
The Operating Manual: The Powerful Management Tool for 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.

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 more – 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. At its most refined, the Manual becomes an extremely powerful management tool for assuring quality and consistency. It will also prove invaluable when used by the franchisee to train staff.

When each franchisee complies with the *Terms & Conditions* of the *Agreement* and follows operational detail precisely, the franchise network and the brand become strong. Conversely, if one franchisee fails to comply, the network and brand are weakened.

A well-documented professional Manual should assist franchisor and franchisee in achieving:

- 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 a franchisee's business – and troubleshooting

In addition to a comprehensive reference resource, it should be capable of being used as:

- A marketing tool
- A business development tool
- A training tool for the franchisor at induction training or when the franchisor operates at arm's length – eg. via a Regional or Master Franchise Agreement

The Manual will cover:

- Business Establishment – ie. setting up and supporting a new franchise

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- Day-to-Day Operating & Management Requirements
 - Business Development - ie. on-going development to preparation for sale

It should:

- Reflect the franchisor's core values and management culture
- 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 and operational requirements
- Document the main management requirements
- Dovetail with existing documentation – eg. formwork – using a good systems of cross-referencing
- Pin-point additional resources for including who to contact for help and advice

Ideally, the Manual should be issued to a franchisee during induction training where its purpose and importance must be continuously stressed. Therefore, it makes sense to prepare the Manual in such a way that it dovetails with the induction/initial training programme – and sets out in operational detail – the subject matter covered.

Minimum Requirements

As a minimum, the Manual must set quality standards and provide a cohesive framework to ensure uniformity and conformity across the Franchise Network. It must describe in operational detail the process and procedures that enable franchisees to achieve these standards – and deliver a perfect, individually shaped customer experience resulting in consistently high levels of customer satisfaction. The content 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 bring the business to life. Management style, brand values and Unique Selling Proposition (USP) must be consistent, strong recurring themes reinforced throughout the manual.

Where the franchisor is testing (piloting) the franchise over the **British Franchise Association (BFA)** recommended period of 12 – 18 months with one or more franchisees, many franchisors find they need to develop new systems and procedures and are not necessarily in a position to fully document them. Therefore, Manual content will also need to be tested and perfected throughout this Pilot phase to first edition and such a franchisor would be well advised to involve their pilot franchisee(s) in this process.

In accordance with the *Franchise Agreement*, the franchisor is required to publish the Manual in time for launch. The franchisor issues a [numbered]

copy of the Manual – in hard copy or electronic format – 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*. 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. 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.

It follows, therefore, that 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. It is essential that all franchisees – and subsequently any staff – sign an *Undertaking of Confidentiality*, to be kept in the Manual as a permanent record of anyone who has access to the information, before the Manual is issued. A franchisee must not make copies of the Manual unless written permission has been received beforehand and the Manual is offered on loan only for the duration of the contract between Franchisor and Franchisee.

A Living Document

A professional **Operating Manual** is a living document that will metamorphose from pilot and *First Full Edition* to become an extremely powerful quality management tool covering every aspect of setting up, running and developing the business through to sale. Improvements and refinements are important benchmarks towards quality management. Therefore, it is important to stress that, to be effective, the Manual must mirror the many changes, modifications and refinements made to a franchise at all stages of maturity. As the business develops, in parallel with the franchisor's development training programme, the manual is the vehicle for introducing new products and systems. Therefore, 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.

A Franchisee's Basis for Assessment

A franchisee considering buying a franchise from a newly established business opportunity would be well advised to undertake some early research to substantiate how much importance is placed by the franchisor on providing their franchisees with fully-documented quality standards and operational procedures. Therefore, when assessing the suitability and quality of a preferred franchise, the first benchmark in assessing the type of support likely to be received by the intending 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 the *Agreement*, obligations being placed upon both franchisor and franchisee with regard to procedure, use, issue, updating, confidentiality and copyright.

Because franchisees are required to conduct their business strictly in accordance with the Manual, the intending franchisee should be given – and may even demand – sufficient opportunity to study the Manual having already signed a *Non Disclosure/Confidentiality Agreement* – to evaluate the value or otherwise of its content before signing the *Franchise Agreement*. If joining at the Pilot stage, an intending franchisee will need – at the very least – to have sight of a list of contents, and feel reassured that the content of the Manual will be comprehensive and available in time for the launch.

Effective or Just a Veneer?

Some of the best-written manuals are produced quite cheaply; some of the glossiest are just a veneer; 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 their responsibility in assuring quality across the Network and be given sufficient expert support and guidance to enable the business to expand.

Therefore, it is in the interest of every franchisor to demonstrate initial and ongoing commitment throughout the life-cycle of their franchise by every means available but especially in the preparation of a professional **Operating Manual**.

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