

Are You Franchisee Material?

We asked franchisors what they want in franchisees, and 4 qualities rose to the top. Find out if they're looking for you.

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Ever wish you could sit down with the leading U.S. franchisors and simply ask, "What are you looking for in a franchisee?" Or better yet, "What do I need to succeed as a franchisee?" Wish no more. We got the answers for you by asking the franchisors who submitted applications for this year's Franchise 500® what they consider the keys to franchisee success.

The collected results of our exclusive survey offer a most interesting insight into the mind-sets of the people who run the nation's great franchise systems. If you can master the valuable skills and qualities they're looking for, you'll certainly have a leg up when you apply for a franchise.

Are You a People Person? The biggest key to success as a franchisee? Fully 94 percent of franchisors that responded said "good people skills" are either important or very important for prospective franchisees.

If you're at all familiar with franchising, this should come as no surprise. One of the joys of owning a franchise is direct contact with your customers, vendors, employees and franchisor. You are the hub, and a big part of your role as a franchisee is to give guidance, direction, advice, leadership and inspiration to all these groups, showing a somewhat different face to each. You need the skills to sweet-talk your vendors into terms that lean in your favor as much as possible, and you must be able to greet your customers effectively-and sell them on your products and services-day in and day out, motivating them to come back to you with more business. Your success hinges on your people skills and your abilities to communicate, convey your vision and set the right tone in your organization.

In other words, if you're a weak communicator, this is a skill you absolutely

must develop before buying a franchise.

Are you shy and retiring? Consider taking a public speaking course or joining a Toastmasters club. If you feel intimidated by others, take a leadership course, and if you find negotiating uncomfortable, take a negotiation course. These skills can be learned, and the effort to master them will be highly valued by franchisors.

Put Me In, Coach The second most important key to franchisee success is the "ability to be coached"-87 percent of surveyed franchisors ranked it important or very important. Of all the rankings of desirable traits, this one offers the most useful insight into the motives and frustrations of franchisors.

Let's take a step back: Franchising is one of the greatest systematic transfers of know-how in the business world. A good franchise program is designed to take people without experience in a specific business and teach them how to run a successful operation following a detailed formula. New franchisees are successful only if they can learn to follow the system. The franchisor expects you, as a new franchisee, to be flexible, eager to learn and determined to "get it." A big frustration franchisors face is handling an owner who wants to change the system, stubbornly make his or her own decisions about the features of the standard business operation, or single-handedly "improve" the franchise program against the wishes of the franchisor. Such a trainee may be uncoachable or too much of a fiercely independent entrepreneur-someone who perhaps is not cut out to be a franchise owner.

Don't misunderstand. An "entrepreneurial mind-set" is also highly valued by franchisors (76 percent of them ranked it as important or very important). Owning a franchise business, even though it must follow a formula, takes soaring creativity, dogged persistence and business drive. Successful franchisees must learn to balance the entrepreneurial mind-set with the ability to follow the franchise system.

An international franchise leader in the sandwich shop business once told me a great indicator of success in his franchise system is whether a new franchisee is willing to get behind the counter during training and "put his hands in the tuna fish." That means the new owner is willing to become

intimately involved in the business, learn it inside and out-as this franchisor pointed out, "That is how they're ultimately going to be successful."

Owning a franchise is not like holding a job in most corporate organizations, where it's possible to work for years without seeing where the business actually makes a sale-without getting your hands in the tuna fish. Being a franchisee is at the other end of the business experience spectrum; the only way to success is intimate involvement with every aspect of the business.

Most franchisors will tell you they're not interested in the investment of absentee owners; they want people who are directly and enthusiastically involved on a full-time basis in all aspects of the business. That is the essential element of the "ability to be coached," and learning it can be tough. You may want to locate and learn from a mentor with a solid track record of success.

The General Picture

The third most important quality to franchisors, with an 86 percent ranking, is "general business skills." That's a huge difference from the ranking for "specific industry skills," which only 29 percent of franchisors consider important.

So what are "general business skills"? Franchisors are telling us they value business common sense, a sense of what is important in a successful business. That means paying attention to financial details, managing cash and cash flow, understanding the importance of promotion and advertising, knowing how to hire employees, focusing on the customer, ensuring quality and consistency of products and services, and striving for excellence in all aspects of your operation.

Franchisors don't expect you to arrive with specific experience in the franchise's industry. In fact, trainers have told me they prefer when new franchisees don't have to unlearn bad habits or different ways of conducting the business.

A franchisor will be delighted if you understand that the profit in all businesses, especially retail businesses, is in the details. Such a small slice of the gross sales of your business arrives on your bottom line as

profit that you have no choice but to master the details of the business. Tweak the details, and it can have an outsized impact on that slim bottom line. Understanding this dynamic alone will serve as one of your most important general business skills.

The general business skill that ranks above all others is this: the art of the sale. This magic business dynamic has been studied, deconstructed, written about in countless business school papers and psychoanalyzed down to the molecular level in numerous books. You need to know about features and benefits, ways to overcome objections, and techniques for closing a sale. Remember this truism: Nothing happens in business until someone, somewhere makes a sale. Your task is to become a serious student of the sale. Head online, to the bookstore or to your local library, find a few of the dozens of books on sales techniques, and drink them in.

We're Talking Money Here The next key to success, with 84 percent of franchisors ranking it as important or very important, is "access to capital." Ah, money-the mother's milk of business. This franchisor response speaks to a chronic challenge in many franchise systems. New franchisees qualify financially to come into the system, but when they must survive a difficult patch of business or need to goose sales with an expensive advertising campaign, they have only shallow resources instead of ready access to capital.

Your only solution is to plan carefully for financial needs, including contingencies. This takes professional help. A good accountant can prepare a cash flow/needs assessment with a break-even analysis that provides a useful road map of your capital needs. If the break-even analysis shows the franchise won't be carrying its own weight for more than 10 months of operation, for instance, your accountant can help you understand the capital needs of the franchise in the first year. It's a matter of business survival.

Satisfying the capital needs of a newly established business is without question a sobering challenge. You need a well-grounded banking relationship with an institution that understands your plans and is prepared to extend your business the credit it needs to succeed. One of the most

popular money and credit routes available to small-business owners and their banks is a loan backed by the SBA. Under the SBA's loan program, a participating bank can reduce the risks associated with small-business lending by looking to the federal government for compensation in the event a borrower defaults on a loan.

The SBA has cooperated with the franchise community and established a clever system to expedite the SBA loan review process. The SBA Franchise Registry reviews the disclosures and contracts of applicant franchisors and qualifies them as secure enough to be added to the registry. SBA loan officers review an application through your local bank, and if the franchisor is a member of the Franchise Registry, the banker can shortcut the process of reviewing the franchise program. Check to see if a particular franchisor has joined the SBA Franchise Registry at <http://www.franchiseregistry.com>.

Take the Lead This survey provides a peek at what franchisors consider some of the top personal skills and qualities that make for a successful franchisee, and you cannot afford to ignore them. If you are weak on any of these qualities, take steps to strengthen your hand-enroll in a course or find a mentor-and submit a winning franchise application.

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