



BEING A WINNER
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Article Published in the New Zealand Herald Friday 20 November 2009

In franchising, as with most other business activities, there are three kinds of ingredients in every successful business. They are a good business concept, plus good people and good systems to make it operate successfully. Also, like most worthwhile activities, more is required to achieve success than meets the eye. Hard work certainly, but also many other things. Chief among these is using knowledge wisely to make sure that the hard work is applied most effectively. This is true in all business, but the degree of franchise specific knowledge which is required is often overlooked, with expensive consequences.

Knowledge needs to be deployed, first when a franchise system is created, secondly during its operation, and thirdly as it goes through different watersheds in its business cycle. It is also required by both franchisor and franchisee at the time when franchises are granted and taken up.

A special feature of franchising is that the collective wisdom of the wider organisation, (and of the franchise community as a whole) can be compounded and built upon to build greater success for individual businesses.

First steps to create a franchise includes checking that the business model is correctly designed and works. The next steps involve creating the main base requirements for a franchise. These steps include tapping the skills resources and advices of a combination of franchise consultants, and accountants and lawyers, all with expertise in franchising.

Legal steps involve include advising on the legal framework into which the franchise business will need to fit, attending to essential prerequisites such as the preservation of intellectual property rights, setting up a paper trail of certain base documents including confidentiality non-disclosure and non competition agreements and franchise agreements. It also includes advising on aspects of other documents required, for example disclosure documents and operation manuals.

Other items for which expert assistance is required by franchisors includes an understanding of what can and should be in proper franchise system operating manuals and both the requirements and choices of suppliers available for accounting systems geared to the needs of franchise type operations, which are different from for example those of network but centrally owned businesses.

For franchisees, often confronted with a bewildering pile paperwork and information there is a very real need for them to know firstly, what does it all mean? On top of that the franchisees need to know more. They need to know the answers to such questions as have we got a complete set of what the industry recognises as the normal paperwork? Another question would be what is known about the franchisor and how is its operation regarded in the franchise community? This is critical because the franchisee is entering into a very close relationship where what amounts to business personalities plays an important role. Above all, the franchisee is seeking to go into a business to make some money and for that they should consult an experienced accountant.

New Zealand is famous for its *do it yourself* tradition. Franchising is an area where doing it yourself can quickly lead to financial and other kinds of disaster. This is definitely an area where information is king and seeking and obtaining advice in the beginning can reduce the risk of far more expensive consequences later. This applies especially in the areas involving legal, accounting and other business consultancy areas where knowledge is available, but achieving success requires using the knowledge resource which are there.

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23.11.09
SC-100445-3-62-V1:sc