



CONNECTING TRAINING WITH FRANCHISE SUCCESS:

How Modern Learning Systems Create Value

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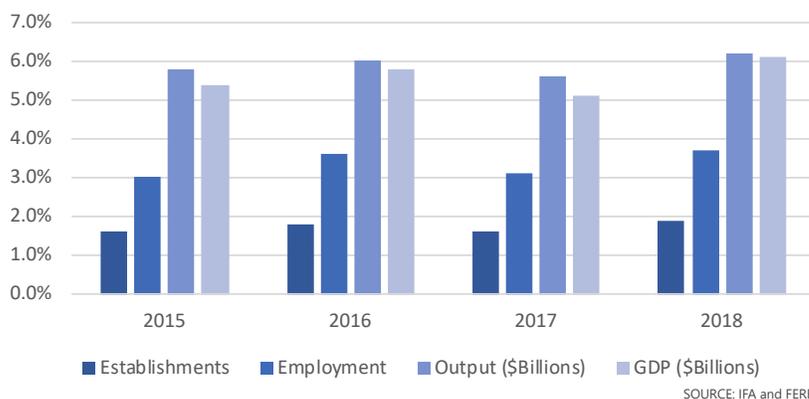
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FRANCHISING: A COMPELLING BUSINESS OPPORTUNITY

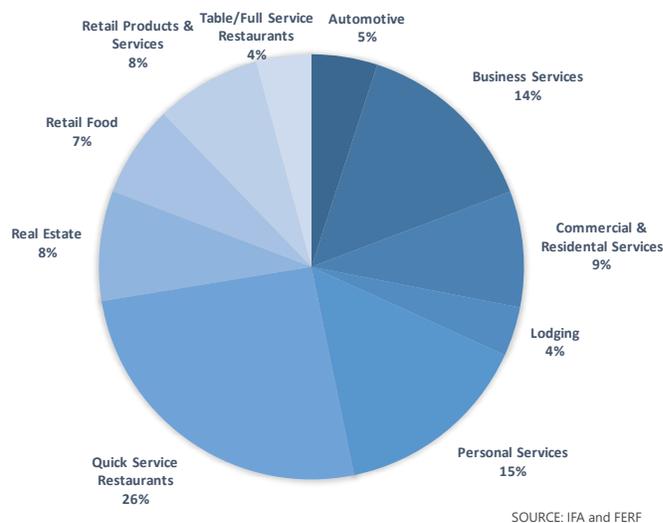
The viability of business franchising is undeniable. Overall, the franchise economy is strong, particularly in the United States, where nearly 760,000 franchise establishments are expected to generate \$451 billion this year (3% of gross domestic product). With more than 8 million employees, the franchising workforce represents one of the largest U.S. employment sectors. And employment is expected to rise from 3.1% in 2017 to 3.7% in 2018, outpacing overall U.S. employment growth.

Franchise Business Growth by Year, 2015-2018:
January 2018 Forecast



Although franchising is often considered an industry in its own right, it is actually a marketing model that is applied to a broad spectrum of business concepts. Fast-food and casual dining restaurants are among the largest franchises, but franchising is found in many other sectors, including hospitality, retail, financial services, education, health and wellness, home services, staffing and more.

Establishments Distribution by Sector 2018



Essentially, an organization that owns a franchise concept (the franchisor) develops and licenses a complete branded business package to independent owners (franchisees), who in turn replicate and scale the concept in multiple locations. Franchising is an attractive growth strategy because it leverages the power of the franchise network to expand business rapidly, while distributing risk across multiple owners.

The quality of the tools, templates and support included in a franchise package are essential to franchisees. As entrepreneurs, their success depends upon the ability to set-up and operate their franchise units as quickly, efficiently and effectively as possible. A compelling franchise package also benefits the parent brand – not only because it attracts viable franchisee investors, but also because it empowers those franchisees to launch and run profitable companies that contribute to franchisor revenues.



“For organizations that have not yet transitioned to an LMS, they’re learning that this product is no longer a nice-to-have; it’s a need-to-have. If you have over 500 end users, this is a product you need to consider. If you’re over 1000, you must. As the numbers go up, the ROI becomes much greater.”

- Mark Anderson, CEO, eLogic Learning

THE ROLE OF TRAINING IN FRANCHISE SUCCESS

Of all the elements in a franchise package, training is perhaps the most critical. Why? For any franchise model to succeed, brand standards must be applied consistently across all network locations. In other words, customers expect to encounter the same brand experience from every franchise representative at every point of service – every time. Ultimately, a franchise network is only as strong as its weakest link. Therefore, it's in the best interest of everyone in the network to follow franchise guidelines.

While there are many ways to help franchisees deliver a consistent customer experience, training is the most effective way to develop and reinforce brand standards. And in most franchise organizations, specialized learning management systems (LMS) often serve as the backbone of training initiatives.

Historically, learning systems were designed for internal workforce compliance training and performance management at scale. But over the past decade, the dawn of cloud computing has opened the door to hundreds of solutions that serve the needs of external learning audiences. This "extended enterprise" community includes individuals and entities that maintain a strong, interdependent relationship with an organization, yet operate independently. Examples include channel partners, distributors, affiliates, suppliers, contractors and of course, franchisees.

Franchise learning systems are actually a hybrid model, combining some functionality from both employee-focused and extended enterprise learning platforms. Although independent business owners face many of the same issues, the multi-dimensional nature of franchising adds an extra layer of complexity – particularly when it comes to training. Because this business model poses distinct challenges for both franchisor and franchisee, these issues deserve careful consideration before investing in training technology.

This paper explores the uniquely challenging nature of franchising and how franchises can accelerate growth and profitability with an extended enterprise LMS. It also looks at how franchise organizations can use training as a competitive advantage by tying it to performance outcomes.

"The multi-dimensional nature of franchising adds an extra layer of complexity – particularly when it comes to training."

KEY FRANCHISE TRAINING CHALLENGES

Franchisors represent a unique class of entrepreneurs. Not only have they developed a successful product or service, but they've also enlisted others to expand their business reach by investing in licensed units that operate independently under the brand umbrella.

As an extension of the parent company, franchisees are fulfilling their own entrepreneurial vision – bringing proven products and services to market, providing viable employment opportunities, contributing to their local economy, and generating a return on their business investment.

Training brings these two worlds together, but alignment isn't always guaranteed. Special attention is sometimes required to address the divergent interests of franchisors and franchisees. For example:

CUSTOMER BRAND PERCEPTION: Customers tend not to distinguish an individually-owned franchise unit from the franchisor. That means every franchisee is responsible for meeting customer expectations and delivering a consistent experience as a representative of the parent brand. While franchisees typically follow franchise standards, individual owners may sometimes decide they have a better solution. Franchisors are constantly striving to avoid these "rogue" scenarios by making their systems, processes and training highly accessible, useful and relevant. This optimizes franchisee adoption, and ultimately, protects the brand.

LIABILITY: In the U.S., the legalities of franchisor/franchisee relationships are complex and often confusing. In broad terms, franchisors don't want to be held legally liable for the actions of franchisee employees. The courts have determined that employees are solely the responsibility of the franchisee. Any interference puts a franchisor at risk of being considered a liable "joint employer." This means employee training is considered a franchisee's responsibility. Therefore, franchisors cannot require or mandate training. All learning-related content must be offered by franchisors only as a recommendation. As the employer of record, a franchisee must choose training content and ensure participation by its employees.

REGULATORY COMPLIANCE: Many franchise concepts are subject to regulation, particularly in health, education, finance or other fields that require licensure or certification. Franchise employees may regularly need to

renew their certifications and communicate with licensing authorities about their status. As noted above, franchisors don't want to be legally responsible for franchisee employees. This includes managing, tracking and reporting professional certifications. However, if franchisees don't comply with the law, the parent brand can be damaged.

PERFORMANCE MEASUREMENT: As with any business, franchisors want to understand how their training investment is paying off in terms of business performance. Is franchisee training having a beneficial impact on customer satisfaction, retention or franchisee revenue? Is it enabling franchise units to streamline operations, operate more profitably or execute more effectively on marketing campaigns? To create useful performance insights, franchisors need to link data from training systems with data found in other enterprise systems, such as human resources, finance, customer relationship management and marketing automation.



“For us, the biggest measure of success is looking at employee behavior. Are they actually using what they were taught in training and doing all of the things we expect of them?”

- Trista Kimber, Director of Training & Design, Hooters of America

WHAT TO EXPECT FROM A FRANCHISE TRAINING SYSTEM

Franchises vary dramatically in size and resources, from just starting out with one or two points of presence, to global brands with tens of thousands of units. But the common denominator is that the success of every franchisee contributes directly to franchisor success. It is in a franchisor's best interest to do everything it can to drive success for every member of its network.

In smaller organizations, training may take a very personal, high-touch approach. With only a few outlets, a franchisor can travel to individual franchisee locations and conduct onboarding and management training. But this model doesn't scale beyond several locations. The cost and logistical demands soon become unsustainable.

At the point when individual, face-to-face training is no longer practical, franchisors typically invest in training technology designed for scalability, consistency and accountability. A franchise-friendly learning management system makes it possible to deliver the scope and scale of training necessary for franchisees and corporate franchise employees, alike. To facilitate franchise learning an LMS should include at least these three core capabilities:

1. AUDIENCE/ROLE SEGMENTATION

Learning audiences are not created equal – especially in franchise environments, where multiple user segments often are supported within a single system. To establish LMS requirements, franchisors should profile each of their target training audiences, including learning goals, needs and typical behaviors. This helps clarify content strategy, including relevant subject matter, format and delivery methods.

From a franchisor's perspective, the primary audience should be corporate employees in centralized functions such as finance, human resources, sales, marketing and operations management. If these were a franchisor's only audiences, an employee-oriented LMS would be sufficient. That kind of system is capable of coordinating, delivering and tracking employee onboarding, compliance training and professional development courses.

However, franchise learning audiences also include franchisee executives and employees. For example, in a restaurant chain, target audiences may include:

- Front-of-the-house employees – servers, hosts, bartenders
- Back-of-the-house employees – cooks, prep staff, bussers, dishwashers
- Administrative staff – marketing, catering, finance
- Leadership – franchise owner, general managers and regional managers



“Many Dairy Queen employees are actually referrals from other employees. If we can make the learning management system a positive experience from day one for new crew members, they’ll tell their friends and we’ll benefit from that talent.”

- Chris Shanks, LMS Administrator, Dairy Queen International

Next, it’s essential to focus on content. What kind of content is appropriate – instructor-led training, virtual classrooms, e-learning courses, videos, mobile resources or other materials? Your learning system must be able to deliver content in the desired formats to individuals in the appropriate roles, across a potentially complex mix of internal and external audiences.

Franchisors with multiple brands spanning multiple states or countries must grapple with an additional challenge. Training content that matches the appropriate brand, location and job function must be readily available to franchise employees at the moment they need it. Some content may overlap brands or locations or roles. Some may not. Nevertheless, content elements for every role must be replicated and modified to reflect each brand’s unique look and product offerings. Furthermore, content involving government policies may need to be altered for each brand in each location, to reflect relevant regulations.

With so many fluid, interdependent factors to address, training content specifications quickly become impossible to manage manually. This is where automation by a robust franchise LMS can save significant time and frustration.

2. DOMAIN SEPARATION AND DELEGATED ADMINISTRATION

An extended enterprise LMS should have the ability to keep different learning environments completely separate from one another, while still enabling centralized administration. At a minimum, training for franchisor employees must be separate from other audiences. In the case of multiple brands, each brand's content should stand alone for external audiences, and possibly for employees, as well.

If a franchisee opts to use a franchisor's LMS, this could lead to hundreds or even thousands of discrete environments, all existing within the same platform. Each franchisee's instance of the LMS should appear to work as a fully independent system, delivering and tracking training only for that particular organization. A franchisee should be able to upload its own custom-developed or independently-sourced content, while still having access to content provided by the franchisor.

This scenario also requires delegated administrative access. In other words, each franchisee must be able to configure the learning environment, assign courses, track learning progress and generate reports without affecting the core LMS structure, or other franchisee learning environments. This LMS-within-an-LMS functionality is vital to support the hybrid franchise model.

3. DATA INTEGRATION, METRICS AND REPORTING

Tying learning initiatives to business performance has long been a challenge for organizations in every industry, even more so for a franchisor with a network of hundreds or thousands of independently-owned locations. A specialized franchise learning platform is the linchpin in the quest to measure the business impact of training.

Franchise-friendly learning systems are designed to integrate and exchange data with other enterprise systems, such as human resources, finance, supply chain management and customer relationship management. This adds meaningful business context to learning metrics. A franchise LMS should also have the capacity to aggregate data for reporting and analytics. With robust learning measurement capabilities, franchises can find answers to the most pressing questions about the business value of training.

For example:

- Does our updated onboarding program reduce time-to-productivity for franchisee units? By how much?
- Which types of training work best to achieve desired business outcomes – such as increased customer satisfaction, reduced inventory shrinkage or lower franchisee employee turnover?
- Is compliance training measurably reducing health and safety violations?
- Are franchise employees with certifications performing better than others? By which metrics?
- Does training associated with marketing campaigns, limited-time offers or product rollouts increase the likelihood of success for those initiatives? How much more revenue (or profit) is correlated with training?

To answer these questions, franchises must translate data into meaningful metrics and deliver it in an intelligent, digestible format that demonstrates value to business decision makers. A franchise LMS can be configured to produce a variety of reports that answer relevant business questions for both franchisors and franchisees. Here are several examples:

- To avoid costly penalties and ensure business continuity, franchisees must ensure that the organization remains in compliance with federal, state and local regulations. For instance, it's essential to comply with health and safety specifications – from food and equipment handling exams to required professional licenses. Reports should indicate compliance deadlines and whether appropriate training, testing or certifications have been started, completed or are overdue.
- Franchisees need to know how many employees have completed onboarding and specialized product or service training – and how that learning experience is affecting employee productivity, retention and profitability. A franchise LMS can be configured to map this data in a "scorecard" format that also indicates how current metrics compare with pre-defined benchmarks.
- At the franchisor level, executives need aggregated metrics from across the entire franchise network – or by region, brand or other segment. For each of these scenarios, reports can reveal how strongly training consumption correlates with average revenue-per-employee, profit-per-employee or overall unit revenue/profit. Reports can also pinpoint where higher turnover or compliance violations indicate the need for more intensive training or management intervention.

BENEFITS OF AN LMS FOR FRANCHISE LEARNING

We've covered key franchise learning challenges and identified some of the most essential features of a modern franchise-friendly LMS. Next, we outline business benefits that franchisors and franchisees can expect from this kind of platform. These include:

BRAND CONSISTENCY: Successful brands are built on multiple elements – quality, service and customer experience. But a brand is only as strong as its weakest link. Consistency is the thread that ties these critical elements together. When an established franchise entrusts a new, untested organization with its reputation, a well-designed training program, backed by an LMS, can be highly effective for onboarding as well as ongoing education. This ensures that new franchise units consistently deliver on the brand promise while accelerating their path to profitability.

COMPLIANCE: Global businesses in every sector must grapple with laws and regulations in their respective jurisdictions. This challenge is magnified for franchises where employees work in hundreds or even thousands of locations with unique regulations – even across county lines. Alcohol service laws are a good example. In the U.S., local jurisdictions can regulate alcohol age requirements, even at the municipal level. An extended enterprise LMS reduces the risk of regulatory non-compliance by delivering targeted, time-sensitive training that addresses specific local requirements.

EMPLOYEE RETENTION: According to a 2013 survey by the Aberdeen Group, companies with an engaging onboarding program retained 91% of their workers through their first year. From the moment a new hire walks in a franchisee's door, an LMS can reinforce the employee experience by enabling onboarding as well as ongoing training, knowledge sharing and performance support.

Beyond the onboarding period, employees are strongly motivated by knowing that employers value their contributions and care about their professional development. With a modern LMS, franchise units can create personalized learning paths that reflect employees' desired growth and develop needed skills and competencies.

COST SAVINGS AND EFFICIENCY: Any franchise organization that still delivers training to hundreds of locations via printed manuals or CDs is wasting money. But perhaps more importantly, the company misses out on the ability to track and measure the business impact of training. A modern LMS streamlines content development and delivery, while eliminating print production and distribution costs. Also, rather than wondering if training is actually being used, franchisors can track how often and how deeply franchisee employees engage with content. What's more, they can analyze individual and unit-level performance, to determine related business impact.

FRANCHISEE RETENTION: Organizational research indicates that onboarding is a key predictor of success for individual employees. Likewise, onboarding is critical for the success of franchise units. When franchisees participate in onboarding, they report greater satisfaction with their franchisor, and this leads to stronger business performance. An LMS can play a central role in the onboarding process by providing easy access to content that helps franchisees experience the company culture, internalize its mission and objectives, understand brand positioning, assess the market landscape and engage with others in the brand community.

TRAINING TOPICS COMMONLY FEATURED IN A FRANCHISE LEARNING PLATFORM

From Franchisor to Franchisee:

- Business landscape overview – trends, challenges, issues, opportunities
- Representing the brand
- Working effectively with headquarters – procedures and processes
- Creating the customer experience
- Working with franchise-wide vendors and suppliers
- Executing marketing strategies and promotions
- Rolling out new products
- Ensuring compliance with applicable regulations
- Reporting on business operations
- Hiring and retaining employees

From Franchisee to Employee:

- In-store processes and procedures
- Systems “how to”
- Safe and correct use of equipment
- Understanding the value of products/services
- How to sell/cross-sell/up-sell
- Dealing with difficult customers
- Effective customer interactions
- How to handle complaints
- Providing and maintaining high quality service standards
- Health, safety and other training required by law
- Ensuring a non-hostile work environment

RECOMMENDATIONS FOR FRANCHISE COMPANIES

Franchisors at all stages of growth need to focus on providing education and informational resources that drive franchisee success. Based on recent research and discussions with franchise training experts, here are our top recommendations for optimizing franchise training initiatives:

LISTEN TO FRANCHISEES EARLY AND OFTEN: These entrepreneurs have a significant stake in the business and want to be actively involved in moving the brand forward. They're also in an ideal position to provide feedback on the value of training programs – what is effective and what may need improvement. Take steps to engage franchise owners with formal or informal feedback channels, and regular outreach asking about training gaps, issues and ideas.

CONTINUALLY ENHANCE YOUR CONTENT MIX: Both online and live training methods have a place in today's learning environments. Some aspects of onboarding or new location startup training may be delivered more effectively in person. Elements of on-the-job-training (OJT) may be better supported with short videos or simulations supported by online chat. The point is to use a variety of methods to engage your target audience and make a memorable impression.

TRY GAMIFICATION: To encourage engagement with learning programs, gamification strategies can be effective – especially in franchise settings, where franchisees can't be forced to participate in training. Adding a competitive edge and recognizing achievement with specific rewards can make training more appealing and keep users coming back for more. Games, leaderboards, badges and incentives can all play a part in increasing voluntary use of an LMS.

DON'T EXPECT PERFECTION: Learning is a process. Likewise, the development of systems and content that support learning is also a process. Your training initiatives will never be "done." Rather than trying to make learning perfect, embrace continuous improvement and encourage everyone in the training value chain to share feedback and ideas that fuel your progress.

MEASURE WHAT MAKES SENSE: Although it may be possible to glean interesting data from your systems, focus instead on metrics and measurements that inform the business and align with strategic objectives. Look for patterns or correlations that link training with specific, meaningful business outcomes. This will help inform your priorities for content development and system enhancements.

Successful franchisors recognize the value of developing strong, trusted partner relationships, and invest wisely in empowering their franchisees with the highest levels of support. They also value tools that help them grow their business in ways that are actionable and measurable. Delivering proactive, ongoing training through a modern LMS is a proven way to achieve strategic franchise growth objectives, while improving franchisee performance and commitment to overall brand success.



ABOUT

TALENTED LEARNING

Talented Learning, LLC is an independent research and consulting firm devoted to helping organizations of all sizes choose and use modern learning systems, primarily for extended enterprise business needs. Insights from Talented Learning help organizations at every stage of the learning technology implementation lifecycle, from business case development and requirements definition, to vendor evaluation and selection. The firm's analysts also serve as trusted advisors to LMS vendors who must manage product positioning and roadmaps in today's dynamic elearning landscape. For more information visit TalentedLearning.com.

ELOGIC LEARNING

Ranked as the #1 LMS (2017 and 2018) by The Craig Weiss Group and the #1 Best All-Purpose Extended Enterprise LMS (2016 and 2017) by Talented Learning, eLogic produces meaningful results for its client partners. Founded in 2001, eLogic Learning is an industry leading provider of Learning Management Systems, custom content development and learning strategy solutions. Our cloud-based learning management technology, content capabilities and accompanying subject matter expertise provide every partner with a tailored approach to success. Our motto: "The LMS you want, the partner you deserve." For more information visit eLogicLearning.com.

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