The Pita Pit Support Team is trained in how to identify franchisees’ communication styles and feed them information consistent with how these franchisees absorb and process information, minimizing communication breakdowns. Their Support Team is trained in adult learning principles, performing coaching techniques, and consulting best practices. As a result of the outstanding training, consulting, and coaching given by the Pita Pit Support Team, franchisees are holding their own in a highly competitive QSR segment. In addition the franchise sales department is awarding more franchises.

Impact on Employees and Franchisees
Achievement cultures attract and retain top franchisor executives and employees and franchisee talent. Leaders, employees, and franchisees thrive personally and professionally within the teamwork-driven, results-oriented culture, unlocking the best of who they are and actualizing the most of what they can achieve. The franchisor and franchisees experience being valued and respected. Employees of the franchisor are rewarded consistent with their performance and promoted based on merit. Instead of consolidating power and authority at the top, the franchisor’s leadership manage “bottom up” companies, dedicating time, money, and energy empowering franchisees to spend resources, make decisions, and ultimately produce outstanding results.

Franchisees and the franchisor enjoy rock-solid relationships. Both seem to understand that each needs to make a healthy return on their time and money and neither can perform at high levels unless all their companies are healthy and profitable. When faced with a problem, they engage in “win-win” problem solving rather than “win-lose” fighting.

What’s the lesson?
Achievement cultures attract and retain highly skilled and dedicated people. And these quality people are your best bet to build growing and enduring companies.

When comparing leadership styles of the most successful empire builders in history, Napoleon Bonaparte once said, “Alexander, Caesar, Charlemagne, and myself founded empires; but on what foundation did we rest the creations of our genius? Upon force. Jesus Christ founded an empire upon love; and at this hour millions of men would die for Him.”[6]

And of these empires Napoleon mentioned, only one endures.

Action Items
Poll your franchisees, vendors, and employees. What do they say it’s like to work with the franchisor? Are they empowered or frustrated? Motivated or stifled? Do you trust their feedback or do you think they don’t have the freedom to answer the questions honestly? What culture would they say the franchisor most closely represents? Is their feedback acceptable to you or are you motivated to make a change?

Remember group behavior is always designed to maintain the dominant group behavior. That is why corporate culture transformation ALMOST NEVER OCCURS without outside help, because those who are responsible for creating the existing culture resist change. Several times over the last few years FPG has been called on by executives to “fix my people. They’ve got the wrong attitude.” The executives, however, position themselves outside the culture and therefore outside the problem. Corporate culture begins at the top, at the C-level and filters down through the organization. Culture transformation requires interference by parties who are not already making up the existing culture. And corporate cultural transformation is a specialty few management consultants understand or have skills to execute. It takes the patience of Job, the

[6] William Federer, *America’s God and County, Encyclopedia of Quotations.* Amerisearch, Inc., 1994 p.463

acceptance of Christ, and the long-suffering and peaceful willpower of Mahatma Gandhi and Mother Teresa.

But here is the good news. Once a franchisor accomplishes an organizational shift into an Achievement culture, the culture is always designed to maintain the prevailing culture. Put another way, the culture polices itself and the culture's resistance to change will ultimately work in your favor and move you towards a tipping point.

For franchisors who have this need, FPG recommends working with Paul Pieschel, who possesses the knowledge, skills, wisdom, firmness, and patience to create a culture shift. Paul can be reached at 912-634-2598 or by email at Paul@franchisecoach.net.

Key # 10: Great execution of the first 9 keys.

If you have read up to this point, you now know the winning formula for creating a tipping point and growing an enduring national brand. But knowledge isn't power. While knowledge is nice, and it's better to know than not to know, knowledge is overrated. For instance, stop and think about someone you know who could shed a few pounds. Go tell them they need to diet and exercise. What are the chances they look at you with great admiration and stars in their eyes while gleefully proclaiming, "Thank you! Thank you! I wasn't aware of the direct relationship between my excess eating and absence of physical activity on my weight! What a stunning revelation!"

Currently it is estimated 66% of Americans are either overweight or obese. And this percentage (along with the average American waistline) is growing.

The last time I searched how many diet and exercise titles were available on Amazon.com the totals were as follows:

Diet: 55,000
Exercise: 83,000

If you type the word "diet" in Google, you receive 159 million results and "exercise" brings 196 million results, which is approximately 1 diet and exercise result FOR EACH OVERWEIGHT PERSON IN THE UNITED STATES.

All this knowledge doesn’t seem to be making a shred of difference.

Only skillful implementation of knowledge, like eating a salad instead of slab of baby of back ribs and getting on a treadmill instead of a La-Z-boy recliner, makes a difference. Action, not information, produces results. This book will not make an ounce of difference in your business unless it helped you identify one or more things wrong with your recruitment program which you will now improve upon.

Awareness is the seed of a breakthrough. All breakthroughs begin with a process of rigorous self-examination: taking a good, long, painful look in the mirror. Use the following tool to rate yourself on the 10 keys and identify what is missing which, once put in place, will propel you towards your tipping point.

Action Item

Key to creating a tipping point	Rate your franchise on a Scale of 1 (low) to 10 (high)	Action Items: If 8 or below, what is missing or what do you need to do differently to rate a 9 or better?
1. Strong unit-level economics		
2. Solid franchisee validation		
3. Clear value proposition as a franchise opportunity		
4. Clear profile of a successful franchisee		
5. Cost-effective lead generation strategy		
6. Intelligent franchisee recruitment process		
7. Skilled franchisee recruiters		
8. Candidate-friendly financing		
9. Franchisee-centered, results-oriented corporate culture		
10. Effective Leadership ensuring great execution of the first 9 keys		

Now take your follow-up action items from this chart. Break the items down into two buckets:

Bucket One: those activities which the franchisors can predictably accomplish on their own with no outside assistance.

Bucket Two: those activities where the franchisors will need additional help.

Evaluate the potential financial benefits of achieving your objectives in each key. Establish a clear dollar value for closing the gap between where you are now and where you could be if you win.

Create a budget which addresses the cost of implementing your action items. The budget should be some discounted percentage of the total value you would receive if you realized your potential. Simply put, what would it be worth to you to capture some or all of your lost opportunity?

For example: You may say to yourself, "If I tightened up our franchise sales process, improved our franchise opportunity website, and better trained our franchise salespeople, perhaps we could recruit 10 more franchisees than we do now, generate $350,000 in franchise fee revenue, $400,000 a year in royalties, $150,000 in cash flow, and increase our equity in the business by over $600,000." Perhaps in this case it would be worth $60,000 to create a plan to close the gap.

Now a word from our sponsors

Recently, I had a conversation with a colleague in franchising who asked me, "Why do you give some of your intellectual property away?"

Why does FPG routinely share our recipes for success? Why don't we carefully guard our secrets to the creation of growing and enduring franchise systems and use this knowledge to distance ourselves from our consulting competition?

Ask anyone who has worked with us and they'll tell you the same thing: we are passionate about franchising. We see it as our calling and responsibility to alert franchisors as to what we believe is the winning formula for success in our areas of expertise. We know some franchisors will possess the ability to skillfully and consistently execute the winning formula on their own and create a breakthrough in results. We hear from them all the time. We celebrate and salute them.

We also know franchisors from time to time will break down trying to produce results in one or more of these areas. It's during these times we hope you remember our contributions to the common good and call us for help or recommend us to others.

If you want to have a breakthrough in your system or if you want some expert advice on what you need to do to get to your tipping point, start a conversation with us. We are leaders in helping franchisors create rapid, sustainable, and profitable growth. This paper is a perfect example of how we think and act. You can expect more of the same when you contact us.

About Franchise Performance Group (FPG)
FPG is a consulting firm specializing in helping franchisors drive franchisee recruitment results. Our proven process, *Mastering Franchisee Recruitment* ©, has been certified by the ICFE (Institute of Certified Franchise Executives). Our consultants have a combined 70 years experience in franchise sales and executive leadership with franchise organizations such as Subway, Blimpie, Entrepreneur's Source, Motophoto, Relax the Back, and others.

Clients include Great Clips, Sport Clips, Snap-On Tools, BrightStar Healthcare, Ben and Jerry's, and other national and international chains.

We specialize in:

- Franchise opportunity website content
- Lead generation strategy
- Franchise sales process strategy, content, and design
- Training, developing, coaching, and managing franchise recruitment teams, area developers, and master franchisees
- Franchise sales mystery shopping, delivering unbiased feedback about how franchise candidates experience your sales people, sales process and online presence
- Franchisee "top performer" behavior profiles and values assessments. Measuring how franchise candidates in your pipeline match your top performers
- Recruiting franchisees for franchisors on an outsourced basis
- Franchise sales departmental leadership on an outsourced basis

- Common sense PR and social media strategy for franchise development

About Joe Mathews

Joe Mathews
Mathews is a 25-year franchising veteran, Founding Partner of FPG, student of franchising and self-proclaimed "Franchise Junkie." Along with former IFA President Don Debolt and Deb Percival, he was lead author of the highly acclaimed and best-selling book on franchising *Street Smart Franchising* and author of *Meaning of Life Project.*

He is married with 3 kids and two poodles, and lives in the rural Berkshire foothills of Litchfield, CT.

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Thomas Scott
Scott is an expert creating blogging, social media and PR campaigns designed to generate fully engaged franchise candidates, and recruit qualified franchisees. In addition, Scott is an experienced VP of Operations and Marketing who grew franchisees' revenue 300% from 2004-2009 on this watch.

While in charge of franchise development for Showhomes, Scott helped triple the size of Showhomes franchise system through revamping Showhomesfranchise.com and creative use social technology and PR strategy.

Scott began his career as a journalist and was twice nominated for the Pulitzer Prize. His work could be found in most US dailies and many magazines, including USA Today, New York Times, Wall Street Journal, and Elle Magazine.

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