Franchise Case Studies

Managing the Gap
Dear Colleagues:

We help franchisors select the perfect franchisee. Additionally we help franchisees and franchisors alike with their employee selection. As you may have noticed, our franchise community is changing and evolving. There was a time that we used the mirror test for franchisee selection... If they fogged a mirror they were in. Well, maybe not everything has changed, but for some… it has. A burgeoning level of professionalism is leading the way. Franchise executives are talking about strategy, organizational development, leadership and mission critical imperatives to name a few. What it boils down to is many franchisors are now embracing the tools necessary to make a positive impact on the people side of their business. Why, because that is where the money is.

For the last 10 years we have been at the forefront of behavioral metrics. We have developed assessments specific to franchising, we can determine an ideal auto mechanic, a perfect customer service profile and the right medical caregiver to name a few. We measure IQ, EQ, sales, organizational health and or dysfunction… in essence we have created a workable, easy to use, strong model of predictability.

We have proven that there is an extremely strong relationship between personality, franchisee engagement (love for what they do) and royalty generation. These case studies represent years of research that serve as a proof statement that this stuff works. In my book, The Entrepreneur Next Door, we surveyed the personalities of 1,509 successful young entrepreneurs. Even though 79% of our study group had the right personality, it was the 21% that didn’t have the right personality that really made our research come alive. They were the ones that understood the GAP that existed between who they were and the behavioral requirements of their positions. Ideally, it is still better to select the right person the first time, but when we have existing franchisees that are clearly under performing it is essential to have a behavioral coaching model to motivate and drive them.

We have tremendous respect and appreciation for the IFA and their staff as it has been through their members, education, support and resources that we have been able to grow our mutual interests.

Sincerely,

Bill Wagner, CSP  
CEO & Co-Founder

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**Managing the Gap**

*The purpose of these case studies is to provide the “How To” when gathering, analyzing, and interpreting the necessary data points to more effectively grow franchise operations.*

**ABOUT US**

Accord Management Systems, Inc. is a premier survey and behavioral consultancy that provides turn key solutions. We help companies with organizational alignment, getting the right people in the right positions, and engagement studies designed to enhance the relationship among leaders, employees and clients.

We provide clients with the necessary tools to assess, engage, and retain the most valuable asset in any organization – people. Our clients utilize a series of surveys and assessments that allow them to scope job requirements, evaluate how potential employees fit into those jobs and identify changes that will keep employees engaged with their jobs - all keys to improving productivity in today’s business environment. Clients range from small companies to firms with thousands of employees, representing a diverse range of industries from manufacturing, franchisors, and associations. Their one common factor is the strong belief that our sophisticated surveying and assessment techniques improve their productivity and bottom line, which is reflected in a franchise renewal rate of more than 90 percent.
CASE STUDY #1

Problem Statement
All franchises made the same investment, received similar training, have similar locations, staffing and build out, yet the generation of royalties are unusually dissimilar. In fact royalty generation ranges from $6500 to $52,000 per year. Why?

Approach & Analysis
Step 1: Stratification of franchise owners into six groups based on royalty generation.
Step 2: Objectively measured the behavioral profiles (personalities) of the franchise owners; created four composite profiles based on the six different groups; and identified the striking differences and anomalies.

Step 3: Implemented a custom-designed “Franchise Owner Engagement Survey” which was also 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. (To review, go to www.Accordsyst.com/franEE.)

Step 4: Identified the gap between strong and weak performers. Created action plans to better coach incumbents.

Step 5: Provided the franchisor with the consultation and tools to implement action planning and best practices for franchisees.

Engaged franchisees and their employees are 10 to 12 times more profitable than those that are disengaged.

Sample Questions

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neither Agree nor Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. The Franchise provides strategic &amp; tactical leadership to support the long-term profitability of my franchise.</td>
<td>Group 1: 60%</td>
<td>30%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Group 2: 36%</td>
<td>36%</td>
<td>18%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Group 3: 32%</td>
<td>52%</td>
<td>12%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Group 4: 20%</td>
<td>20%</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>Group 5: 0%</td>
<td>25%</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>Group 6: 0%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neither Agree nor Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>61. I believe The Franchise listens to my ideas and concerns.</td>
<td>Group 1: 30%</td>
<td>40%</td>
<td>16%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Group 2: 27%</td>
<td>18%</td>
<td>32%</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>Group 3: 25%</td>
<td>25%</td>
<td>37%</td>
<td>6%</td>
</tr>
<tr>
<td></td>
<td>Group 4: 20%</td>
<td>0%</td>
<td>60%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Group 5: 0%</td>
<td>0%</td>
<td>56%</td>
<td>6%</td>
</tr>
<tr>
<td></td>
<td>Group 6: 0%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Franchise Case Studies

Figure B

Do – Dominance  So - Sociability  Re – Relaxation  Co - Compliance  Ac - Acceptance  An - Analytical  Dr - Drive  In - Independence

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Findings

The three major components to our findings:

1) There were strong similarities among the profiles of each of the group members. Therefore, it was easy to create valid and statistically sound composite profiles. In fact, groups 3 & 4 and 5 & 6 were consolidated as there was little variation in their profiles.

2) There was an extremely strong correlation between personality, engagement and generation of royalties.

3) There were clear action plans and best practices that the franchisor implemented to improve overall performance, operations and engagement of the specific groups.

The behavioral testing effectively measured personality

Based on four factors: Dominance, Sociability, Relaxation, and Compliance. The ideal franchisees were highly results orientated, driven, independent and enjoyed the people side of their business.

Franchise Engagement Survey Benchmarks

If you can't measure it... you can't manage it.

When evaluating feedback, it is imperative to compare data points 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 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. With benchmarks, we are best able to truly and accurately compare performance to others.

Behavioral Benchmarking

When determining the ideal personality for any position, it is imperative to know the desired amount of each of the four traits. We must first survey a group of high performers as well as those that know the requirements of a high performer. It is also essential that we have a statistically significant sample to properly benchmark the behavioral requirements of the position. We then compare those requirements to the attributes of the applicant or incumbent. It is here that we are able to determine “job-fit.” Additionally, we are also able to determine the “GAP” that exists between the personality of the ideal franchisee and that of our existing franchisees.

Solutions

- Increased fast tracking through improved screening and selection of new franchisees. The franchisor was able to reach a 95% approval rate.
- Improved screening and selection of franchisee employees; reduced turnover, increased retention and improved overall performance.
- Implemented dramatic financial improvements.
Franchise Case Studies

Engagement Survey of Leading Franchisor
Average Annual Franchise Royalties

<table>
<thead>
<tr>
<th>Average Profile</th>
<th>$11,000</th>
<th>$24,000</th>
<th>$52,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ideal Profile</td>
<td>$6,500</td>
<td>$24,000</td>
<td>$52,000</td>
</tr>
</tbody>
</table>

The above graph, “Engagement Survey of Leading Franchisor,” displays the findings of the survey as it relates to royalty generation by the composite behavioral profiles of each group.

Cost of two-year implementation was approximately $30,000. The franchisor was able to generate additional revenues in excess of $500,000, therefore their ROI was achieved.

CASE STUDY #2 – 18 Month Study

Problem Statement
A master franchisee with 14 locations in the quick lube industry was experiencing a heightened level of job related accidents, such as 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% percent 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 where all positions were benchmarked so that the incumbents understood how the ideal employee would behave. All new applicants were tested and their personality was compared to the established benchmarks. Employees were only hired that had the right personality for their new positions. The franchisee replaced managers and employees based on performance. 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.

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.
CASE STUDY #3

Problem Statement
A franchisor in the hair cutting industry wanted to improve the selection process of prospective franchisees, area directors and store managers. They wanted to discern sooner in the interview process which applicants were ideal for their prospective positions. Franchisees were suffering an average annual employee turnover of approximately 200%. Many existing franchisees did not have the right personality for their positions.

Action Plans
They first benchmarked the behavioral requirements of three positions: area director, franchisee and store manager. As a part of this process they also surveyed the personalities of all of their existing area directors and franchisees. The points were 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. They are now in the process of utilizing similar technologies to select stylists.

Solutions
• They found that area directors with the right personality were able to perform at higher levels and grow their territories at a faster pace. The right area director 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 are 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 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 $45,000. The franchisor was able to add seven area directors, grow their organization from 350 to 500 locations and set the stage for more profitable growth.

CASE STUDY #4

Problem Statement
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 only had a small 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.

Solutions
• Hired 40+ new employees to support the existing skeleton staff of employees 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.

• 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.
CASE STUDY #5

In 2006, 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 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 where they had forty-five minutes 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. They were invited to participate in round two. The winner was announced at Ace’s annual conference in March, 2007. This was the first time a test this comprehensive has been created for this purpose.

CASE STUDY #6

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? 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.

How Much Do Disengaged Employees Cost Your Organization?

**Employees who are disengaged**

- Miss an average of 3.5 more days per year than engaged employees.
- Produce poorer quality products and services.
- Generate more customer complaints.
- Are less productive.
- Have more accidents.
- Cause us to lose clients and eventually $$$.  
- Cost the US economy $292 to $355 billion per year (Financial News, March 2001).

**Areas of development and support include**

- Relationship between franchisor/franchisee and or their employee's, franchise effectiveness, behavioral testing for selection, franchisee leadership and development, franchise growth and development, ongoing consulting and support, demographic studies, 360° leadership evaluations, executive coaching, retreats and corporate events.

**Franchise Owner Engagement Survey**

Accord Management Systems, Inc., specializes in the customizing of Engagement Surveys that impact the performance and success of an organization. Accord balances and blends other assessments and technology to provide franchisors with a strategic view of areas of challenges and opportunities.
Just a few of those benefiting from our services are:

Articles and interviews have appeared in such publications as:

As author of The Entrepreneur Next Door, Bill Wagner has created a practical yet definitive case study on leadership...helping entrepreneurs discover the secrets to financial independence. His book includes a proven 5-step process guaranteed to drive leadership.

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

“The Entrepreneur Next Door is a must read for anyone considering a future in franchising. While at It’s A Grind Coffee House, we were always looking for an entrepreneur with the ideal personality for our business. They are more successful, achieve greater growth sooner, and certainly are more enjoyable to work with. Bill’s five tier Performance Pyramid is one of the best cognitive processes I have seen in managing the growth of our 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 OLSN, PUBLISHER, FRANCHISE UPDATE MEDIA GROUP

ACCORD
MANAGEMENT SYSTEMS, INC.

Getting the People Side of Business Right

We are always conducting customized studies. If you are interested or would like additional information, please contact us:

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