

Strategic and Long Range Planning

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I. Introduction

Even with a good measure of hard work, dedication and commitment, the management of any sizable enterprise requires planning and creativity. This point is even more evident in a franchise system due to the intricacies, importance and sensitivity of the relationship between the franchisor and franchisee.

Management is responsible for the successful operation of the system. Management is responsible for anticipating events, recognizing opportunities, organizing activities, directing the course and controlling a variety of factors - ensuring that they function effectively and cohesively. A well-developed Strategic Plan can be essential to achieving those aims.

Developing a Strategic Plan is no guarantee of success, nor can it assure the avoidance of failure. But failure is often caused by management's inability to anticipate simple factors, or take advantage of opportunities that could have been foreseen. Through the process of formulating a plan, issues and assumptions can be exposed to detailed formal scrutiny, early enough to make effective management possible. But, possessing a plan is inadequate for effective management when the planning process is viewed simply as an exercise and the document is not utilized as a tool for managing the business.



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Strategic plans can also be an essential tool in working with outsiders including your bankers, investors, suppliers and franchisees. But whether developed primarily for internal use in managing the business or prepared for third party review, Strategic Plans should follow the same guidelines:

accuracy - reasonableness - completeness

Even where the intended document is limited in scope, franchisors should progress through the process as if the intended document is a strategic plan. This will enable them to:

- Fully review every aspect of the business
- Determine the strategy
- Organize the tactics
- Measure its effect and benefit
- Take action

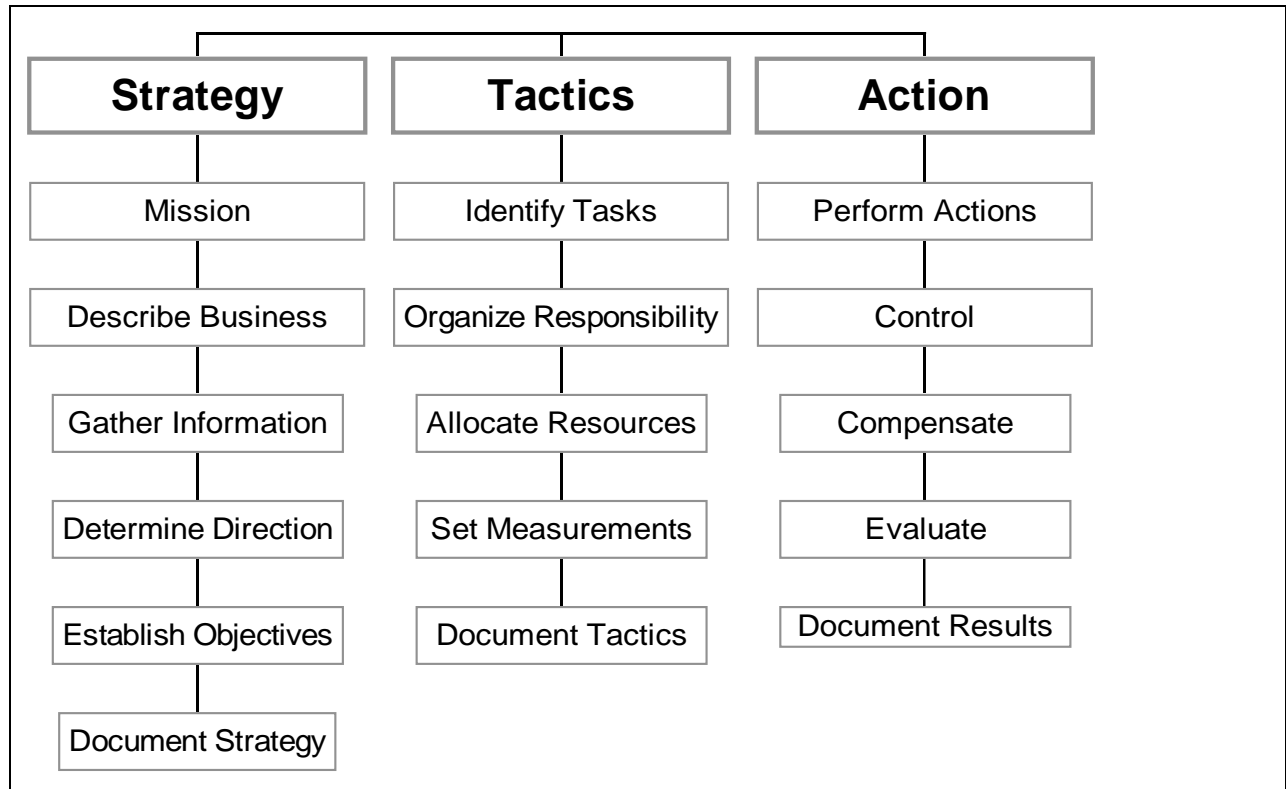


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II. Writing The Strategic Plan

There is no such thing as a uniform Strategic Plan - just as there is no such thing as a uniform business. However, your Strategic Plan should express the unique quality of your business, as well as capture the fire and enthusiasm that you feel for it.

Strategic plans are rarely completed in a single draft. They are constantly redrafted until finalized.



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Once finalized, to be effective they should be utilized for the management of the business, actual events evaluated against plan, and updated on a regular basis as realities change. While many businesses draft an annual strategic plan, it is essential that it be reviewed and updated regularly throughout the year. Plans should be measurable against underlying objectives matched with underlying responsibilities.

A. Layout

It is important that there is a logical flow of information through the various sections of the Strategic Plan. In laying out the final plan, you should put yourself in the position of someone wanting to find out about the company. The number, and even the position of the sections will depend upon the size and nature of the company.

Any number of formats can be used. However, certain key elements should be part of every written plan. The specific needs of the company for the plan will dictate what parts are most appropriate and how detailed each should be.

Each major section of the plan should include analysis and discussion, key strategic objectives to be achieved over the planned period, and the tactical action plans that form the road map to achieving the objectives.

The following outline is one to work to, but should be tailored to the individual circumstances of your company:

- Cover sheet
- Table of contents



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- Mission Statement
- Executive Summary and Business Overview
- Industry Analysis and Background
- Markets Analysis and Strategy
- International Expansion
- Organizational Structure
- Operational Format
- Franchisee Selection
- Legal Overlay
- Financial Models
- Other Evaluations
- Implementation Plan and Schedule
- Appendix

B. Zero Based Approach

In developing the strategic plan a "zero based" approach should be utilized.

A zero-based approach requires that every major aspect of the business is reviewed and evaluated for its cost and contribution to the company. Nothing is accepted because of its historic reality. This includes, but is not limited to:

- Management
- Domestic or international markets
- Franchisee profile



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- Fee structure
- Relationship structure
- Concept structure
- Asset management
- Suppliers, etc

In a very real sense a Strategic Plan, which is developed by utilizing a zero based approach, forces management to reassess the business, from its core, each time the plan is written and evaluated.

C. Benchmarking

The plan also establishes the benchmarks by which you measure your accomplishments against targets. The benchmark targets should be designed to be reviewed in short-term sequences and the results measured against these targets on a frequent basis

This will serve several purposes:

- Allow for a detailed analysis of anticipated future events prepared by the staff responsible for achieving those plans.
- Provide for a frequent measuring tool to utilize in evaluating success.
- Enable frequent reassessments and therefore frequent updates.



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Business is a creative activity. It is also an interactive activity. Each component of the plan, operations, training, marketing, expansion; financial, legal etc. are integrated. Actions in one area create reactions in others. Therefore, the final product of the strategic planning process should be based on the components and measured "in real time" against the benchmarks of the components.

III. Plan Development

A. Responsibility

Determine in advance who will be responsible for the development of the plan. Strategic Planning is a senior level management activity and should not be relegated to junior staff. While the strategic plan is the accumulation of information and input from various sources and individuals, the final version should be the product of one person. However much help they may receive with the technical and financial details, one person should be responsible as the author of the plan.

B. Strategic Planning Vs. Financial Budgets

Many companies relegate the development of the strategic plan to the financial team as they mistake strategic planning for financial budgeting. Financial budgets are only yardsticks that translate activities into their cost and revenue relationships. They are used as a convenient measure against future activities and therefore represent only a small part of a proper strategic plan.



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C. Planning Process

1. Research

The plan development process begins by accumulating information on every aspect of the business. Research for the plan is a continual process. During the year, any information useful for inclusion into the plan should be accumulated by the person responsible and used for the periodic and annual reviews and updates.

2. Planning Team

The actual strategic planning process should begin with a series of focused meetings between management, staff and the company's outside advisors. While many companies have the capabilities to write a strategic plan internally, it is useful to include your outside professional advisors and franchisees into the process. Outside advisors can bring an added dimension of independence and experience most companies cannot achieve internally. It is this independence that is most important in challenging the established methodology of operating the business. Franchisees can bring a differing perspective which senior management must be cognizant of.

Perhaps the most subtle, but no less persuasive, reason for initiating a strategic planning process is the impact it can have on the management team and franchisees. In a typical situation, line managers draw plans encompassing only their own area of responsibility. An effective strategic planning system requires the entire management team to set objectives and draft action plans for the company as a whole. The process virtually requires each team member in conjunction with the franchisees to think beyond



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their own function and to look at their impact on the whole company. This tends to foster cooperation among all participants.

3. Prior Year Evaluation

Begin with a detailed evaluation of your prior plan.

- What had you anticipated?
- Was it achieved and if not, why not?
- If it was exceeded, what were the reasons
- Is it likely that those events that allowed you to exceed the plan will reoccur
- Were you too conservative in last years planning?
- What changes have occurred since the last plan was drafted:
 - Within the company
 - Within the industry segment
 - Within regulations which affect the company
 - Within franchising

It is important to rationally evaluate the past in order to build on expected and unexpected accomplishments. Past mistakes should not be repeated or worse hidden by including prior year's shortfalls as reasonable expectations in the current plan.

4. Action Plan

As the process evolves, decisions regarding direction will need to be made quickly so that the process is not impeded. The end result of these meetings will be the creation of



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an **action plan**. The action plan will detail responsibilities and time lines to complete the respective components of plan.

No matter how many times you have created a strategic plan for the business, do not fall into the trap of saving time by simply copying last years information into this years plan. Start each year as a clean slate, and, using a **zero based strategy**, an effective plan can be developed.

IV. Strategic Plan Components

An effective strategic plan should include all five of the following characteristics:

- **Written** - because many people need the information; so that no information will be lost or forgotten; and to gain the credibility for the plan and the company that only a written document can provide.
- **Dynamic** - because the plan is to be used as a road map, it must be a living document that is reviewed periodically and updated when assumptions change or new information comes to light.
- **Loose leaf** - to provide a means for making revisions easier and to facilitate its regular use in daily decision making.
- **Comprehensive** - to cover in detail all aspects of the company's operations
- **Used** - because the plan stuck away on a shelf or in a drawer cannot provide any benefits. Positive results will only be achieved if the entire management team uses the plan.



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A. Cover Sheet

The cover sheet should contain the name, address, and phone number of the business. It may also include the names of the principals engaged in operations and the officers of the company. Graphics, such as the company's logo and the use of color, can be employed on the cover sheet to embellish it for presentation purposes. This becomes a more significant consideration when the strategic plan is to be shared with outsiders, such as financial institutions, franchisees or vendors.

B. Table Of Contents

Regardless of whether or not the plan is developed for internal or external use, the contents page will allow for quick reference to specific areas in the plan. If the strategic plan is to have any practical utility, it must contain this feature.

C. Mission Statement:

A Mission Statement can be one of the most effective tools a franchisor has for the control over the quality and consistency of the system. The goal is to develop a corporate culture, embodied in the Mission Statement, which becomes the **"fabric of the system"**.

Anyone who has ever operated a franchise system knows that even with the best documentation and procedures, it is the implementation that's important. When the corporate culture is well-developed and documented, franchisees, management and staff can better intuitively know how the system is meant to operate and will therefore recognize when their implementation is inconsistent with the established culture.



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The mission statement is the beginning of this cultural development. It should not only be written and broadly published, it should be concise and an accurate reflection of the company. It should be a statement that describes the fundamental reasons for the company's existence and should establish the scope of its activities.

The statement should reflect the corporate philosophy as it relates to such things as:

- Profitability
- Professionalism
- Customers
- Employees
- Franchisees
- Vendors
- Community
- Owners

D. Executive Summary And Business Overview

This is the first major section and summarizes all that follows. It provides basic information on the background and current operations of the company. Areas such as history, key management roles, types of business, locations, business form (corporation, Limited Liability Corporation, partnership, etc.) would be included in this section.



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For internal purposes, the business description can be brief and serve merely as an overall information recitation. However, when outsiders are to review the plan, much more emphasis should be placed on this section to paint an accurate picture of the company. Information should be clearly communicated, as judgments will be made on the first impressions of the reader. It should be accurate and succinct and describe all that you are doing and hope to achieve. Keep it business like and avoid internal jargon as much as possible.

1. Describe The Business And Why It Is Unique

- What is your product or service?
- Why is your market attractive?
- Who are your customers?
- Who are your competitors?
- Why are your products or services preferable to those of your competitors?
- How far has your company evolved to date?

2. The System

- How large is the system both company owned and franchised?
- What is your current relationship with your franchisees?
- What is the profile and mix of your existing franchisees?
- How will this change in the future?
- What is your intended expansion strategy - markets, methods etc.?



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3. Detailed History Of The Development Of The Business

- Date and form of origination
- State the present status of the organization (public, private, corporation, partnership etc.)
- Who were the founders and are they presently active in the business?
- Was the business acquired from the founders? When?
- Present financing. (Equity ownership, loans, mortgages, overdrafts, debentures etc. outstanding)
- What are the major accomplishments of the business?
- What setbacks have you met?, etc.

4. Management's Qualifications

- Who is in management?
- What are their responsibilities?
- What is their past success record?
- What abilities do management bring to the company at this stage of its development?
- What is the ownership of the company?

5. Financial Summary

- Historic financial information and trends.
- Projected financial information and assumptions.



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- Anticipated growth.
- Anticipated earnings.
- Period of time required to achieve projections

6. Capital Requirements

- How much additional financing or capital is required?
- What form will the funding take?
- What will the funding be used for?
- How will the financing be repaid?
- What are the risks/rewards for the investors?

E. Industry Analysis And Background

Next to the Executive Summary the Industry Analysis and Background section will be the most closely read sections. In order to have a clear direction for the company, it is important to understand the industry you are in, your competition and your position in the market. The development of this section should proceed the development of all other section and therefore drive the planning process.

For clarity and comparison purposes, use charts, where appropriate, to compare your company, its products and services with those of the competition. There is no need to make this section too technical. Technical reports and studies should be included as appendix to the plan.



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From this section come the key marketing, operational and expansion concepts that translate into projected sales dollars. These in turn influence the financial projections and set the overall performance standards for the plan period.

The process begins with identifying the opportunities in the marketplace. These must of course be consistent with the Mission Statement. Rather than have this consistency limit the choice of market opportunities, a realistic Mission Statement forces a broadened search. If it requires new or additional services for example, then the market analysis should take these opportunities into account, even though the company may not currently have the resources on hand to support the effort. Provisions for adding resources, when needed, will come later in the planning process.

Any number of methods can be used to analyze the marketplace. Among these are market surveys, demographic and other studies, discussions with franchisees and even discussions with other franchisors. Regardless of what methods are used to examine the market, the following information should be obtained as part of the plan:

1. Competition

A franchisor has at least two products.

- That supplied to the end user customer, and
- The rights it grants to its franchisees



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We are often told that franchising is not an industry, but rather a unique distribution and marketing system or method. Within the context of competition however, it has all of the attributes of an industry.

Franchise systems compete at two broad levels:

- At the retail level for customers
- At the franchisor level for franchisees

These are further analyzed:

- Within the industry segment,
- Within the indirect segment, and
- Within the investment/price/delivery/category,

2. Describe the Industry(s) in Which You Operate

- What is the size and trends for the industry? - both now and expected throughout the period covered by the plan.
- Who are the major participants in the industry?
 - Competitors
 - Market Leaders
 - Suppliers, etc.
- What markets are they in?
- What are their relative strengths and weaknesses?



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- Is the segment dominated by a few, or is the market fragmented?
- Are there a large number of potential customers, or do a handful account for a high proportion of sales?
- What factors are important to the success in your industry?
- What do published forecasts say about the future growth and profile of the industry?
- What fashions, legislation, environmental or business trends will affect your industry?, etc.
- What is the target for penetration of the markets?

A file should be maintained for all major competitors. This file should contain key information describing each competitor and be updated in normal course of business during the year.

3. Products And Service

- Describe your product and service.
- How is it perceived in the marketplace?
 - Quality
 - Service
 - Cleanliness
 - Efficiency
 - Effectiveness
 - Uniqueness, etc.
- How does it compare to the competition?
- How does the competition sell their products or services?



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- Who are their customers?
- What are the opportunities for change?
 - Product or service expansion opportunities
- What is your pricing strategy?
- How are the goods or services distributed?
- What is the pattern of sales?
- Are there any patents or other rights that affect the business and are they current?
- How long do these rights last?

4. Potential Internal And External Risks And Pitfalls

This exercise can be among the most rewarding to you. Few ever sit down and actually think about where they fit into the industrial scheme of things. It can improve your general perspective and understanding of how the industry operates.

- Describe the services you provide to your franchisees.
- Determine the cost of providing these services in a comparative light to those of the "competition".
- What is the profile of your franchisee?
- What are the franchisee selection criteria?
- What is the marketing strategy?

These will be detailed in depth in later sections.



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The results of the industry analysis and background form the basis for the marketing strategy. It describes what the company wants to achieve in the marketplace - how it will take advantage of the opportunities identified.

The strategic objectives should elaborate on the following considerations:

- Target markets
- Target accounts
- Estimated market share and sales for the period covered by the plan
- Recommended pricing policies
- Sales plans for resources required to produce the sales identified in the analyses. These include, retail marketing, franchise sales, compensation, territories, recruiting, training and similar issues.
- A promotion plan designed to support the marketing objectives - both retail and franchise - including image development, preparation of presentations, brochures, media, etc.

F. Markets Analysis And Strategy

Agree to the target markets and market penetration strategies for the company.

1. Examine Markets Targeted For Expansion:

- Existing markets
- Those designated for future penetration
- Timing for entrance



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- Critical mass requirements
- Company operated
- Franchisee operated
- International

2. Planning For Expansion

Many franchisors allow the telephone to drive expansion decisions.

- Potentially, an unfocused expansion strategy is financially dangerous for the company, as the cost of servicing the franchisee may not provide an adequate return to the franchisor.
- It can cause problems in maintaining quality standards and ultimately unit performance. This could lead to and fuel franchisee unrest.
- It can be a waste of marketing resources, as a broad-based marketing may not be as effective in developing critical mass.
- An unfocused market development strategy requires the company to be reactive rather than proactive

Market strategies should be made based upon an examination of all methods of expansion including company owned, individual and multi-unit strategies.

3. Site Requirements



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Determinations should be made of:

- The critical site selection criteria
- Issues of lease negotiations
- Master/head lease decisions required for site control
- Construction specifications
 - Define dimensional, layout and environmental requirements for franchisee structure
 - Define the assistance provided to the franchisee with respect to the construction, renovation, equipping of structure, location and approval of location
 - Define exterior design and standards for the franchisee structure and facilities in the domestic and international markets
 - Define interior design, layout and architectural
 - Define maintenance and physical inspection reports
 - Define list and cost of build-out, acquisition, furniture, fixtures, equipment etc.
- Define pre-opening requirement for new franchisees
- trade dress issues etc

These criteria, not only are analyzed in the strategic plan but as appropriate are incorporated in the systems operating manuals, policies and legal agreements.



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4. Critical Mass And Strategies

Critical mass reviews of existing markets should be made to determine additional penetration required which will optimize the systems:

- Market share and potential
- Field service cost per unit
- Distribution costs per unit
- Marketing costs per unit

Prior to entering new markets, the company should have a similar understanding of the key critical mass requirements. Entering new markets should not be the goal. Effective entrance into new markets should be the goal.

An assessment should be made of the systems:

- Core market strategy
- Tertiary market strategies

This assessment can have an effect on the systems franchisee selection criteria as core markets may require a larger and more rapid expansion than tertiary markets and therefore may be attractive only for multi-unit expansion.

Failure to anticipate these differences may preclude effective core market expansion in the future should individual franchisees be established in the markets. A lack of a strategic market focus is one of the key weaknesses in many franchise programs.



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5. Timing

A review of the timing required to locate, develop and commence the operations of new units should be made.

Companies are often surprised when conducting this review that what was assumed to be a short cycle from franchise sales to opening is indeed a much longer cycle. This review often reveals the cause of underlying financial and cash flow problems for the franchisor, even where franchise sales have met target. It is also a critical determination required for an accurate disclosure to prospective franchisees.

6. Existing Locations

A review of the system's locations should be made to determine:

- Physical condition - repair and maintenance
- Variations in designs and equipment - old design vs. new design
- Variations in products and services - consistency and quality
- Variations in signage
- Franchisee and company owned locations

While franchisors typically rely upon franchisees to provide the capital to maintain their own facilities, a review of possible system wide capital requirements is critical in determining the ability of the system to keep pace with the competition. It also enables



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the system to review possible opportunities with lenders to establish capital programs for their franchisees.

G. International Expansion

Agree on the international expansion strategies for the company. Many companies when initiating foreign distribution choose English speaking markets, such as England, Canada and Australia. It is assumed that with a similar language, the culture of the target market will be similar. While the language may be similar, the differences, even among the English speaking countries can be significant. Therefore the questions to be examined in determining suitability for franchise expansion will be the same for all countries.

1. Consumer Information

- Population size
- Geographic distribution of population
- City analysis
- Education of consumer population
- Per capita income
- Religious and cultural issues
- Westernization
- Standard of living
- Local trends
- Seasonally factors



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These determinations will lead to answers to critical questions, including:

- Size of the established market for companies products and services
- The existing need for the merchandise or service
- System modifications required
- Elimination or expansion of certain core merchandise
- Disposable income and spending patterns of customers
- Real estate location availability, size and cost

2. Local Competition

Determine the local competitive nature of the targeted markets

- Track record of other American companies in the market, whether or not direct competitors or franchisors
- Analysis of local competitors for the end user customer

These determinations will lead to answers to critical questions, including:

- Merchandise lines
- Market share
- Site selection
- Physical layout
- Marketing and advertising
- Local advantages



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- Labor issues
- Supplier issues
- Quality standards

3. Distribution And Supplies

Determine the maturity of the market and its abilities to provide basic system requirements.

- Availability of locally available basic necessities
- Products and supplies including:
 - Disposable
 - Equipment
- Reliability
- Trade secret protection
- Cost for importation of basic necessities including:
 - Freight
 - Internal Distribution
 - Storage and warehousing
 - Inventory maintenance
 - Tariffs and non tariff barriers
 - Quotas
- Equipment including compatibility - size, electricity, local standards, etc.
- Infrastructure requirements including:
 - Equipment



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- Material for build out
- Labor for build-out
- Real estate cost and availability

4. Political And Economic

Assess and prioritize the political and economic climate of the targeted market

- Stability of the government
- Inflation
- Trade statistics
- Economic indicators
- Relationship with the United States
- Restriction on trade by the United States
- Risks associated with economic instability, expropriation
- Availability of insurance against political risk
- Currency restrictions and approvals required
- Conversion into dollars
- Restriction on expatriation
- Fluctuation of currency
- Available methods for remittance and time required

5. Labor Issues

Assess and prioritize the labor issues which may effect store operations



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- Labor laws
- Availability of skilled labor
- Education of available work force
- Unionization

6. Marketing

Assess the changes that may be required in marketing due to local conditions in the targeted markets.

- Packaging design changes required
- Trade name changes require
- Types of media used in market
- Cost of media in market - reach etc.
- Availability of media for market
- Suitability of domestic marketing concepts for use in country
- Sales promotions used in market
- Public relations availability and suitability in market

7. Service Costs

Assess the structures for the international relationship and the costs of franchise system support.



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- Dependent on Structure of the Relationship Selected
 - Company owned operations
 - Subsidiary
 - Branch Operations
 - Direct franchising
 - Area development
 - Area Representation
 - Master franchising and Sub franchising
 - Management contract
 - Joint Venture Ownership
- Services required and provided
 - In country management
 - On site inspection
 - Construction/architectural supervision
 - Signage and logo translation and conversion
- Distribution costs
- Travel costs
- Translation costs including
 - MIS/POS (IT)
 - Manuals
 - Training programs
 - Marketing materials
 - Signage
- Concept translation costs including:
 - merchandising



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- Consistency standards
- Cleanliness standards
- Merchandise/service reconfiguration to local taste and acceptability

8. Legal Structure Of Foreign Country

Assess the legal implications of entrance into international franchised distribution

- Regulation of foreign investments
- Technology transfers
- Franchise laws and requirements
- Disclosure obligations
- Prohibited acts
- Commercial treaties with United States
- Local laws and restrictions
- Importation restrictions and domestic sourcing obligations

9. Trademarks And Trade Names

Assess the protection available to the brand and operating systems within the targeted markets.

- Availability of trade name, trademark and service mark
- Prior usage of marks in country
- Ability to register marks



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- Time and cost of registration
- Availability of measures to protect marks during and post relationship
- Restrictions
- Sublicensing of marks
- Requirements to register and file for the master franchise
- Requirements for end user agreement filings
- Contract Revisions
- Protection required in contiguous countries
- Treaty obligations and protection
- Post termination rights

10. Structure Of Fees

Based upon the identified costs of system support, the projected revenue stream for both the franchisor and franchise and the targeted rate of return, determine the recommended fee structure for the system.

- Local restrictions
- Types of sales on which to base fees
- Repatriation and conversion issues

11. Taxation

Determine the domestic and international tax implications for the fee structure of the franchise system.



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- Types of fees subject to tax
- Responsible party for tax payments
- Allocation of fees to reduce or eliminate taxes
- Withholding taxes
- Value Added taxes
- Income Taxes
- Stamp Tax
- Local taxes
- Refundability
- Tax treaties
- Foreign tax credits available
- Excise taxes imposed
- Treatment of repatriated and non repatriated income
- Personal tax obligations for any on-site US citizens

12. Contract Provisions

Define the structure of the franchise relationship

- Foreign ownership
- Relationship structure
- Trademark issues
- Transfers - ability and fees
- Non competition covenants



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- Pricing
- Territorial rights
- Supplier restriction and domestic sourcing requirements
- Development schedules
- Labor Unions and restrictions
- Enforcement issues
- Jurisdiction
- Methods available for dispute resolution
- Enforcement rights
- Injunctive relief
- Liquidating damages
- Termination rights and obligations
- Local insurance requirements to protect against consumer risks

13. FRANCHISEES

Define the franchisee recruitment strategy

- Sourcing
- Governmental assistance
- Due Diligence
- Negotiations
- Criteria
- Organization
- Training, local and US based



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- Levels of training required and provided

14. Other Issues

As the strategic planning is conducted, other criteria and issues will be raised and addressed

H. Organizational Structure:

1. Management Style

Management style, duties and responsibilities should be detailed. An effort should be made to outline significant aspects of management positions and the people who fill them. For example, if the franchise system is run basically by the Chief Executive Officer, this should be noted as it will affect how other parts of the plan will be handled. Or, if a management team concept is employed, the key members of the team, their responsibilities, and their relationships should be identified. In either case, key management should be highlighted with career accomplishments, resumes, etc.

2. Ownership

Ownership of the company refers to the type of structure (corporation, limited liability corporation, partnership, etc.) and identifies the principal owners.



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3. Corporate Culture

The discussion would answer such questions as:

- What is the atmosphere in the organization?
- Is the dominant management approach paternalistic, autocratic or collegial?
- Are franchisees involved in decision making?
- Are cooperation and communication stressed or is competition prevalent.
- Is the company people oriented?

In conjunction with corporate culture, the company could answer many of these questions through an employee and franchisee attitude questionnaire. Questionnaires should be administered to all franchisees and employees. The results highlight general trends in corporate attitude. These can be of great help when reviewing management style, corporate culture, strengths and opportunities in communications and cooperation, and similar human relations concerns. Once the overall culture and style have been reviewed, objectives can be set and tactical plans made to take advantage of the opportunities identified.

4. Organization

Organization refers not only to the formal organizational chart, but also to proposed structures for the future, primary roles and new roles, balance, information flow and communications.



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Discussions in this section should also include staffing - both current and projected. Current staffing levels should include counts of people in each functional area and total payroll expenses. The projected staffing levels should include the same detail. Remember that these personnel requirements result from tactical plans developed throughout the strategic plan. They should be accumulated here to tie them together with their overall impact on the company.

This section should also review the status of franchisee relations, as well as such subjects as recruiting, training and retention. It should review cooperative arrangements including franchisee advisory counsels, buying cooperatives, etc.

1. 5. Organizational structure to meet anticipated growth

- Franchisor management
- Headquarters and regional staff
- Field staff
- International operations
- Franchisee operations

6. The Organizational Structure Will Detail:

- Appropriate staff organization and reporting relationship for developing and managing the franchise system
- Skills, knowledge, experience and personal qualities required for each staff position
- Description of the position for each staff person
- Roles and responsibilities



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- Lines of authority
- Regional offices and location of staff
- Salary range and benefits for each staff position
- Determine recruitment of additional staff

Developed against measurable norms against the objectives established for each department.

7. The Size Of The Field Organization Should Be Determined On:

- Financial cost of servicing the system
- Critical mass determinations
- Franchisee and company owned unit performance criteria
- Visitation requirements
- Types of support
- Scope of services to be provided to franchisee
- Forms, procedures, mechanisms to deliver services
- Role and responsibility of field staff (training, number of unit responsibility, methods of communications, statistical information, etc.)
- Inclusion of local, regional, national franchisee, franchisor meetings (information, relations, communication, new programs, products, promotions etc.)
- Role of field staff in local training program

At each organizational level of the company, in order to improve performance and maintain an acceptable balance between revenue (current and future) and the cost of



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operations, the organizational structure should be developed on a zero based system which assures that staff is adequate and positioned to achieve the goals of the company.

8. System Wide Unit Analysis

A system wide unit analysis, both from a financial perspective as well as a quality of product and service and efficiency should be included and compared to standards established for the system. This performance matrix should enable:

- The ranking of locations
- Identification of performance deficiencies before they become critical
- Field visitations schedules
- Field visit structure

Issues to be addressed and further included in the systems manuals and training programs are:

- Format and content of the franchisee operations manual
- The assistance to be provided to franchisees with respect to operations
- Daily procedures for opening and closing the franchisee business, including controls over doors and other keys, setting of alarms, cash deposits, etc.
- Labor requirements (in relations to sales volumes, minimum staffing etc.) and document the procedures for recording hours worked by staff of franchisee
- Job descriptions and qualifications for staff of franchisee
- Procedures, guidelines and forms etc. for hiring and separation of franchisee staff



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- Procedures, guidelines, forms etc. for performance appraisal of franchisee staff
- Procedures, guidelines and forms for recording damaged items, return policy, etc.
- Procedures, guidelines and checklists for housekeeping and maintenance requirements
- Procedures, guidelines and forms for ordering and recording the delivery of merchandise, equipment etc.
- Inventory control system, standards and guidelines
- Systems, procedures, controls and guidelines to minimize losses due to customer and staff theft
- Procedures and guidelines for recording and resolving customer complaints, refunds, replacement etc.
- Procedures and guidelines for energy conservation and environmental issues for franchisee
- Procedures, guidelines and forms to use in making operational reports to franchisor
- Methods of monitoring franchisee adherence to all operating policies, standards and procedures prescribed by franchisor
- Methods of monitoring levels of customer satisfaction with the services provided by each franchisee
- Procedures, guidelines and forms to be utilized by field representative during regular visits to inspect franchisee operations (e.g. rating of cleanliness, staff appearance, merchandising, inventory levels, etc.
- Methods, forms, report formats, etc. for the field staff to use for monitoring efficiency, sales and costs to improve franchisee performance
- Continuing technical and management support programs to assist franchisees
- Determination if franchisee will be required to operate locations



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- Skills and knowledge required by franchisee
- Assistance to be provided to franchisees with respect to franchisee staffing and training
- Training program and training materials for franchisees
- Skills, knowledge and personal qualities required for each staff position in the franchisee operation
- Recruitment guidelines for each staff position in the franchisee operation
- Training program and training materials for franchisee staff
- Franchisor staff and facilities for conducting training programs within the system
- Training role of franchisor field representatives
- Training schedule including provisions for refresher training programs and training for new products and services (management, staff, seasonal employees)

I. Operational Format:

The operational relationship between the corporate, company owned and the franchise distribution system and encompasses all of the internal functions of the company. This section should feature a discussion of each of the major functions, describing strengths and opportunities, general objectives, and relevant action plans. This section should also focus on improving service - both at the retail and franchise level, making work flow more smoothly and cost savings.

1. System Wide Communications

- Evaluated for effectiveness
- Manuals and methods for updating



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- Training programs
- Newsletters
- Faxes
- Phone mail
- E-mail
- Field visit reports
- Advisory councils
- Cooperatives
- 800 hot lines, etc.

Communications should not be viewed in only one direction. Unit managers and franchisees achieve a heightened level of frustration when they are unable to effectively communicate with the system. Critical information, originating at the unit level must also be considered.

2. Ability to Access Information

Evaluation should be made to determine the ability of the system to access information including:

- Point of sale
- Management information system
- Unit financial information
- Operational information
- Marketing programs and effectiveness



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- Competitive analysis
- Statistical information

3. Operations Manuals

The operations manual serves several functions within a properly developed franchise system.

- It guides the franchisees and unit managers on the operation of their business in accordance with standards and procedures defined by management.
- It enables management to evolve the system through updates and revisions as changes are required.
- It is an essential part of the legal agreement between the franchisor and franchisee

It therefore impacts the relationship between the parties for the length of the franchise agreement. While the franchise agreement is basically a static document throughout the relationship, the operations manual and training programs are vibrant and need to be constantly evaluated and updated as well as communicated and controlled throughout the system.

Franchise systems update sections of their operations manuals over time. This process, while absolutely imperative to keep the system current, may make the existing manuals less readable or less cohesive as new sections are added and/or deleted. Periodic reviews of the entire manual should be made, not simply for content, but for user friendliness and effectiveness.



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4. Training Programs

A review of training programs, should be undertaken:

- Initial
- Ongoing
- Basic
- Advanced

This evaluation should review:

- Content
- Effectiveness
- Cost to deliver
- Fees charged to franchisees
- Location
- Levels and types for mandating
- Voluntary
- Training staff
- Field staff inclusion

5. Retailing Issues



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Define the retail operating system. Incorporated into the operations manuals of the company will be critical operating requirements that the franchisee and managers must abide by.

These include:

- Front of house
- Back of house
- Staffing
- Customer service
- Delivery systems
- Alternative location requirements
- Merchandising standards
- Inventory issues
- Reporting requirements
- MIS and POS requirements
- Loss prevention
- Marketing and advertising
- Catalog issues
- Other issues

A review of these retailing issues will drive changes to be incorporated in the appropriate:

- Manuals



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- Training programs
- Communications vehicles, and

eventually into the franchise systems legal overlay delivered to franchise counsel.

The plan should address:

- The business, at the retail level (product, service, niche, pricing strategy etc.)
- The specific objectives regarding such factors as market share, market positioning, rate of growth, geographic expansion, desired roi etc.
- Positioning, existing customer profile (age, income, education, frequency of visits, distance from your location etc.) and the perception of the company and major competitors
- Modification of customer profile and actions required
- Actions of competitors
- Strengths, weaknesses, threats and changes required to the company's:
 - Products
 - Services
 - Pricing
 - Operations
 - Customer base
 - Image
 - Advertising
 - Location
 - Management



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- Culture
 - Financial
 - MIS
 - Communication
 - Training
 - Planning
 - Field support
 - Market niche
-
- Form that the franchise system will assume in the various domestic and foreign market areas (e.g. individual, area, master etc.)
 - Policies concerning which units will be operated by company and which by franchisee (based on such criteria as capital available, profitability of units, geographic area, size of market area etc.)
 - Appropriateness of conversion franchising
 - Market opportunities for growth of the franchise system both domestic and international (1yr, 2yrs, 5yrs)
 - Timetables for geographic expansion, including identification of franchisor operated and franchisee operated units
 - Potential barriers to geographic expansion of the franchise system (e.g. Government regulations, ability to protect trademarks, distribution costs etc.)
 - Market research and testing required by geographic expansion goals for the franchise system
 - Costs (initial and continuing) of implementing the franchise strategies and timetables for geographic expansion of the franchise system



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- Adequacy of staff, financial and other resources for implementing the franchise system
- Retail pricing strategy
- Goals, policies and standards for product display by franchisee
- Assistance to be provided to franchisee with respect to merchandising
- Facilities and devices (shelving etc.) for displaying merchandise to franchisee's customers
- Point of sale merchandising aids (posters, mobiles, audio-visual presentations etc.) for franchisee
- Competitive questions - non Company products
- Competitive questions - Sales by Company in other distribution channels.
- Merchandise inclusion
- Packaging and labeling makes the maximum contribution to the total merchandising effort (attractive designs etc.)
- Possibilities of reducing distribution costs through packaging modifications
- Compliance with domestic and international labeling requirements
- Proper statements are placed on packages and labels to protect trademarks and trade name

6. Buying Group, Equipment Programs And Advertising Co-Ops.

One of the advantages franchisors can provide to their franchisees is the development of group buying and cooperative programs to reduce start up and operating costs to improve their return on investment.



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These include, but are not limited to:

- Discounts on equipment and supplies
- Equipment financing and leasing programs
- Inventory acquisition and financing
- Merchandising programs
- Marketing and advertising
- Catalogs etc.

The systems must be evaluated to determine their effectiveness to meeting the goals and therefore their inclusion into the franchise program.

Programs for franchisor/franchisee partnering should be evaluated. These may include:

- Franchisee/franchisor owned buying cooperatives
- Franchisee investment funds to finance:
 - Equipment purchasing
 - Real estate purchasing
 - Leasing programs etc.

These programs can provide franchisees with an investment vehicle to share in the systems growth while diversifying risk.



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7. Accounting, Control and Reporting Systems

- Assistance to be provided to franchisees with respect to accounting, control, reporting systems
- Requirements of franchisor and franchisee accounting and control systems including volumes of transactions, records, controls, audit requirement, reports required etc.
- Accounting system hardware and software for franchisor and franchisee
- Schedule of inspections and audit of franchisee accounting systems, records by franchisor and ensure franchisor has legal right to conduct such
- Sales reporting system (MIS) franchisee to franchisor
- Inventory control and reporting (MIS) franchisee to franchisor

8. Local Advertising, Publicity, Promotion

- Assistance to be provided to franchisees with respect to advertising, publicity, promotions
- Market research studies required to aid in the formation of advertising, publicity, promotional strategies, programs and budgets
- National, regional, local advertising strategies, programs and budgets
- National, regional, local publicity strategies, programs and budgets
- National, regional, local promotional strategies, programs, budgets (e.g. contests, discount coupons, gifts, franchisee incentives)
- Advertising, publicity, promotional programs for new franchisee opening



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- Advertising, publicity, promotional kit for franchisees including photos, mats, copy and rules on use of trade name, trademarks etc.
- Methods of evaluating effectiveness of advertising, publicity, promotional programs and costs

9. Location Assistance

- Determine expertise in location selection and evaluation
- Assistance to be provided to franchisee with respect to the selection and acquisition of franchisee locations
- Expertise in negotiating for the lease and purchase of locations
- Strategies and policies concerning the lease and purchase of locations
- Critical characteristics of locations (market, location, traffic, rent, size, development costs, environmental, demographics etc.)
- Methodology, guidelines and forms for finding, approving and acquiring locations (franchisee location training, in house, third party etc.)
- System for managing properties and leases
- Standard lease addendum and landlord information package
- Territorial configuration (size of market, exclusive territory etc.)
- Critical mass criteria

10. Pre-Opening

- Pre-opening services to franchisee
- Training



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- Site selection
- Construction and architectural
- Furniture, fixture and equipment acquisition
- Opening inventory
- Opening supplies
- Financing programs
- Licensing requirements
- Accounting, legal, regulatory, etc.
- Field staff assistance
- MIS installation
- Grand opening advertising and promotions

11. Purchasing

- Purchasing policies for the franchisor and the franchisee
- Assistance to be provided to franchisees with respect to purchasing
- Lists of items and services regularly purchased by the franchisor and the franchisee
- Sources for items and services regularly purchased by the franchisor and the franchisee
- Instructions, procedures and forms for purchasing actions by franchisor and franchisee
- Cost of distribution (critical mass requirements)
- Determine income sources (franchisor) from distribution system



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J. Franchisee Selection

- Prescribe and prioritize the goals and make specific recommendations for implementing an effective growth program.
- Develop a detailed critical path for the development of the franchise and company owned system to determine responsibility and time frame for each project component.

As discussed more fully in other sections, these will include:

- Market determinations
- Critical mass determinations
- International strategy
- Franchisee selection
- Goals
- Retail positioning, and
- All aspects of the company driven by these determinations.

1. Franchisee Selection Criteria And Marketing Strategy

Determine the franchisee recruitment and selection process. It is essential that the recruitment process be structured to:

- Efficiently attract the best suited franchisees



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- The selection mechanism only accept those candidates suitable for system wide success.

The selection of appropriate franchisees, and the franchisee relationship tools are linchpins to the system's future success as a franchisor.

2. Franchisee Profile

The profile of the potential franchisee and an evaluation of methods of franchisee recruitment need to be made and included in the plan. Franchisors have several alternative strategies available to them in the granting of franchise rights including:

- Individual
- Area development
- Area Representation
- Master franchising
- Conversion
- Mass gathering
- Alternative locations
- Institutional, etc.

Increasingly, franchisors are also making evaluations of accepting financial investors to open multiple locations, whether they operate them or have them operated by a management company.



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In addition, joint venture relationships and strategic partnerships have become common as a growth strategy.

3. Franchise Sales

An evaluation of the franchise sales process should include:

- Internalizing the process
- Outside brokerage services
- Compensation
- Sourcing of leads
- Handling of leads
- Closing of sales
- Cost per lead
- Cost of completing sales
- Legal compliance
- Evaluation of selling personnel

Additionally, in those systems with company owned units, a decision on Retrofranchising as an asset management and restructuring tool should be considered.

4. Franchise Sales Evaluation

In mature systems, it is useful to include an evaluation of the historic performance, both financial and attitudinal, of existing franchisees by determining who in the organization



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was responsible for the franchisee's selection to understand any potential trends which may threaten the system long term.

5. Issues To Be Addressed

- Critical characteristics required of franchisees by franchisor (motivation, experience, financial, education etc.)
- Timetables and strategy for franchisee recruitment
- Responsibility for franchisee recruitment
- Promotional and information materials required for franchisee recruitment (e.g. franchise brochure, advertisements, in store, public relations, sales aids etc.)
- Procedures, forms for evaluating and approving applicants (confidential questionnaire, interview format etc.)
- Franchise sales, promotion strategy (publications, public relations agency direct mail, seminars, in store, electronic median, trade shows etc.)
- Structure of approval committee
- Policies and mechanisms for maintaining a favorable ongoing relationship with franchisees
- Structure of franchisee advisory council
- Field staff visitation parameters and methods of communication
- Methods of continual communication between franchisee and headquarters, field and executives
- Structure of franchisee advertising co-op.
- Requirements for facsimile and voice mail in franchisee start up for continual communications



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- Field staff visitation structure (forms, purpose, duration, frequency)

K. Legal Overlay

Determine the legal requirements for the franchise system. The franchise system and the franchisor/franchisee relationship is shaped by:

- Strategic planning
- Policies
- Procedures
- Ongoing administrative monitoring
- Support services designated in the strategic plan.

The legal agreement between the franchisor and franchisee spells out the relationship and system.

1. Role Of The Legal Section

- Provide direction to franchise counsel of the determinations of management
 - Fees
 - Franchise terms
 - Renewal policies
 - Termination rights
 - Transfer rights
 - Assignment rights
 - Territorial exclusivity



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- Use and protection of trade/service marks and secrets
- Lease/sublease policies
- Site selection and criteria
- Franchisee's reporting and audit responsibilities
- Purchasing requirements
- Retail performance requirements
- Marketing and advertising
- States targeted for expansion
- International expansion plans
- Other critical system wide determinations
- Perceived areas of conflict
- All other business determinations

The main purposes of franchise counsel in the strategic planning process is to take the information provided by management on the financial and operational aspects of the company and provide management with their review and counsel.

Once agreement is reached on these issues, franchise counsel can then draft the disclosure documents, franchise and other agreements that both protect the system, but more importantly convey the reality of the system as management determines.

The legal overlay prepared by management brings legal counsel into the process and allows for the business to drive the business and not the legal documents to drive the business.



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2. Review Of Legal Documents

Many founders and senior executives of franchise systems do not read their documents until a conflict with a franchisee arises and defer that obligation to other members of management. During the planning process, at a minimum, franchise executives should review and evaluate their existing documents to ensure that they convey how they intend the relationship to be structured.

3. Other Issues

- Corporate structure of the franchisor
- Owner of the trademark, service mark, etc.
- Relationship and license fees if any between licensor and franchisor
- States to sell franchised in and registration requirements
- Officers of franchisor, background, litigation, bankruptcy
- Basis of the market area, rights assigned to franchisees (product lines, geographic territory etc.)
- Rights and limitations of the franchisor to market goods and services in competition with franchisees
- Rights and limitations of the franchisees to market goods and services in competition with one another
- Rights and limitations of the franchisee to be involved with marketing goods and services of other companies
- Trade name, trademarks, licenses, systems etc. which the franchisee will be permitted to use



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- Provisions to protect confidential trade secrets, systems etc.
- Various fees/royalties, etc. to be paid by the franchisee and define terms such as gross sales on which fees etc. are based
- Length of the franchise agreement and also options to renew, conditions and fees
- Obligations of the franchisor to the franchisee in such areas as opening of the business, training, technical support, advertising etc.
- Continuing requirements which franchisee must satisfy to avoid breaching the agreement and having penalties and termination imposed by franchisor
- Conditions governing the transfer, inheritance, assignment of the franchisee rights
- Provisions for arbitration etc. for resolving franchisor and franchisee disputes
- Conditions under which either party may terminate the franchise agreement
- Other required aspects of the franchise agreement
- Inclusion/ exclusion of earnings claims
- Other required legal documents
- Real-estate, environmental and leasing issues
- Supplier relationships
- Advertising programs and marketing options (fund/cooperatives)
- Training and certification
- Distribution practices and compliance
- Need to improve, modify trade name and trademarks for domestic and international markets
- Federal tax planning implications resulting from the development of the franchise system
- State tax planning implications resulting from the development of the franchise system



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- Foreign tax planning implications resulting from the development of the franchise system
- Need for corporate restructuring resulting from the development of the franchise system
- Federal and state tax implication of co-op advertising fund
- Review of federal and state issues pertaining to inventory, real estate leasing, depreciation/amortization
- Implications of multi-state taxation due to change in distribution
- Ongoing program to protect trade name and trademarks in domestic and international markets

L. Financial Models:

However persuasive your plan, it has to be justified in figures. The finance section is where your numbers have to stand up and be counted.

This section should consist of two major components:

- Company
- Franchisee

Each of these sections should contain:

- Analysis of historical performance
- Pro-forma (projected) results



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1. Historical Information

The historical information should contain, here or in the appendix, audited financial statements, (balance sheets, income statements, cash flow statements) and ratios for the most current year and each of the three to five previous years. It should also contain interim financial information.

This presentation should detail where the company has been and should help provide the basis for the projections that follow. Historical information is critical when the plan is to be used to obtain outside financing.

2. Financial Projections

The pro forma financial statements should - at a minimum - consist of projected income statements, balance sheets and cash flow statements for the periods covered by the plan together with analysis of return on investment.

In order to utilize the projections as benchmarks, the impending year's data will be the most detailed and should be prepared on a monthly basis. Remaining years of the plan will contain less detail, as the further out projections are made, the less accurate they become. The future years may contain only quarterly statements, or even annual projections. Investors are most interested in the first three years.

Spell out the assumptions you have used in preparing the projections. You may decide that the difficulty of accurately making projections months and years ahead calls for two



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or more sets of assumptions - one optimistic, the other more conservative. You obviously will therefore need more than one set of projections.

Sales and gross profit projections form the starting point for constructing the pro form statements. Projected expenses are determined by the analysis of costs required to support and grow the system.

3. Franchisee Information

Determine the economic impact of the plan in the financial projections for both the franchisor and the franchisee. These will need to include appropriate detailed projected profit and loss statements, balance sheets and cash flow analysis. They will also include investor analysis including rate of return, payback period and others suitable for this purpose.

One of the essential reasons that franchisors require franchisees to submit financial information is to enable the franchisor to monitor the underlying health of the system, at the local level, and plan changes required in working capital and other areas for new franchisees. Once these performance projections are prepared, often on a regional basis, they are useful in establishing performance standards necessary to target franchisor support programs as discussed above.

4. Goals

Listing key ratios and industry standards will allow you to measure how your business is operating in comparison of others in the industry.



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The goal of the financial models is to break each component of the system and those determined in the plan into their realistic economic components, both expense and revenue. It is also the basis for determining which areas, in a zero based system, are essential and which, unfortunately, cannot be included at this time.

5. Fees

The rate of growth, when coupled with the financial projections and start up and operating costs at all levels, will enable the company to make determination of:

- Franchise fee
- Continual royalty fee
- Advertising contribution
- Other income for the franchisor and expenses for the franchisee.

Many companies do not reevaluate the revenue structure of the franchise system on a frequent enough basis. This should be a continual process with anticipated changes coinciding with scheduled changes to the legal documents.

Franchisors should be aware though of the effect changes to fee will have within the existing system, even when they do not directly effect the existing franchisees.

These economic determinations should be based upon:

- An acceptable return on investment for both the franchisor and the franchisees
- Compared with investments of directly competing franchise systems



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- Compared with franchise systems in the same investment range

The fees charged by competing systems should not be the determining factor though, as each franchise system is different. Ultimately if you cannot develop a financial structure to support the objectives, the sale of additional franchises will not prove beneficial.

Investors do not want to be swamped by statistics. They want information that is clear and to the point. Let them see the likely impact on cash flow or capital expenditures, fixed and variable costs, research and development costs, marketing costs etc.

Ensure that the commentary on the figures fully explains what they mean, and the set of assumptions are clear to both insiders and outsiders when they read the plan.

6. Other Issues

A key concept to bear in mind when preparing budgeted financial information is that the business plan consists of much more than just financial projections. It is the combination of tactical action plans that have been developed to achieve corporate objectives. The financial projections are based on these tactical plans and help provide a yardstick for measuring performance. The financial projections cannot stand alone; they are merely the plan stated in terms of dollars.

All of the tactical action plans must be considered, with their impact on various fees and expenses, to tie the stated objectives and plans to the financial projections. For example, if part of the marketing strategy requires launching a massive advertising



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campaign, then the resulting costs must be reflected in the statement projections. Also, the cost of any additional personnel required in the tactical plans must become a part of the projected expenses. Thus the pro forma financial statements do not just take historical data or percentages and adjust them up or down. They reflect the impact of the action plans created in the other sections of the strategic plan.

Issues to be address include:

- Fixed costs of implementing the franchise system
- Continuing costs of managing, servicing the franchise system
- Variable costs of the franchisor for establishing each franchisee
- Total investment of each franchisee, with breakdown of components (inventory, equipment, signs, land, structure, professional, training, etc.)
- Alternative financing and leasing arrangements for franchisee inventory, equipment, signs, land, structure etc.
- Minimum capital required by the new franchisee
- Delivered cost of inventory items for franchisees in various geographic areas
- Pricing structure for products sold to franchisee by franchisor
- Suggested prices to be charged by franchisees in various geographic area
- Markdown and end of season close-out plan for franchisee locations.
- End of season outlet store relationship (purchasing, pricing, freight)
- Annual sales volume of franchisees (range and average)
- Franchisees costs for various annual sales volumes
- Projections of franchisee profits for various annual sales volume
- Methods of monitoring the financial position, credit worthiness each franchisee



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- Revenue and profit of the franchisor at various sales volumes of the franchise system, and identify sources of these revenues, cost of sales and profits
- Projections and budgets for the franchise system including capital budgets, roi, cash flow, etc. at each level
- Sales mix
- Projection of franchise sales
- Projection of franchise openings
- Franchise fee, royalty, advertising (national, regional, local, co-op)

M. Other Evaluations

There are other considerations which will need to be considered in the plan including:

- Information systems diagnostic
- Internal financial controls
- Taxes - federal and state
- Employee benefits
- Exit strategies
- Demographics
- Risk management
- Compensation plans
- Employee benefits
- Retirements, etc.



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N. Implementation

An **Action Plan** should be developed which will organize and schedule the tasks to be completed in implementing the plan. It should provide for controls and feedback to ensure a clear direction for the company.

Control over the timing of the plan's implementation is critical. The way in which you implement your plan will bring home to your franchisees, management, bankers, investors and staff the fact that the plan has meaning and you are serious about achieving your objectives.

The plan describes what you want to happen. The implementation program ensures that something is going to happen.

Many strategic plans end without an effective implementation strategy. This is one of the major causes of **strategic drift**. Without a clear implementation plan, the strategic planning process is fairly useless as a management tool. Each component of the plan that requires action should have a detailed action plan with clearly defined timeliness, milestones and responsible individuals delineated.

O. Appendices

There are a number of items which may be included in the appendix. These should include documents that support or further explain strategies and policies expressed elsewhere in the plan. The appendix section is not a place to introduce new information.



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Some of the items typically included in the appendix are:

- A glossary of technical terms, if appropriate
- Historical financial information - if they are only highlighted in the body of the plan
- Complete pro forma financial statements - if they are only highlighted in the body of the plan.
- Profiles of key members of management, if they are only highlighted in the body of the plan.
- Market research studies
- Drawings and photographs of products, locations etc.
- Detailed organizational chart
- Legal documents (UFOC, agreements, leases, abstracts etc.)
- Copies of articles about the business
- Copies of articles about the industry
- Report forms and schedules
- Complete company history

V. Strategic Team Planning

A. Introduction

As indicated in the opening section, one of the main benefits associated with planning is the development of the team approach needed to make all the elements fit together.

While a member of senior management will be responsible for the plan, no one person



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in the company can develop an effective plan - it must be a cooperative effort, involving all key functional areas of the company.

One method for developing this cooperative effort is Strategic Team Planning. As the name implies, this process brings together key management, staff and franchisees to create the strategic plan for the company. Even if this process does not produce a picture perfect written strategic plan, it will have proven extremely valuable in developing a spirit of teamwork and cooperation among management, staff and the franchisees. This spirit then spills over into day - to - day interactions in pursuit of the mutually agreed upon objectives.

The plan developed through this team approach has a much better chance of success in attaining its goals because team members have a vested interest in it. This is the difference between involvement and commitment. The team will be involved with a plan if it is developed from the top, but they will be committed to the plan only if they are instrumental in its creation.

B. How Strategic Team Planning Works

Strategic Team Planning utilizes the group dynamics of the key managers, led by a facilitator, to create the company's strategic plan. The process involves exploring internal and external factors affecting the company, considering strengths and weaknesses, establishing overall direction, agreeing on key strategic objectives, and developing tactical action plans to achieve those objectives.

1. Logistics



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The structure of a typical Strategic Planning Meeting consists of three phases:

- The Strategic Session - a two day meeting to establish overall goals and objectives and to make assignments for developing tactical plans.
 - Corporate Philosophy
 - Discovery **What we want to do.**
 - Internal/External
 - Strengths and Opportunities
 - Key Objectives

- The Tactical Session - a one or two day meeting, four to six weeks after the Strategic Session, to review the tactical actions plans developed between the two sessions.
 - Reconfirm Objectives
 - Review Tactical Action Plans **How we will do it.**
 - Finalize Plan

- Follow-up Meetings - on going meetings to review and finalize the plan and to modify it whenever events or assumptions change.
 - Review and Revalidate
 - Monitor Progress **What is the result.**
 - Revise



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By utilizing a country club, resort, or hotel as the site of the Strategic and Tactical Sessions, participants are separated from the work environment, freed from numerous phone calls and other distractions, and can devote their full attention to this important activity.

The meetings should be as casual as possible. The meeting should be set up with comfortable furniture arranged in a semi-circle. Avoid the conference room and conference table approach whenever possible. Encourage the wearing of casual clothing.

Flips charts should be available, along with a supply of markers in assorted colors. Taping the completed charts on the walls represents an excellent way to keep track of what has already been discussed and decided.

Prior to the meeting, participants should receive a list of discussion questions to stimulate their thinking. The following are some typical questions that could be assigned as pre-meeting preparation:

- What is the purpose of the business? why does it exist? what does it do?
- Describe the business. who needs do we serve? with what products? with what services?
- How would you describe the prevailing management style? what are the qualities in the organization that you most value?
- What trends do you think the industry is following? what new demands for products and services are likely to result?



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- How would you define the business environment in which we exist? how will economic conditions affect us? how will government policies affect us? how will competitive actions affect us?
- What do you consider to be our principal company strengths? what do you consider to be our principal company weaknesses? is this the way our customers would be likely to view us?
- What potential disasters could seriously impair our ability to operate normally? what can we, or should we, do to protect ourselves?
- What is our current state of relations with our franchisees? how is this likely to change? what actions would the franchisees most like us to take? what least?

2. The Team

The team entrusted with developing the strategic plan should consist of the company's key management. This would include top management and the managers of each major functional area. With discretion, during certain aspects of the planning process, franchisee representatives should participate. The idea is to include all personnel who have major functional responsibilities for achieving the plans objectives. In addition, outside advisors including consultants, attorneys, accountants, risk management, advertising professionals, should be included into the team. This will provide a third party independent view of the company and its plans.

3. The Facilitator

The facilitator, who acts as a catalyst and coordinator, is responsible for keeping the discussions on track and within the time allotted. He does not lecture or dominate the



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meeting. Instead, the facilitator acts as an objective third party who challenges the group to think, explore and create.

The facilitator should become familiar with the business, its history and objectives by holding preliminary meetings with management and a review of internal documentation. There are numerous consulting firms throughout the country who have experience in facilitating meetings. They will also assist you in establishing the agenda and follow up sessions.



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