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Effective communication strategies in a franchise organization

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Abstract *Examines the nature and success of corporate communication initiatives within a large retail franchise organization. Challenges faced by communication strategists in franchised organisations are discussed and initiatives for overcoming these barriers are outlined. Research conducted through Deakin University into franchisee awareness of, and support for, corporate instigated policy is outlined. The research, centred on corporate communication tools, found strong franchisee awareness of corporate policy with a few exceptions. Franchisee support for policies varied considerably. Recommendations for more effective communication between franchisors and franchisees include greater corporate initiated consultation and clearer promotion of core ideas that justify and explain rather than preach and demand.*

Introduction

Implementing communication systems, into any organization, that are efficient, effective and timely is challenging. Achieving this in a large, international franchise organization presents additional challenges. The nature of franchising and the power balance between franchisees and the franchisor are major reasons that communication in franchised business is further complicated. This article examines the corporate communication tools employed by one franchisor, assesses their effectiveness and proposes some initiatives to assist better communication in such organizational structures.

Bakers Delight Holdings is the largest retail bakery chain in the world with over 650 outlets throughout Australia and New Zealand. The company operates approximately 25 company-owned bakeries with the remainder being franchised. The company operates within a highly competitive and lucrative market where small retail bakeries compete against high volume supermarkets, discount independent bakers and a proliferation of general stores, grocers and gas stations. Brand name, company image, product consistency and point of difference are key success indicators for Bakers Delight bakeries.

Communication strategists within the company face a range of challenges in maintaining effective communication between the franchisor and franchisees and between the individual franchisees. Challenges include: providing timely and regionally relevant information to a diverse range of franchisees, facilitating business orientated communication between franchisees; communicating messages that demand both consistency and diversity simultaneously and creating open lines of communication that are inclusive of all stakeholders.

Constraints

In addition to the vast area Bakers Delight's outlets cover (every state and territory in Australia and both the North and South Island of New Zealand) the stakeholders are



more demanding than the employees of a company. This is because they have a large and very tangible stake in the business: if the business fails they stand to lose much more than a job. Franchisees also tend to be very eclectic groups of people bonded only by entrepreneurship. The great diversity in work history, educational standards of achievement, age and cultural and linguistic backgrounds would probably not be matched within a white collar corporate environment. Franchising makes partners of the franchisor and the franchisee because of the mutual reliance for success. This is very different from non-franchised business where the power relationship between the employer and employee is far less equal and certainly not one of mutual inter-dependence.

In Australia, the egalitarian nature of the franchisee-franchisor relationship is written in law. The Franchising Code of Conduct (1998), as an amendment to the Trade Practices Act (1974), became the first industry code with its own regulations. Essentially, the Code demands transparency in all business dealings that franchisors have with franchisees and potential franchisees; something enthusiastically policed by the regulatory authority, The Australian Competition and Consumer Commission (ACCC). Transparency is largely achieved by the Code outlining the vast amount of documentation the franchisor must provide to the franchisee and potential franchisee in dealings with them. The code also protects franchisees from anti-competitive behaviour on the part of the franchisor in the provision of services, products and price regulating.

Initiatives

In the spirit of the Code of Conduct and probably in part to commonsense, most franchisors have embraced constructive communication strategies with their franchisees. Bakers Delight have developed a suite of communication strategies aimed at fostering best practice in frontline production and service, strengthening brand name and increasing market share. There has also been a conscious effort to both promote consistency in day to day practice and invite debate on these practices.

Australia has a government for every state and territory and a federal government. In addition New Zealand has a national government. The complexity for franchise businesses operating in this environment is that all legislation relating to their outlets varies from region to region while the core business and product consistency must be constant. Therefore, communication systems must be well structured to provide accurate advice to the same question coming from neighbouring regions. Bakers Delight have implemented a dual communication initiative in recognition of these differences. The Head Office publishes core promotional material that is common across the company. Key themes such as corporate vision and values, promotion of company image and underlying policies and procedures appear in this literature.

In support of this, regional offices publish their own newsletters that are distributed within the region every two weeks. The newsletter focuses on practical and operational issues specific to the region such as state laws governing work safety, food hygiene and wage awards. There is also an international newsletter with general news that is published every two weeks (on alternate weeks to the regional newsletters). This approach ensures not only that every week, franchisees are receiving timely information, but that franchisees are not reading irrelevant information or having to search through material to find relevant material.

To facilitate the exchange of ideas and encourage innovation and collaboration, the company has established a range of networking opportunities where corporate staff and franchisees can communicate in person. There is now a bi-annual international conference open to all franchisees, key bakery staff and their families. The company also sends a large delegation of corporate staff. The conference is four days of networking, learning and team building activities with an underlying theme of celebration and affirmation of the company values. On the alternate year to the international conference, the regions hold their own conference with a focus on regional issues and plans. Within the regions there are a series of bread competitions, marketing forums and networking seminars throughout the year where franchisees within the same locality can compete and showcase their skills. The corporate staff organise and facilitate these meetings and use the opportunity to communicate company policy directives and future strategy.

The importance of consistency in products, and diversity in local activities, is supported by several communication tools. Each of the 650 bakeries has a business consultant who is a member of the corporate staff. Typically, a consultant will work with 20 bakeries in the same area. The consultants conduct regular assessments on the franchisees to ensure compliance with policies on baking practices, recipes, store safety and cleanliness. The company's recipe book, assessment tool and training courses are used to communicate the importance and methodology of consistency in product. Product range, local marketing activities and baking times vary between bakeries based on local demographics and franchisees are encouraged to meet the needs of their customers within the framework of company policy. Local marketing kits, product trials and in-store promotions are promoted by the company in literature and at forums to encourage franchisees to explore the product preferences of their clientele.

The forums and literature have been designed to encourage two-way communication between the corporate staff and the franchisees. A balance between necessarily informing franchisees of what policy will be adopted and opening up issues for debate has been attempted. Newsletters are open to franchisees to contribute to, feedback can be offered via the extranet site and franchisee stories are celebrated in national magazines. Forums always provide question and answer sessions and baking competitions involve the franchisee demonstrating their skills and advertising their bakeries to the group.

Evaluation

This paper has illustrated that Bakers Delight has instigated and managed a variety of integrated communication strategies to strengthen their business. The success of the strategies was unknown in any quantifiable sense and offered an interesting opportunity for a research project. Through Deakin University, the author investigated franchisee awareness of corporate initiatives as presented by the company through literature and forums. The aim was to establish to what extent franchisees knew of central values, policies and future plans of Bakers Delight and to what extent they supported them. The findings of the second question would reveal how successful the literature and forums had been as communication tools in winning franchisee approval.

Methodology

Once all corporately generated literature, including the Web site, had been reviewed and information collected from conferences and road shows; policies, initiatives and values were separated into six categories. This would allow the researcher to identify which, if any components of the company's identity were more or less known and supported than others. The six categories were:

- (1) training and development;
- (2) the environment;
- (3) social responsibility and community involvement;
- (4) open communication;
- (5) rewards and recognition; and
- (6) employee empowerment.

A survey instrument was designed in the form of a qualitative questionnaire. Each of the six categories was represented by eight opinionative statements making a total of 48 statements. The statements were randomly inserted into the questionnaire so that categories were mixed. Statements were also a mix of positively and negatively phrased statements. Respondents had a choice of five options for each question: strongly agree, partly agree, don't know/no opinion, partly disagree and strongly disagree. Each statement made a comment on an aspect of well publicised policy, corporate value or company initiative.

The questionnaire was mailed to all franchisees that had operated their business for more than six months. Franchisees with more than one store were required to only complete one questionnaire and the questionnaire was not sent to company-owned bakeries. A month was given for completion and a stamped addressed envelope was included for completed questionnaires. The questionnaire was anonymous and those who chose to respond were asked not to mark their questionnaire with any identifying remarks.

Findings

Of the 363 questionnaires sent, 147 (40.5 percent) were returned within the month given for completion and return. As a percentage of all responses for all questions, 7 percent were "don't know/no opinion" responses. Once negatively phrased statements had been adjusted, there was an overall approval rating for the combined statements of 74 percent. This means that 19 percent of all responses indicated partial or strong disagreement with corporate values, policy and initiatives. Owing to the fact that questionnaires were anonymous, it is not known whether there were regional or geographic patterns in responses. It is also unknown to what extent individual franchisees agreed or disagreed with the set of statements.

The extent to which franchisees supported or rejected the six components or underlying themes of corporate identity was revealed. Social responsibility and community involvement scored highest with 79 percent of all responses being positive while the environment scored the lowest rate of endorsement with just 63.5 percent of responses being favourable. The environment also received 18 percent "don't know/no opinion" responses; more than double the next highest and five times greater than three of the remaining five categories.

The open communication category, which contained statements relating to what extent franchisees communicated well with their staff, had the highest percentage of negative responses at 20.5 percent of all responses. Responses to individual statements provided some interesting findings. Some important corporate initiatives that had been well communicated to franchisees via forums and literature received less than 50 percent overall approval. One key environmental initiative won just 28.5 percent approval. It was also discovered that five of the statements divided franchisee opinion almost equally between approval and disapproval. Several statements scored high “don’t know/no opinion” responses and in one case over 60 percent of all respondents opted for this choice.

Conclusions

The overall approval rate of 74 percent for the 48 statements from the respondents as a whole reflects that the company is communicating its corporate vision well but not very well. It can be said that there is generally good support for what the corporate staff is doing while a significant minority of franchisees are either unsure or unsupportive of company initiatives. Again, it was not recorded whether there exists a small very unhappy group of franchisees who responded negatively to all questions, or whether there is a larger group of franchisees who account for the negative responses with mixed replies.

The overall low level of “don’t know/no opinion” responses at 7 percent indicates that the tools of communication employed by the corporate body have been successful in raising franchisee awareness of issues. Of all the responses 93 percent indicated a view of either support or disapproval which indicates that the franchisees knew enough about the statement to commit them to an opinion. The concern, then, is not the simple effectiveness of the communicative tools in disseminating information, rather that the tools have not been especially effective in winning high levels of support for the initiatives. In other words, it is one thing to raise awareness but another to win support.

The findings, when broken down into the six categories, highlight an interesting anomaly in the results. It is notable that the responses to the environmental statements are considerably less favourable to the company than the other five categories. It has already been noted that the proportion of “don’t know/no opinion” responses were far higher for the environmental statements than for the other categories. The overall approval rating for the environmental statements was also 10 percent lower than the next lowest category. When individual statement results were analysed it was also noted that within the environmental category there was much greater variance between the replies to the statements than for any other category. It can be concluded that franchisee opinion was greatly divided, poorly informed and extreme in terms of levels of support for the statements.

Examples from all six of the categories provided some concerning results for the company. It has been noted that some key initiatives have an overall low level of support while some initiatives have divided franchisee opinion. In a few cases, statements left franchisees unable or unwilling to express an opinion one way or the other. To some extent, we can discount the issue of franchisees not being aware of policies and values because the questionnaire, as stated earlier, was not sent to franchisees with less than six months in business. It is perhaps partly fair to say that

this group is most likely to be unaware of all company directives and values because of their lack of exposure to all information.

The main communicative channels employed by the corporate body to inform and motivate franchisees need reviewing. Although the vast majority of franchisees appear to be aware of what the company is doing and where it is trying to go, significant pockets of franchisees do not support or do not know of some key initiatives. It can be said that the communicative tools: Web site, print literature and gatherings (conferences, marketing forums and baking competitions) seem adequate. That is, they are conveying corporate information and making franchisees aware. However, the way that the information is expressed is not successfully influencing franchisees to endorse corporate plans. How is it that franchisees are being informed but not influenced?

Recommendations

It became clear, on further investigation of the 48 statements, that there was a pattern that generally matched positive and negative responses to the statement. It was found that where statements were general in nature and required no “commitment” by answering favourably, then respondents most often endorsed the sentiment of the statement. For example, statements that required an affirmation of non-specific ideals or values that most people would probably consider fair and even self evident and that required no commitment of actually doing anything, were answered positively. This was found to be most true where answering positively would not require actual change in bakery practice or systems or involve a financial implication or involve franchisee time and effort.

Essentially, franchisees were happy to endorse current practices, policies and attitudes which were already in place in their businesses or which had been advocated for several years by the corporate body. Where support of statements would require actual change, especially with a financial implication, there was a pattern of higher “don’t know/no opinion” and unsupportive responses.

This does not necessarily suggest franchisees are adverse to spending money and time on their businesses, nor is it indicative of a resistance to change. Indeed, where change and investment can help grow and develop businesses, franchisees are likely to be supportive as it is an entrepreneurial spirit that attracts people to purchasing a franchise in the outset. Further, in many other areas including product innovations, bakery design and marketing techniques; the franchisees have shown themselves willing to experiment, take risks and adapt to change.

The corporate staff must assess the language they use to influence franchisees to support policies. The reasons they give and justifications they put forward need to be aligned with the operational needs and business realities of operating a small suburban business, not a large franchise organisation. There must be a conscious effort not to preach to franchisees and communicate in a fully transparent fashion where information is updated regularly. The corporate body is struggling to sell initiatives which it has researched and believes in, initiatives which it is asking small business people to take the financial gamble on. It is therefore important that the information is not expressed to self-justify initiatives but explained to reassure and promote franchisee confidence in the system and its necessarily biased inclination towards doing what is best for the franchisees first and foremost.

The second recommendation to encourage better corporate instigated communication with the franchisees is made as a result of further analysis of the corporate literature and conferences. The literature and conferences/forums seemed characterized by a tendency to present franchisees with complete policies and initiatives which they were told to adopt. In other words, there seemed not to be a consultation process where franchisees could have input into corporate initiatives during the planning and developing stages of new ideas. Rather, forums and conferences had been used to roll out new programs, systems and values to franchisees and the justifying of these ideas was entirely taking place at such gatherings. Sometimes franchisees had not heard of these new innovations prior to the promotional meetings.

Communication could be improved by using the communicative tools as opportunities for discussion, consultation and even compromise if the corporate body and the franchisees are to move forward with a single agenda. It would be likely that franchisees will more enthusiastically endorse and support corporate initiatives if they have some ownership and influence over the process. Communication and understanding would improve between the franchisees and corporate staff to engender a better working relationship and greater cooperation to achieve their common goals. It may open up other, as yet unknown, channels of communication to further enhance the flow of information between the two groups. The research has illustrated that it is not enough to disseminate information, even if the methods are comprehensive in scope and frequency, from franchisor to franchisee. Recognition of the way messages are being perceived and the justifications given must be taken into account. There must also be an inclusive, transparent and equal partnership between franchisor and franchisee to ensure initiatives are within operational parameters and that ideas serve franchisee needs not corporate egos.