

Operating Manuals are the Foundation of a Successful Franchise

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After the *Franchise Agreement*, the **Operating Manual** is the most important document issued to the franchisee. Too often, however, it is given low priority both at start-up and later on as the network matures. This is partly because the scope and functionality of the manual is underestimated and partly because it is onerous to develop and maintain. When each franchisee complies with the *Terms & Conditions* of the *Agreement* and follows operational detail precisely, the franchise network and the brand become strong.

The main purpose of the **Operating Manual** is to document the business system and know-how - and thereby protect the franchisor's intellectual property (IP). But a good manual does much more. It underpins and reinforces the *Terms & Conditions* of the *Franchise Agreement*, provides the franchisee with detailed operational information about working methods and procedures, gives examples of best practice and sets benchmarks for improvement.

Therefore, great care must be taken to ensure that no part of the Manual falls into the hands of any unauthorised person, because the Manual contains information about the working methods and practices not generally disclosed to the public, trade and other creditors. A franchisee should be asked to sign a *Confidentiality Agreement*, to be kept in the Manual as a permanent record, before a copy of the Manual is issued. A franchisee must not make copies of the Manual unless written permission has been received beforehand.

As a minimum, the **Operating Manual** must set quality standards and provide a cohesive framework to ensure uniformity and conformity across the Franchise Network; at its most refined, the Manual becomes an extremely powerful management tool for assuring quality. It is also an

invaluable method for training the franchisee and his staff at arm's length - particularly where the Franchise Network extends overseas.

The first benchmark in assessing the type of support likely to be received by the franchisee throughout the term can be gleaned from the *Franchise Agreement*. Here, it is worth noting that a franchisor with a relatively simple business format franchise may go to great lengths to qualify his obligations and provide franchisees with a comprehensive Manual, spelling out - in great detail - how quality standards are to be applied uniformly across the Network. So, however, simple or complex the System, there should be numerous references to the Manual throughout, obligations being placed upon both franchisor and franchisee with regard to use, issue, updating, confidentiality and copyright.

The **Operating Manual** must create - and enable franchisees to deliver - the perfect customer experience. It must be tailor-made to the specific business requirements and strategy of the franchise - not merely the type of business being franchised or the concept. There may be a number of companies providing the same services or products, but it will be the franchisor's distinctive management style, core values and vision that will enable the franchisee to bring the business to life. Management style, brand values and Unique Selling Proposition (USP) must be strong recurring themes throughout the manual.

In accordance with the *Franchise Agreement*, the franchisor is required to have the manual ready for the first influx of franchisees. Ideally, it should be issued to a franchisee at the start of - or throughout - induction training. Therefore, it makes sense to prepare your manual in such a way that it dovetails with the subjects covered in the franchisor's induction/initial training programme.

If the franchisor is piloting the franchise over the **British Franchise Association (BFA)** required period of 12 - 18 months, many franchisors are developing new systems and procedures and are not in a position to fully document them. It is important to understand that a professional

Operating Manual is a living document that will metamorphose from pilot into a fully fledged *First Full Edition* and become a powerful quality management tool. To be effective, it must mirror the many changes, modifications and refinements made to the franchise at all stages of development. As the business develops, in parallel with the franchisor's development training programme, the manual is the vehicle for introducing new-products and systems.

An operating manual should act as:

- A comprehensive reference resource
- A training tool for the franchisor at induction training or when the franchisor operates at arm's length – ie. through a Master Franchisee
- A training tool for the franchisee when training staff
- A marketing tool
- A business development tool

A well-documented manual will help to achieve:

- Greater efficiency
- New levels of customer satisfaction
- Greater customer loyalty
- Stronger links between franchisor, franchisees and customers
- Improved understanding of the business relationship and franchising
- Better targeted help and advice for franchisees from franchise support staff, reducing the number of unnecessary enquiries, freeing them to concentrate on the real issues of running the franchisee's business

The manual for a mature franchise should cover procedures for:

- Setting Up & Supporting a new business
- Operating & Managing Day-to-Day Requirements
- Developing the Business - ie. on-going development

A professional **Operating Manual** will:

- Define the franchisor's core values
- Set quality standards and ensure franchisees and staff fully understand

their roles in maintaining quality

- Set benchmarks for improvement and identify any means for measurement
- Identify the franchisee's key responsibilities
- Document the main operating requirements
- Document the main management requirements
- Dovetail with existing documentation – eg. using cross-references
- Pin-point where to go to for more information, help and advice

When assessing the suitability and quality of a preferred franchise, an intending franchisee would be well advised to undertake some early research to substantiate how much importance is placed by the franchisor on providing franchisees with fully-documented quality standards and operating procedures. For, it is the Manual that reinforces the terms and conditions of the *Franchise Agreement*, provides the franchisee with information about the working methods and practices, and sets out the way in which the franchise must be operated.

Because they are required to conduct their business strictly in accordance with the Manual, the terms of which should form part of the *Agreement*, the franchisee should be given sufficient opportunity to study the Manual – having signed a Non Disclosure/Confidentiality Agreement – and agree with its Contents before the *Franchise Agreement* is signed. Ideally, a copy of the Manual should be issued to the franchisee when induction training commences, because the contents should dovetail as closely as possible with the subjects covered during induction training.

The franchisor issues a [numbered] copy of the Manual on loan for the exclusive use by the franchisee and his staff but remains the sole and exclusive property of the franchisor for the duration of the Agreement. When the Agreement is terminated, the franchisee must return the loaned copy to the franchisor, together with any other authorised copies - or sooner, if requested. Numbering each copy of the Manual enables the franchisor to keep track of copies and is also useful where an obsolete Manual is returned prior to a new version being issued.

The franchisor must keep the contents of the Manual up-to-date and is responsible for providing full written details of any alteration so that the text remains authentic, reflecting changes to the System or within the marketplace. Because the Manual is a living document, to be used continuously, franchisees should be consulted so that improvements and refinements through operational practice can be made. Improvements and refinements are important benchmarks towards quality management.

Some of the best-written manuals are produced quite cheaply; some of the glossiest are just a veneer; and, simplicity of a System should not be confused with a franchisor's ability [or otherwise] to provide the franchisee with a comprehensive and effective reference work covering all aspects of the Business. The Manual must provide an effective means of imposing, implementing and controlling management policy and operating practice towards conformity and uniformity across the franchise Network. Each franchisee must understand his responsibility in assuring quality across the Network and be given sufficient expert guidance to enable his business to expand.

For more information about operating manuals, visit www.manual-writers.com or call 01926 641402.