



Setting up a Franchisee Representative Body

This document advocates the establishment of brandspecific representative bodies for franchisees and provides tips for their optimisation. Guidelines for the drafting of suitable bye-laws are included.

Some franchisors are reluctant to promote the formation of a franchisee committee. They fear that if they give franchisees a platform for the exchange of ideas it will turn into an exchange for petty complaints. They are missing a golden opportunity to harness their franchisees' passion for the brand and channel it towards supercharging the business. This article explains.

In reality, franchisees will talk to each other anyway and there is nothing the franchisor can do about it. However, if exchanges among franchisees are done clandestinely, pessimists and naysayers are bound to gain the upper hand. Before long, a “them-against us” scenario will unfold, to the detriment of the brand.

On the other hand, provided that a Franchisee Committee exists and is correctly managed, reason is far more likely to prevail. The committee’s leaders will remind franchisees that it is in their best interest to pull in the same direction. Franchisees will be receptive to this message because it originates from their elected representatives. I am convinced that a wellstructured franchisee body delivers on its promise and have identified five reasons why this is so. I list them in no particular order.

1. Co-operation within the framework of a formal body that balances the legitimate interests of the franchisor with those of franchisees fosters mutual trust and understanding.
2. The franchisee representative body is an effective channel for two-way communication.
3. Bad ideas will be killed off by majority response.
4. Complaints that lack merit will be eliminated before damage is done.
5. Dissatisfied franchisees are guided by their peers towards becoming part of the solution rather than being part of the problem.

The organisational structure

For best results, the Franchisee Committee must be structured in such a way that every franchisee within the network feels heard. In a large network, the structure may have three tiers, consisting of regional and national franchisee representation plus a National Council made up of franchisee and franchisor representatives.

● **Regional Franchisee Committees**

All franchisees of a network elect regional representatives from among their midst using a democratic voting process. However, this is not where their involvement should end. To ensure meaningful outcomes, franchisees need to participate actively in their Regional Franchisee Committee's activities and hold their representatives to account.

● **The National Franchisee Committee**

Members of each Regional Franchisee Committee nominate representatives to represent them on the National Franchisee Committee. The National Franchisee Committee in turn nominates representatives to serve on National Council.

- **Important proviso:** The organisational structure of the franchisee committees must make sense. In a smaller network, one tier may have to be dropped. Either every franchisee or representatives elected by all franchisees represent franchisees' interests on the brand's National Council.

● **The National Council**

The brand's National Council is made up of franchisor and franchisee representatives. Franchisor representatives are nominated by the franchisor.

- The composition of the national council varies from one network to the next.
 - Numbers are even, with the chairperson holding the casting vote.
 - Franchisees dominate numerically but the franchisor holds veto power. (Should a franchisor representative have veto power, care should be taken to exercise it sparingly to avoid disillusionment.)
- The National Council's chairperson is elected by its members. He/she is often drawn from the ranks of the franchisees.
- National Council meets in regular intervals to determine the most effective means of achieving the brand's agreed objectives.

Operational aspects

- For the Franchisee Committee to make a meaningful contribution, it must be empowered to make its voice heard. Any attempt by the franchisor to manipulate the Franchisee Committee will render it ineffective.
- To ensure optimal results, the establishment and ongoing operation of the franchisee committee must be carefully planned and executed. In deliberations, the franchisor must treat representatives of the national franchisee committee as equal partners.

- Trust is a key ingredient. To first create it then maintain it intact calls for utmost transparency and dependability.
 - Proceedings should be guided by bye-laws that were developed for and ratified by an informed group of franchisees.
 - The bye-laws need to be formulated in such a way that they prevent the exertion of undue influence by the franchisor. Transparency and pro-active communication throughout all structures is essential.
 - Provision must be made for adequate funding of the body's secretariat. Although it is customary for the franchisor to contribute the bulk of the funding, this should not be used as leverage to exercise undue influence.

The day to day functioning

- **Regional meetings of the Franchisee Committee:** Each region's franchisees meet periodically with their elected representatives to discuss effective means of achieving the brand's agreed objectives. Minutes must be kept and resolutions must be acted upon.
- **National meetings of the National Franchise Committee:** Elected Regional Representatives meet periodically to discuss effective means of achieving the brand's agreed objectives before reporting back to their members. Minutes must be kept and resolutions must be acted upon.
- **Meetings of the National Council:** Members of National Council meet periodically to debate proposals put forward by representatives of the franchisor or the franchisee representatives respectively. Decisions should be based on the outcome of a democratic voting process and the franchisee representatives need to report back to their constituencies.

Annexure: Drafting guide for bye-laws

Drafting guide: Bye-laws for a Franchisee Committee (FC)

Formation of the Franchisee Committee

- What will the body be known as? This question requires careful consideration because the name should be indicative of the objectives (and powers) of the body. Two examples follow:
 - Marketing or Advertising Advisory Committee. The name implies that the body deals with marketing issues only.
 - Franchisee Committee. The name implies that the body deals with issues across the board including input in strategy formulation.
- For the sake of simplicity, I use the term Franchisee Committee throughout the balance of this document.
- What are the FC's objectives? (Be specific without limiting the FC's area of influence.)
- What are the FC's powers?
- How are votes allocated? (If it is one vote per unit, provision must be made for the eventuality that one franchisee owns several units, possibly located in different regions.)
- How will the regions be demarcated? Thought should also be given to the possibility that market realities change. If, for example, growing or declining numbers of units operating in a specific region result in the regional representatives of that region holding excessive powers. (If every region is represented by an equal number of representatives, this would disturb the balance of power. As a region grows, it may become necessary to divide it into two regions.)

Defining the structures

- **Regional Franchisee Committee**
 - How many members does a Regional Franchisee Committee consist of and what are their titles/responsibilities?
 - Who is eligible for election (possible waiting period for new franchisees?) and what is the procedure?
 - How will the chairperson be elected?
 - How many members of a Regional Franchisee Committee form a quorum and what is the process if a quorum is not present?
 - What is the period office bearers hold office?
Are members of a Regional Franchisee Committee eligible for re-election? If not, what steps will be taken to ensure continuity?

- At what intervals will elections take place and what is the procedure to be followed? (Outline the process for nomination, acceptance of nomination, verification of eligibility, election procedure etc.)
- Should a member of a Regional Franchisee Committee resign or become disqualified, how will the resulting vacancy be filled?
- Under what circumstances can a member of a Regional Franchisee Committee be removed from office and what is the procedure?
- Do members of a Regional Franchisee Committee have the power to appoint sub-committees? If so, what is the procedure and who is eligible to serve?

● **National Franchisee Committee**

- How many members does the National Franchisee Committee consist of and what are their titles/responsibilities?
- Who is eligible for election to the National Franchisee Committee? (Are there any special provisions, for example a waiting period for new franchisees or a requirement to serve on the Regional Franchisee Committee for a minimum period before standing for election to the National Franchisee Committee?)
- How will the initial National Franchisee Committee be elected? (This needs to be addressed if eligibility is linked to a minimum period of service on the Regional Franchisee Committee.)
- How will the chairperson be elected?
- How many members of the National Franchisee Committee form a quorum and what is the process if no quorum is present?
- What is the period office bearers hold office?
- Are members of the National Franchisee Committee eligible for re-election? If not, what steps will be taken to ensure continuity?
- At what intervals will elections take place and what is the procedure to be followed? (Outline the process for nomination, acceptance of nomination, verification of eligibility, election procedure etc.)
- Should a member of the National Franchisee Committee resign or become disqualified, how will the resulting vacancy be filled?
- Under what circumstances can a member of the National Franchisee Committee be removed from office and what is the procedure?
- Do members of the National Franchisee Committee have the power to appoint sub-committees? If so, what is the procedure and who is eligible to serve?

The brand's National Council

- How many members does the National Council consist of and what are their titles/responsibilities?
- Who is eligible for membership? (Usually members of the National Franchisee Committee and nominated franchisor representatives.)
- How will the chairperson be elected?
- How many members of the National Council form a quorum and what is the process if no quorum is present?
- What is the period office bearers hold office?
- Are members of the National Council eligible for re-election?
- At what intervals will elections take place and what is the procedure to be followed? (Outline the process for nomination, acceptance of nomination, verification of eligibility, election procedure etc.)
- Should a member of the National Council resign or become disqualified, how will the resulting vacancy be filled? (Details need to be given for franchisee representatives only because franchisor representatives will ordinarily be appointed by the franchisor.)
- Under what circumstances can a member of the National Council be removed from office and what is the procedure?
- Do members of the National Council have the power to appoint sub-committees? If so, what is the procedure and who is eligible to serve?

Meetings of the various bodies

Regional Franchisee Committees

- How many meetings of the Regional Franchisee Committees will take place within the period of one year and how will the meeting venue be determined?
- How will the meetings be conducted?
 - Procedure and minutes.
 - Voting rights including casting vote and veto right etc.
 - Is franchisor representation desired? If not, will the franchisor receive copies of minutes?
- What number constitutes a quorum and what happens if no quorum is present?

- Under what circumstances can an extraordinary meeting of a Regional Franchisee Committee be called and what is the process to be followed?

National Franchisee Committee

- How many meetings of the Regional Franchisee Committees will take place within the period of one year and how will the venue be determined?
- How will the meetings be conducted?
 - Procedure and minutes.
 - Voting rights including casting vote and veto right etc.
 - Is franchisor representation desired? If not, does the franchisor receive copies of minutes?
- What number constitutes a quorum and what happens if no quorum is present?
- Under what circumstances can an extraordinary meeting of a Regional Franchisee Committee be called and what is the process to be followed?

National Council

- How many meetings of the FRB's exco with the franchisor will take place within the period of one year and where?
- How will the meetings be conducted?
 - Procedure and minutes.
 - Voting rights including casting vote and veto right etc.
- What number constitutes a quorum and what happens if no quorum is present?
- Under what circumstances can an extraordinary meeting of the National Council be called and what is the process to be followed?

© Kurt Illetschko 2014.

The author of this article is also the author of *How to franchise your business* published by FASA. The book is available in hardcopy and e-book format; see www.fasa.co.za for details.

Important proviso: The advice this document contains is believed to be correct but neither FASA, its members, officers or employees nor the writer himself can accept responsibility for outcomes, good or bad, resulting from anyone acting on this advice.