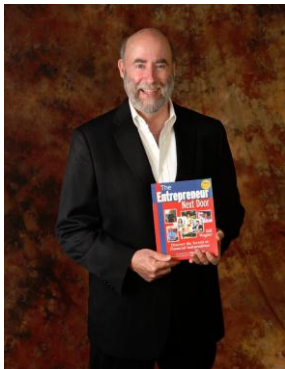


Accord Management Systems, Inc.

Global Leader in Organizational Development

# **AN INTEGRATED APPROACH TO HUMAN RESOURCES**

**Managing the Gap:  
Franchise Case Studies**



Dear Colleagues:

Fifteen years ago, I was conducting a workshop for the Young Entrepreneurs Organization (YEO) in Washington DC; the topic was "Employee Selection." At the conclusion, an attendee approached me and asked, "As a franchisor, what can you do for me in the area of franchisee selection?" That was my first step in a 15 year relationship with the franchising community. What ensued and what I have learned to appreciate is that franchisee selection in many ways more critical than employee selection. Yet, it is easier to accomplish. With franchisee selection, the stakes are far greater. When a mistake is made with employee selection, a corrective action can be taken in a matter of months. However, when the wrong franchisee is selected, the mistake may take the franchisor decades to correct and may cost the franchisor millions of dollars in lost royalties.

The franchisor that I met at the conference became and remains a client today and as a result we instituted a franchisee and employee selection process that is still effective today...15 successful years later. This franchisor added an additional 300+ franchisees. The best outcome was realized in that newer franchisees are performing at much higher levels than those previously acquired. Their ROI has been significant.

I am delighted to present to you a number of Case Studies that not only reflect franchising but provide a glimpse into the importance of having an Integrated Approach to Human Resources.

ACCORD MANAGEMENT SYSTEMS, INC. is the only IFA supplier that covers the entire objective HR spectrum. From franchisee selection and employee selection to succession, leadership and organizational development, from test development to survey development, we have the capacity to provide the strategic HR insights that make the difference in not only growing a franchise organization but that of growing a business.



As author of "The Entrepreneur Next Door," I can say that I have written the book on the topic. The genesis was to provide a "How To" of entrepreneurial success. Not only do we support your organization with research but we support your organization with our presence at your conferences acting as the expert and helping your franchisees get the people side of their own business right.

As you read the following studies, imagine the benefit of achieving similar results in your own organization and, most importantly, what this would mean to your own bottom line.

Warmest regards,

A handwritten signature in black ink that reads 'Bill'.

Bill Wagner, CSP  
CEO & Co-Founder

# An Integrated Approach to Human Resources

The purpose of these case studies is to provide the “How To” to gather, analyze and interpret the data to more effectively grow operations.

## Case Study #1: Business Personality Type

### Problem Statement

In 1996, ACCORD sponsored the annual conference for the Young Entrepreneurs Organization (YEO). Over the ensuing several days, we surveyed the personalities of more than 100 of their members. The results were interesting, even fascinating, as more than 90% of their personalities were strikingly similar. The membership requirements of YEO included two criteria. Members had to be less than 40 years of age and they had to have more than a \$1,000,000 in revenue. A million dollars in revenue might not seem like much but for an emerging entrepreneur, it is.

This conference raised more questions than answers. It certainly engendered a genesis of curiosity that is yet to be quelled. The questions became, what is the difference between entrepreneurs and wantpreneurs? Are they wired differently? What are their differences concerning the perceptions of their role / job? Will they lead, control or manage differently? Is there a difference in their styles based on age or experience when compared to older entrepreneurs? How predictable are their behaviors?

### Action Plans

Over the course of many years we surveyed 1,509 entrepreneurs. Their average age was 31 and their average net worth was 3.4 million. However, only about 60% had a personality that would have made for a great CEO and only about 30% had the personality that would make for a great franchisee and about 29% had the personality that would make for a great multi-unit franchisee. How were they able to achieve this level of success?

### Solutions

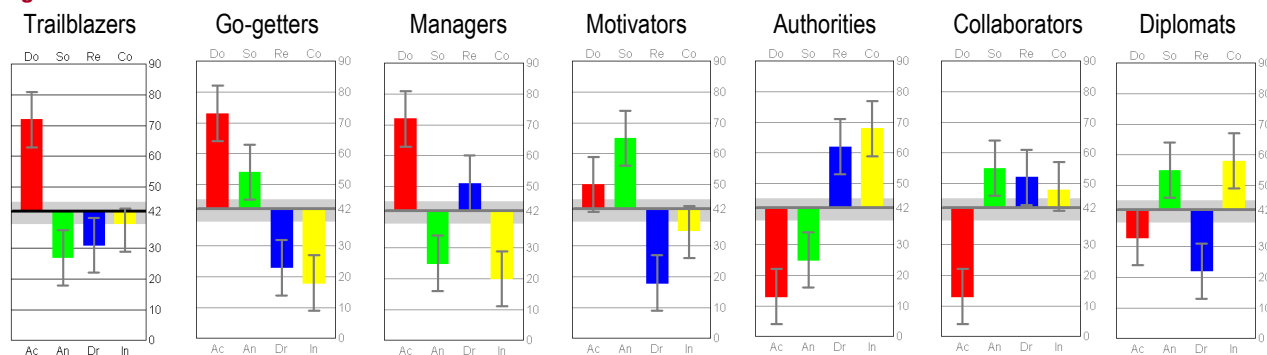
Those surveyed shared four concepts in common.

1. They understood the behavioral requirements of their position, (that of a Trailblazer or a Go-getter).
2. They understood who they were and how they were wired.
3. They understood the behavioral GAP that existed between who they were compared to their position. In essence, what behaviors did their position require?
4. They had the cognitive capacity and understanding as to how to manage their gap.

Approximately 40% of the study group did not possess this capacity or had too large of a gap to easily manage and they often times hired someone to take care of their own developmental shortcomings.

Figure A represents the personality types identified in our research:

**Figure A**



## Case Study #2: The Right Personality Equals The Right Results

### Behavioral Benchmarking

When determining the ideal personality for any position, it is imperative to:

- know the desired amount of each of the four personality traits.
- know the requirements of high performers.
- have a statistically significant sample to properly benchmark the behavioral requirements of the position
- compare those requirements to the attributes of the applicant or incumbent to determine "job-fit."
- determine the "GAP" that exists between the personality of the ideal franchisee and that of our existing high performing franchisees.

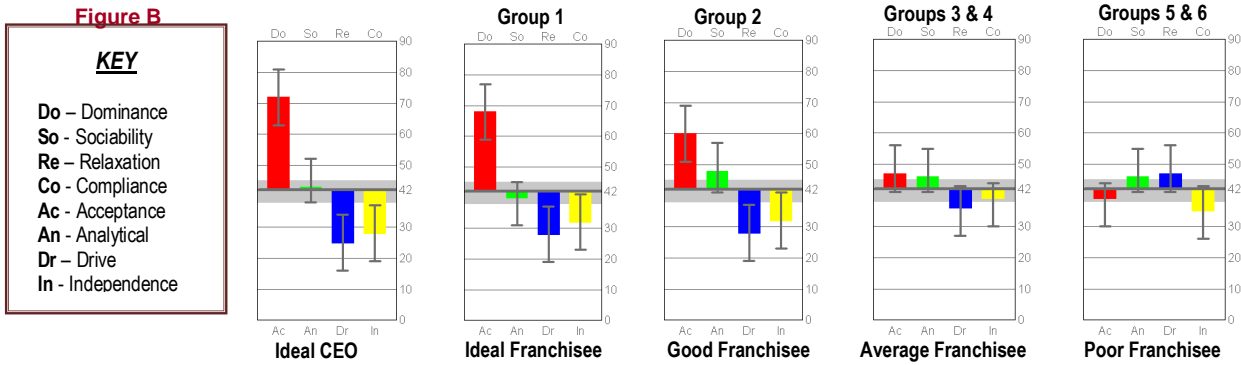
### Problem Statement

All franchisees made the same investment, received similar training, had similar locations, staffing, build out, etc., however the generation of royalties were unusually dissimilar. In fact, royalty generation ranges were 10 times greater for ideal performers when compared to poor performers.

### Action Plans

- Stratified franchise owners into six groups based on royalty generation.
- Objectively measured the behavioral personalities of the franchisees, created four composite profiles based on the six different groups and identified the striking differences and anomalies.
- Implemented a custom-designed "Franchise Owner Engagement Survey" which was stratified to reflect the performance of each individual group. This survey probed the engagement of each franchise owner based upon 63 detailed opinions and operational questions. Several questions and answers were compared to national norms.
- Identified the gap between strong and weak performers. Created custom action plans based on results to better coach incumbents.
- Provided franchisor with consultation and tools to implement action planning and best practices for franchisees.

This behavioral testing effectively measured personality based on four factors: Dominance, Sociability, Relaxation, and Compliance. The ideal franchisees were highly results-orientated, driven, independent and had enough warmth to mitigate their potential edge.



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### Solutions

- Increased fast tracking of prospective franchise applicants through improved screening.
- Improved screening and selection of franchisee employees; thereby reducing turnover, increasing retention and improving overall sales performance.
- Implemented dramatic financial improvements

**Cost of two-year implementation was approximately \$30,000. The franchisor was able to recoup cost by the right selection of only one ideal franchisee.**

### Engagement Survey of Leading Franchisor

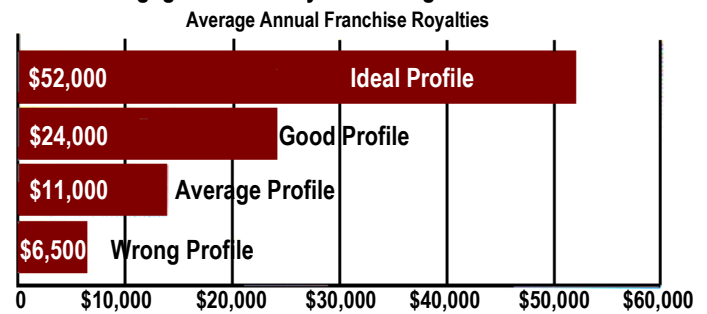


Figure C

Figure C Summarizes the findings of the survey as it relates to royalty generation by the composite behavioral profiles of each group.

## Case Study #3: Multi-Unit vs. Single-Unit Franchisees

### Problem Statement

There are two distinctly different categories of multi-unit franchisees. First, those that started with a single location and over a period of time added a second, third or more locations. Second are those that look at franchising as a vehicle to accomplish their goals and as a way to leverage their capital.

### Action Plans

Last year, we surveyed more than 300 existing franchisees within a national brand looking for statistically significant behavioral similarities or differences between single-unit owners and multi-unit owners. So that we were comparing operating similarities, we chose the operating revenue that was generated in the 13<sup>th</sup> month of operation. This was done with all participants. It is important to note that when the franchisees originally secured their territories that they were not necessarily required to open second or subsequent locations. Therefore, those that did were oftentimes more motivated to do so.

### Solutions

We found that those franchisees that developed multiple locations versus those that didn't, had noticeable differences in their personalities. Multi-unit operators were more analytical, better trouble shooters, better problem solvers, had a slightly stronger sense of strategic implication, better with numbers, more systematic in their thinking, more technically oriented, looked at their people more as a vehicle to help them accomplish their goals as opposed to looking at their people with a heightened level of warmth. (It is not saying that these multi-unit operators lacked warmth or empathy, it is that they were not driven by it).

The difference between these two are as follows:

**Dominance:** Both are equally results oriented, self-confident, assertive and domineering.

**Sociability:** The single-unit franchisee will be better in working by, with and through others, building consensus, collaborating, teambuilding and motivating others whereas the multi-unit operator is more analytical, a better trouble shooter and problem solver, better with numbers and have a stronger technical orientation. The key to operational efficiency is for the multi-unit operator to select store or unit managers that have a Go-getter personality.

**Relaxation/Drive:** Similar between the two.

**Compliance/ Independence:** We found that the single-unit operator was more independent and was therefore better at dealing with ambiguity, which is often times a tremendous attribute in being a successful first-time franchisee. The multi-unit operator was more controlling as it relates to the details, which is perfect as the multi-unit operator may not be in a store or facility with a great deal of regularity. They manage by the numbers and base their thinking on "If you can't measure it if you can't manage it." They want to manage / control everything.

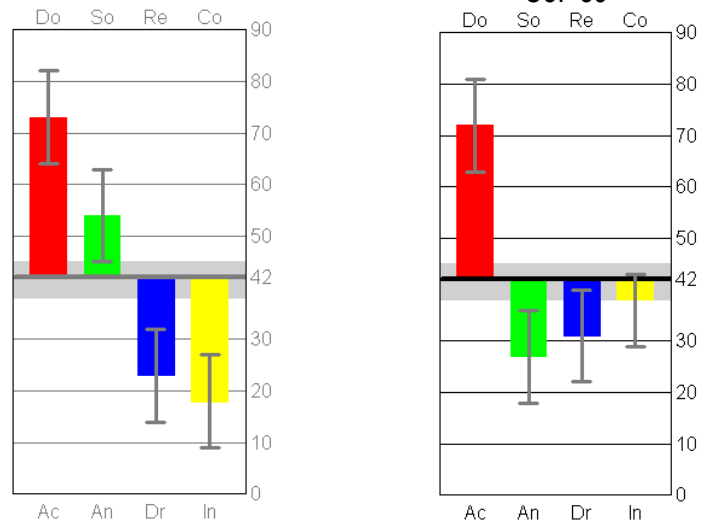
Our research indicated that when the franchisor desires to change from a single to a multi-unit model then the selection process becomes more critical in the hiring at the store manager or general manager positions.

### The Ideal Single-Unit Franchisee    The Ideal Multi-Unit Franchisee

Do: 68  
So: 44  
Re: 26  
Co: 30

Do: 68  
So: 36  
Re: 24  
Co: 39

Figure D



## Case Study #4: Multi-Unit Franchise

### Problem Statement

A master franchisee with 14 locations in the Quick Lube industry was experiencing a heightened level of job related accidents. For example, a lower bay technician forgetting to replace the plug into an oil pan following an oil change. Their average ticket size was also lagging industry averages. Employee annual turnover was 105+%. Customer service surveys were averaging a 2.5 on a scale of 5, and their customer service was mediocre at best. Only 15% of employees had the personality that was optimal for their positions. The fourteen-unit operation wrote approximately 1,000 tickets per day.

### Action Plans

- Implemented a behavioral screening process in which all positions were benchmarked so that incumbents understood how the ideal behaviors and actions for all positions. All new applicants were tested and their personality was compared to the established benchmarks. Applicants with the right personality were hired for their new positions. The franchisee replaced managers and employees based on performance not personality. Replacements were hired based on personality rather than skills.
- Provided training to the right employees with the right results.
- Improved employee retention.
- Decreased employee turnover.
- Transitioned from operations-driven franchise to more of a sales and service driven organization.
- Reduced accidents.

### Solutions

During the 18 month study, the master franchisee was able to fill its ranks with the right employees for each position. At the conclusion of this study, the franchisee had filled its positions with the right people in eighty-five percent of its positions. They had managers that could not only manage but they could also sell. At the conclusion of the study they had increased the average ticket amount by \$6.00 per ticket. This amounted to an increase in annual revenue of more than \$2,160,000 without increasing fixed cost. The franchisor received a five percent royalty, which amounted to an annual increase of approximately \$100,000.

**1000 Tickets x \$6 = \$2,160,000 in increased annual revenue.**

Figure E Master Franchise Case Study

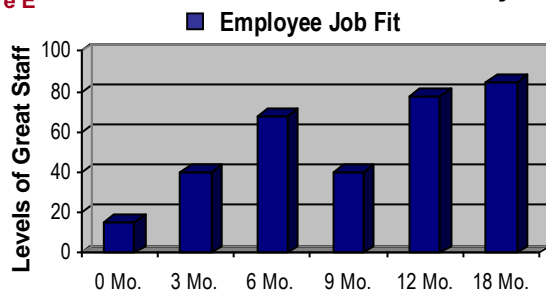
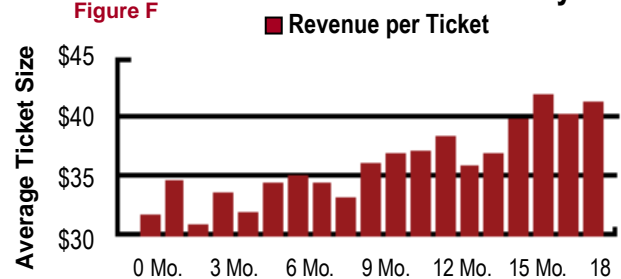
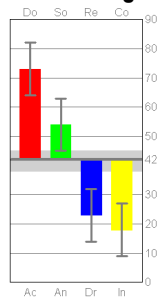


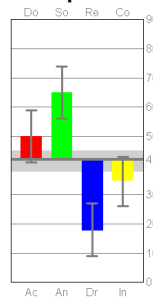
Figure F Master Franchise Case Study



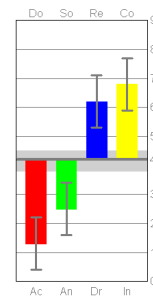
Store Managers



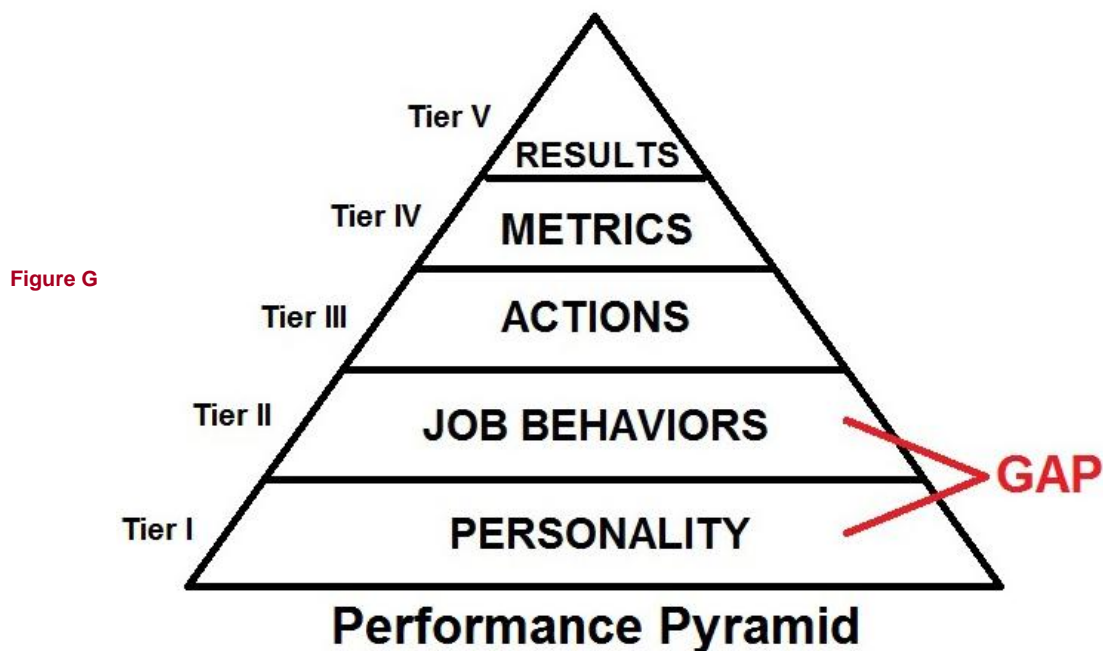
Sales Representative



Technician



## Case Study #5: Managing The Gap



### Problem Statement

A franchisor in the Hair industry wanted to improve the selection process of prospective franchisees, area developers and store managers. They wanted to discern sooner in the interview process which applicants were ideal for their prospective positions. Approximately 35% of existing franchisees did not have the right personality for their positions.

### Action Plans

They first benchmarked the behavioral requirements of three positions: Area Developer, Franchisee and Store Manager. As a part of this process they also surveyed the personalities of all of their existing area developers and franchisees. The data was used as part of the benchmarking process and were later utilized for the purposes of training and leadership development. These franchisees were trained using the ACCORD 5-Tier Performance Pyramid and its cognitive approach. Through this approach, their “B players” were able to become “A players,” their “C players” became “B players” and many of their “D players” were able to develop greater levels of success as well.

### Solutions

- They found that area developers with the right personality were able to perform at higher levels and grow their territories at a faster pace. The right area developer was able to effectively manage a larger organization, have a greater impact on their Franchisees and generated greater revenues because of the impact they displayed.
- They found that franchisees with the right personality were able to reach profitability 33% quicker than those without the right personality. They were also able to grow and maintain their operations. They had significantly lower employee turnover, were more proactive, increased retail sales and in general were lower maintenance franchisees.
- They found that by “*Getting the People Side of their Business Right*” they were able to meet their tactical short term goals while maintaining their strategic vision.

***Cost of two-year implementation was approximately \$35,000. The franchisor was able to add seven area developers, grow their organization from 350 to 500 locations within two years and set the stage for more profitable growth.***



## Case Study #6: Focus Groups

### Problem Statement

Focus Brands acquired the Carvel brand and found that their franchisees were highly disengaged, revenues were down, the brand had changed focus from franchising to retail distribution, thereby creating competition for the franchised locations. The corporate structure had a limited number of employees dedicated to supporting their franchisees.

### Action Plans

- Conducted interviews, focus groups and ultimately created a Franchise Engagement Survey to assess and determine the level of organizational health or potential dysfunction. (See Figure H below).
- Hired 40+ new employees to support the existing skeleton staff and all employees were now dedicated to the franchise operations.
- Doubled the size of the franchise sales department.
- Opened a new training center for franchisees.
- Added 24-hour toll free hotline.
- Tripled the number of field visits.

### Solutions

- Drove engagement from 19% in 2001 to 92% in 2004.
- Executive bonuses now based on driving engagement results.
- Generated enough revenues to drive acquisitions of other opportunities.

**Core Values, Communication & Senior Management 2001-2004**  
Reprinted with permission from Focus Brands



### Franchise Engagement Survey Benchmarks

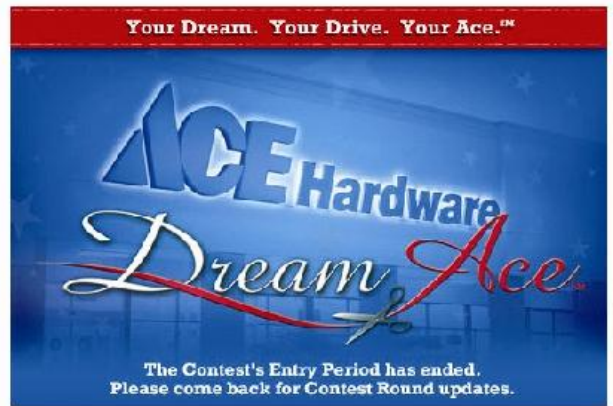
When evaluating feedback, it is imperative to compare data to a constant and not in the abstract. If the statement under consideration is, "I am satisfied with my franchisee relationship," it is essential to have a specific benchmark to compare your answers to and ask; "What is their satisfaction when compared to others?"

The key to objective analysis is benchmarking. This is the process of determining norms that relate to specific questions. Only with benchmarks are we able to truly and accurately compare our performance to others.



## Case Study #7: The Dream Team

Ace Hardware created the Dream Ace promotion. Ace’s ultimate goal was the award of a \$1,000,000 franchise location, fully stocked, completely staffed, with working capital. The goal was to find the best franchisee. To accomplish this, ACCORD MANAGEMENT SYSTEMS, INC., customized a Franchisee Aptitude Test. ACCORD measured the personalities, skill sets and values of forty of the best franchisees, (The Dream Team), and created a franchisee benchmark. The contest period ran during the month of January, 2007. During this time, more than 20,000 applicants went to the Dream Ace website to complete an objective assessment and answer three essay questions. ACCORD tabulated the objective assessment results and provided Ace with the top applicant from each of the fifty states. The winner was announced at Ace’s annual conference in March, 2008. The time from engagement, including test development, to the launch of their website was less than 45 days.



## Case Study #8: Foreseeing the Future

Demographics play a critical role in any survey as they allow for data to be sliced in such a way to display information more succinctly. In a recent survey, a franchisor asked franchisees if they planned on remodeling or moving, and if so, when?

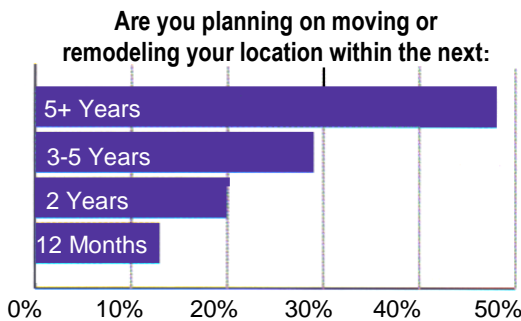


Figure 1

Results showed that 33% planned on moving or remodeling their store within the next two years. The franchisor then used this information to create a “signing initiative.” The challenge was that their franchisees were originally part of a buying group that transitioned to a franchise model and the external advertising signs lacked a uniform appearance. The franchisor offered its franchisees an incentive to embrace a new corporate look at the franchisor’s expense, and almost 100% took advantage of this opportunity. Entrepreneurs are not only concerned with image but also with whom pays for it.

WIDELY PUBLISHED AND CRITICALLY ACCLAIMED... Bill’s articles have appeared in such prestigious publications as:

**Entrepreneur.com**

**FranchiseWorld**  
Premier franchise news magazine

LOS ANGELES BUSINESS JOURNAL  
on the web

**Workforce**  
MANAGEMENT

**LODGING HOSPITALITY**  
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**CEO**

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**THE WALL STREET JOURNAL.**

## TESTIMONIALS

*"Bill Wagner has an uncanny, objective understanding of the dynamics of the workplace environment and in this engaging and humorous book, he shares his insights, candor, and ability to take a complex subject such as personality, bring it to life and make it understandable."*

MATTHEW SHAY, PRESIDENT 2006, INTERNATIONAL FRANCHISE ASSOCIATION

*"In less than one year, ACCORD has become one of our key strategic partners, and their unique product mix, coupled with outstanding service and support, has had a discernible impact on our bottom line. We have a better understanding of what makes our employees and our franchise owners tick, we are able to create custom-tailored solutions that meet everyone's needs - our relationships have never been more solid. I would highly recommend ACCORD MANAGEMENT SYSTEMS to any organization interested in strengthening their customer and employee relationships."*

RICK BASCH, VICE PRESIDENT, THE LITTLE GYM INTERNATIONAL

*"Bill Wagner and ACCORD are true strategic partners, not simply another vendor. They know franchising – with over 10 years of experience, they can demonstrate the bottom-line impact that improved selection tools can make to your sales and profitability. To help your franchise bring in the best people, we highly recommend ACCORD MANAGEMENT SYSTEMS."*

GORDON LOGAN, CEO, SPORT CLIPS

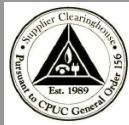
*"The Entrepreneur Next Door is a must read for anyone considering a future in franchising. Bill's Five Tier Performance Pyramid is one of the best cognitive processes I have seen in managing the growth of franchisees. The Entrepreneur Next Door truly brings it home and the reader with it. It works! Read it, learn and get ready to grow."*

STEVE OLSEN, PUBLISHER, FRANCHISE UPDATE MEDIA GROUP

*"Mr. Wagner and his team has allowed us to see how closely related the results are of the potential management company to our ideal benchmark. They have added a lot of credibility to our process and enhanced our decision making. It allows a personal look into the person and his/her management styles that could not be seen in the submittals and reports given to us by the potential management company. I would recommend ACCORD MANAGEMENT SYSTEMS to any company looking to enhance their process."*

JOHN McGOVERN, VICE PRESIDENT, STARWOOD HOTELS & RESORTS, INC.

### ACCORD's CERTIFICATIONS



## Areas of Development and Support

We specialize in helping the franchise community. We possess a thorough, objective understanding of the relationship among a franchisor, franchisee and their employees. We currently support more than 50 brands in their franchisee selection and have developed specific tools to assist their franchisees in the selection of their care givers, auto mechanics and drivers, to name a few. We provide an **Integrated Approach** which includes testing, test development, franchisee engagement surveys, corporate 360's, leadership and organizational development, executive coaching, retreats and corporate events. If it involves people, we have a system to benchmark, measure and create a model of predictability.

## Accord Management Systems, Inc.

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or on how to participate in other studies:*

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