

Franchisee Support Kit

Helping Franchisees Through the Flood Crisis



Introductory Comments

This Kit contains both business and psychological tips for helping franchisees recover commercially and personally from the recent devastating floods throughout Australia.

For many franchisees their business is not just a source of livelihood, it is a source of pride and a source of meaning and purpose. Many franchisees have literally invested their life savings and made significant sacrifices to build their businesses over a period of years with the hope that one day they will be able to retire comfortably.

So the sense of shock, heartbreak and loss is understandable when a franchisee's business is seriously damaged by a sudden act of nature, such as a flood, that is beyond anyone's control.

Unfortunately despite the best will in the world, some of these businesses will not fully recover. This may be due to the extent of the damage to the business, the emotional impact on the franchisee and their family, or a mixture of both.

The first part of the healing process will involve the franchisee coming to terms with this sudden change in their business and life situation. The next part of the process will be the franchisor and franchisee taking stock of whether reopening the business in its current form is a realistic and viable option. And if so starting the rebuilding process.

The Kit provides a practical reference point for franchisor executives, field managers, friends and colleagues to use in helping those affected to work through a number of important issues and find a way forward. It is not meant to be exhaustive and there are likely to be topics that have not been included. If there is anything you think we should definitely add we would certainly be pleased to hear from you.

A final note before we get down to practicalities. These tips should not replace the use of professional advice. We wish you well in your work with your franchisees and trust the contents of this Kit are useful.

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Dealing with the Emotional Issues

Reactions to traumatic events

While life is full of unfortunate occurrences, most of us are able to take these in our stride and deal with them using common sense and some help from family and friends.

However unexpected, traumatic events are much more difficult to process and deal with. These are incidents that hit suddenly and result in significant physical or emotional shock. Examples are car accidents, personal assaults or natural disasters such as fires or floods.

Because of individual differences an event may have little impact on one person but cause severe distress in another.

Many people will have strong emotional or physical reactions following a traumatic event. Common reactions include disorientation, confusion, sadness, anxiety, irritability, anger and heightened arousal or jumpiness. Research shows that for 80% of people, these reactions will go away after a few days or weeks as part of a natural readjustment process. The understanding and support from family, friends and colleagues definitely helps these symptoms resolve more rapidly.

For some, the symptoms may last longer or be more severe and around 20% of people will develop more serious conditions such as depression or posttraumatic stress disorder.

Immediately following a traumatic event a person's concerns and needs will be related to physical safety and the practical protection of their property and valuable possessions. However after the initial threat and adrenalin rush subsides, there will be an increasing need for emotional support.

The advice below should help to reduce the emotional distress caused by the sudden destruction of one's business or livelihood, and help people to better cope with the aftermath. While this advice can be applied by anyone with a mature and caring approach, it does not replace the need for professional assistance where this is needed from accountants, business advisers or health professionals.

Check for the basics

As a starting point people need to have their basic needs for food, shelter and medical attention attended to. Don't assume these are in place. When people have been through a crisis they suffer from a sense of shock. They can become disorientated and find it difficult to make simple decisions.

Firstly check that the franchisee and their family are well and have a safe, comfortable place to stay with adequate food.

If the business has been the family's only source of income they may not have money for the family's immediate needs. If this is the case help them make contact with government and non-government services that are available. For instance see <http://www.disasterassist.gov.au/www/disasterassist/disasterassist.nsf>

A franchisee distracted by a lack of these important basics will not be able to put their mind into solving other important issues.

If they express fear or worry, remind them that help and services are available and that you are also there to help them.

Provide a friendly ear

Most people recover better from a traumatic event when they feel connected to others who care about them. You can do this by spending time with them and listening to them, should they wish to talk. Some people like to talk about their experience and fears and concerns. It helps them to feel less overwhelmed and puts things in perspective. For others, just spending time with someone who cares and accepts works best.

For instance, a person may have experienced a particularly traumatic moment such as thinking they or others might die, or that they were going to suddenly lose everything in their life. If they choose to discuss their experiences, by all means listen, but let them lead the conversation and don't probe or push them to talk about details. Just listen in a calm, non-judgemental way.

Contrary to popular opinion, encouraging people to talk about the details of a traumatic event or to ventilate their feelings can unnecessarily stir things up and be counterproductive. So just let them tell you what they want to and leave it at that.

Don't react

As the initial shock and confusion subside, people can sometimes become agitated or angry over what has happened. They may seek to blame others for their loss or difficulties. They may even blame the franchisor for putting them in a site that was vulnerable to damage.

Don't disagree, argue or make them feel they are wrong. Maintain a friendly, accepting and empathetic approach, even if you think they are being unreasonable. Remember they have just been through an abnormal situation where they may have suffered significant loss through no fault of their own. Under these circumstances it is normal for someone to be unsettled, disorientated and angry.

It can be helpful to remind them that you are there for them and of the efforts you and others are making to assist them. For instance you might explain what is being done to assist with the clean up of their business or their insurance claim.

Encourage links with friends and colleagues

When people feel exposed and vulnerable, the support of friends, colleagues and loved ones is particularly important.

Firstly do what you can to keep the franchisee physically close and connected with their family, especially their kids or partner.

Then encourage other franchisees, or franchisor staff they may have a relationship with, to make contact and to show their care and support. Simple acts of kindness such as helping with food, looking after kids, and assisting with cleaning up can mean a lot and assist someone to feel more normal.

Remember most people will settle down and feel better after a period of weeks with the help and support of others. Franchise networks provide an ideal environment for the creation of social support networks.

How to provide effective support

While social support is definitely useful, there are numerous reasons why a franchisee may avoid it. They may not realise it is important or they may not want to be a burden on others. Perhaps they are proud and feel asking for help is a sign of weakness. Or they may feel guilty or embarrassed about accepting help from others. Maybe they felt the franchise system has let them down in the past and therefore have given up on the idea of asking for help. Or it is possible they just don't know who to call.

For these reasons you need to be proactive and reach out to franchisees who may be in need. Do not wait for them to ask.

Here are five ways you can provide useful support to help someone recover from trauma:

1. Respect that each person is an individual and will cope with crisis in their own way. Be free of expectations or judgments and help them feel normal by accepting their reactions.
2. Show interest, attention, and care. Offer to talk or spend as much time with them as they need.
3. Believe in them – that they are capable of rebuilding their business and their life.
4. Find an uninterrupted time and place to talk about their situation. Explore ways to systematically deal with their situation. (The next section provides useful tips here).
5. Acknowledge that the stresses and difficulties they have been through and still face will take time to resolve.

And here are six things that get in the way of giving effective support

1. Telling them they will be okay and that they should just “get over it”.
2. Acting like they are weak or exaggerating their problems.
3. Discussing your own personal experiences and opinions without really listening to the other person's story.
4. Giving advice without listening to their concerns or asking what works for them.
5. Interrupting or stopping them from talking about what is bothering them
6. Telling them they were lucky it wasn't worse.

Encourage them to regain a sense of control

Once the initial shock has subsided and the franchisee has intellectually adjusted to the reality of their new situation, you should work with them to rebuild their confidence and develop a plan for the future.

You may want to work through the business tips in the next section of this Kit. Coaching around goal setting and action planning can be useful. But don't overload the person. A supportive, encouraging approach using simple tools and templates can be useful. But if they say they are not ready to develop a detailed business plan you need to respect this and ask what would be more useful at the present time.

Remember this is about their agenda not yours.

If they become emotional or agitated remain calm and let them talk. Then continue on with working through the practical issues and the things they have some control over.

Going through routine tasks and checklists can help to create a sense of structure and get them thinking about things they can do something about, thus encouraging a feeling of control.

When to seek professional help

If in the weeks and months following the trauma, a person still shows signs of being seriously agitated, anxious, upset or depressed, professional support from a doctor or psychologist is recommended.

Here are some signs that professional help should be sought:

- Recurring vivid nightmares.
- Not communicating and withdrawing into oneself.
- Avoiding social contact or situations that might be slightly stressful.
- Intrusive memories and flashbacks during the day.
- Increased use of alcohol or self medicating drugs.
- Uncharacteristic irritability or emotional outbursts.

A person showing a more than one of these they should be encouraged to see their local doctor who can refer them on to a psychologist for professional assistance if necessary.

If suggesting this use “I” rather than “you” language as this gives people a choice and helps them feel more in control. For instance saying “There is something wrong with you and you need to get help!” is likely to get someone’s back up. Better to say “I am concerned about you and would feel a lot better if you were to go to the doctor for a check up.”

Dealing with the Business Issues

While emotional issues need to be acknowledged, there is also a damaged business to attend to. This section provides specific tips and can be used as a bit of a checklist.

Franchisors should be able to assist with negotiations with landlords, insurers and suppliers, particularly if the franchise network has group deals with these suppliers. Also fellow franchisees can play a huge part in helping with many of the issues identified below.

Take stock of premises

Premises. Determine whether the franchisee can physically trade from the existing premises. Will this comply with health and safety regulations? If not can alternative premises be organised in the short or long term?

Equipment. Does the equipment needed to run the business operate safely and effectively? If not, is it possible to locate replacement equipment on the short or long term? If the equipment is leased or rented determine who is responsible for replacement or repairs. This will be in the agreement.

Fitting and fixtures. What is in good order and what needs to be repaired or replaced? How quickly can this be attended to? Contact tradespeople and suppliers to assess what can be fixed or replaced and the costs involved.

Supplies. Are there adequate supplies and ingredients to operate the business? Are these suitable for use or sale? If not the franchisee needs to assess whether supplies and ingredients can be brought in and safely stored?

Review insurance

Currency. Is the franchisee's insurance up to date? Is there evidence the policy has been paid?

Coverage. Is the franchisee clear on what the insurance policy does and does not cover? The insurer should be contacted to ascertain how quickly claims can be processed.

Investigate forms of assistance

Government subsidies. There are many forms of government subsidies or assistance available. Make contact with the relevant agencies and determine how quickly this can be accessed. Grants of up to \$25,000 are currently available to assist small businesses to repair direct flood damage. Go to

http://www.graa.qld.gov.au/index.php?option=com_graa&view=detail&id=201&Itemid=89 for details.

Suppliers. Contact suppliers and ask what assistance they are able to offer. This may take the form of free supplies, delayed payments, additional resources or even subsidies.

Landlords. Contact landlords and ask what assistance they are able to offer. This may take the form of assistance with fit out, repairs, moving to a different site, rent waivers or additional resources.

Franchisor. Franchisors should be willing and able to offer considerable operational support. This may include providing staff on site, coordinating assistance from suppliers and other franchisees, royalty relief and negotiating with insurers, landlords and government agencies on behalf of the franchisee.

Other franchisees. Other franchisees will usually be more than willing to assist with staff, resources and even donations. Franchisees should be encouraged to freely give and receive offers of assistance. This is what a franchise community is all about.

Tax office. The ATO is offering support in terms of deferring monthly activity statement deadlines for businesses in flood affected areas. Contact the ATO support line on 1800 806 218 to ask what other support they may provide, e.g. fast-tracking refunds, allow more time to pay debts or reconstruct tax records if documents have been destroyed.

Industry associations. The Franchise Council of Australia, other peak industry bodies and local Chambers of Commerce are likely to have organised resources to assist.

Review legal agreements

Lease. If there is a lease, check the obligations of lessor and lessee. It obviously best to work with your landlord for the benefit of everyone. If necessary make sure you hold the landlord to their obligations.

Franchise Agreement. Check the agreement on what the obligations are of both parties in situations like this. While everyone has a duty to act in good faith it is helpful to understand if the agreement provides useful guidelines.

Other agreements. Consider other agreements the business has with suppliers, financial institutions or equipment providers. A suitable arrangement may need to be negotiated so the business is not at risk of having legal action taken against it.

Managing staff issues

Keep staff informed. Contact all staff and keep them informed of what is happening with the business. They are likely to want to help. Having a team meeting to discuss the situation is a great idea.

Alternative arrangements. If the business cannot trade or keep staff productively employed their pay may need to be modified, suspended or positions may need to be terminated. There may also be creative ways of using sick or holiday pay to accommodate the needs of businesses and their staff. Check with the relevant Industry Association or employment contracts on employer and employee rights and obligations. Apparently under the Fair Work Act 2009, businesses affected by flooding may be able to change their employment arrangements, including standing down staff. For more details phone the Fair Work Ombudsman on 131 394.

Cooperate with other businesses. It may be possible for other franchises or company units in your franchise network to absorb displaced staff into their existing operations. Ask around.

Contact customers

Look after existing customers. If there are customers waiting for goods or services they should be contacted with an update on when or how their needs will be met. This is particularly vital if the customers may experience a loss of some sort. The integrity of the brand needs to be protected and this is where other franchisees may be able to help.

Keep the local market informed. Franchisees should let the local market know what has happened in the business and when they hope to be trading again. Also that they value their business and hope to be of service again as soon as possible. Use whatever means are available – signs in windows, emails, pamphlets or letters.

Review customer database. Hopefully the franchisee will have a list or database of their most important customers. These people should be contacted directly about what has happened in the business and the current plans to get things up and running. This can be email, phone or even face to face if feasible. Meanwhile provide details of other franchisees that can service these customers' needs in the meantime. Customers will tend to be sympathetic and loyal to the original franchisee if they are kept informed and told this franchisee values their business.

Assess customer loyalty. If the business depends on specific existing customers it would be smart to check with them that they are prepared to continue to support the business if/when it reopens. This may be a critical piece of information in deciding the future of the business.

Re-evaluate the local market

Assess the site. Now is the time to re-evaluate the needs of the local market. Maybe the business should reopen in a smaller, larger or different format. Maybe this is an opportunity to work with the franchisor to invest in an updated image.

Consider local competitors. Find out what local competitors intend to do with their business. If they do not intend to reopen this may make reopening the site a more attractive investment.

Assess the financial position of the business

Meet with a trusted advisor. Before deciding on the future of the business, franchisees should evaluate their financial position. This should be done with the help of someone who can help them to be objective such as their franchisor field manager and someone with strong financial skills such as their accountant.

Review outgoings. Look at the options for the business and how these impact on the outgoings that need to be paid. Is the business liable for large outgoings if it stays closed? If it reopens what will these outgoings be? Will the business be able to afford these?

Reconstruct financial records. If a back-up of financial data is not available, draw on the records of other sources such as the bank, tax department, accountant or bookkeeper. Suppliers may also have some useful data.

Determine the cash position. What is the immediate and likely cash position in the near future? How much money is in the bank? What money is owed from debtors? What other sources of cash are expected, e.g. insurance payouts or government assistance. What creditors need to be paid? What other sources of funds are available?

Credit. Determine what funds are available in the form of loans or overdraft? How likely are these to remain available? Also what is the bank's position regarding outstanding loans? Will they continue to support these? Organise a meeting with the bank manager to discuss your options and what support they are willing to provide. The more organised you can be with your records and the facts of your situation, the more likely the bank is to work with you. They don't like unknowns.

Financial feasibility. Organise a meeting with the accountant to help determine the financial health of the business and whether there is likely to be enough money to fund the rebuilding of the business. A financial plan with the capital required, budgets and cash flows should be created to determine the viability of the business.

An excellent free publication with a number of useful financial checklists is the *Disaster Recover Toolkit for Business*, available from the CPA website at <http://www.cpaaustralia.com.au/cps/rde/xchg/cpa-site/hs.xsl/knowledge-practice-toolkit-disaster-recovery.html>

Next Steps

Once the above issues have been considered a decision can be made on where to next.

Now is a good time to review the franchisees needs and motivations. In a sense you should go back to the same process you would use with a new franchisee.

- Does running a business of this type still fit the franchisee's personal goals and aspirations?
- Do they have the financial resources to rebuild the business and are they happy to invest them in this way?
- Do they have the will and the energy needed to make the business a success?
- Also how does their family feel about the work ahead? Will they support the venture?

If the decision is taken to rebuild the business, the franchisor team should be able to get the practicalities quickly underway.

However if an exit strategy is agreed, this will need to be handled sensitively taking into account the needs of all the stakeholders (the people affected by the decision). This might include the franchisee, their family, other franchisees, landlord, suppliers, franchisor, bank, and so on. We suggest a list of stakeholders be created as a reference point for putting together the best plan possible.

A final thought

Whatever is decided, the franchisee deserves the utmost respect, dignity and support. Unlike many other types of business failure where poor results can be attributed to a lack of drive or compliance to the franchise system, they did not bring this on themselves. They have been the unfortunate victim of a natural event. The franchisor should carefully consider the franchisee's past contributions and performance when deciding an appropriate course of action.

And remember, whatever actions are taken are a direct reflection of the culture and the brand.

Testimonials

Following is some of the feedback we've received regarding the Franchisee Support Kit:

Thank you, thank you, thank you. This document has answered so many questions. I am very grateful to you for sharing this wisdom.

Sue Ball, Harvey World Travel

Brilliant many thanks!

Jenni Sullivan, Premier One Training

Fantastic. This is so useful. Our franchisees have been impacted quite considerably!

Lorraine Boswell, Group Human Resources Manager, Red Rooster

Thank you for the information you are providing. Our team uses this information regularly and it is really appreciated.

Chris Taylor, Aussie Pooch Mobile.

Thank you for the support kit. I have downloaded the kit and sent it to my colleagues as I am sure they will find it beneficial.

Sophie Wong, Chemmart

Your Support Kit is fantastic! Keep up the great work.

Lyn Sargent

Timely relevant effort. I am sure your guide will help many.

Grant Garraway, The Franchise Shop