

## Franchise Operations Manuals

### What is an Operations Manual?

The Operations Manual for a franchise is generally a document or series of documents which contain the essential information on how to run the franchise business.

In essence, it contains the know-how of the franchise system, providing a franchisee with a ready reference to running all aspects of the business.

An operations manual may go by different names, including handbook, guide, guidelines, system manual and so forth. The name is less important than the breadth and depth of information it provides to assist a franchisee in the operation of their business.

### What does it contain?

An operations manual may be expected to contain the franchisor's detailed policies and procedures across a range of functions, as well as convey the organisation's brand promise.

*Elements may include:*

- **Corporate Vision and Mission:** What the brand stands for and how this is relevant to its market;
- **Organisational Details:** The history and background of the brand, the company and its products and services, plus an outline of the organisation's structure, contacts and details for key personnel.
- **Support Information:** The types of support available to franchisees, including an overview of the nature and purpose of field visits, scheduled reviews, technical and other support, and how to access these.
- **Franchisee & Staff Training Requirements:** This contains details of the qualifications required to be achieved or maintained, or degree of proficiency required as part of the ongoing operation of the franchise for the franchisee and their personnel. Details of the nature and purpose of available training may well be included, as well as reference to training-related activities such as franchise meetings and conferences.

- **Human Resources Information:** Including an organisational chart and details of job descriptions and key performance indicators for job function within a franchisee's business. This may also include information on hiring, renumeration, managing and replacing staff.
- **Organisational Policies:** These may be in relation to standards of presentation and service both in and out of working hours, complaint handling, commentary provided to the media, and other policies designed to both enhance the brand and maintain the reputation of the organisation.
- **Administrative Procedures:** This section may outline the nature and frequency of administrative tasks required to be undertaken by a franchisee and may include policies and procedures in relation to security, financial record-keeping and reporting, customer database management and other record-keeping, and so on.
- **Inventory Management:** This section may deal with the replenishment cycle for perishable stock, how to maintain inventory levels for optimum performance, where and how to order inventory, use of approved and non-approved suppliers, managing defective items and dealing with customer returns, safe storage, etc.
- **Equipment and Premises Requirements:** This would outline what equipment, fitout and furnishings, etc are required for the business, a maintenance schedule to keep them in good order, and details of how and under what circumstances should these items be replaced, among other things.
- **Marketing:** The marketing requirements of a system may be so extensive as to require a manual in their own right, and include details of permitted uses of the franchise logo, advertising templates, guidelines for placing advertisements in different media, guidelines for seeking franchisor approval for certain marketing activities, seasonal campaigns, and so on.
- **Insurance & Risk:** This might include further detail about the nature of insurances required to be held by the franchisee, including certifications to the franchisor that such insurances are in place. Additionally, specific risks and tactics to minimise them may be considered in this section (eg. safe handling of materials; or issues in relation to theft, customer complaints, etc).

- **Selling the Franchise Business:** The operations manual may provide information to assist the franchisee in preparing their business for sale or transfer.
- **Site Issues:** For service or retail franchises, there may be specific policies dealing with relocation, national account customers or other factors relating to the site or territory.

### **What is the relationship between the Operations Manual and the franchise agreement?**

An operations manual is in many ways an extension of the franchise agreement. A franchise agreement may not prescribe that a particular product or service be provided, but instead, states a franchise is required to provide those products or services which are outlined in the operations manual.

A failure to follow the policies and procedures outlined in the Operations Manual may result in a breach of the franchise agreement, which can have serious implications for a franchisee if the breach is not rectified.

### **Forms of Operations Manual**

Operations manuals are increasingly being made available online via secure intranets that allow only franchisees and other authorised personnel access to the information.

Online or electronic operations manuals are able to be updated quickly, with the update available simultaneously to all franchisees. Additionally, search functions may make access to specific information easier to find.

Printed manuals are still common and may be preferred in working environments where electronic manuals are not suitable.

### **Should a potential franchisee view the Operations Manual before buying a franchise?**

Wherever possible, a potential franchisee should ask to view an operations manual prior to buying a franchise to verify that the manual exists and that it is comprehensive. In general, more expensive franchises would be expected to have more comprehensive policies and procedures outline in their operations manual (or manuals) than lower cost franchise offers.

Because the operations manual goes to the very heart of the franchise being considered, potential franchisees are advised to ask for access to view the

manual (subject to signing an appropriate confidentiality agreement), but should not expect it to be included in the disclosure documentation provided by the franchisor. Due to the confidentiality of the operations manual, this document is usually only viewed in the presence of the franchise management staff and is not allowed to be taken off site.

### **Who normally has access to it?**

Access to the operations manual, or parts of the manual, may be restricted to only the franchisee or the approved business operator. Additional manuals or guides may exist specifically for staff or other personnel involved with the business.

### **Maintaining the Confidentiality of the Operations Manual**

Franchisees are generally required under the terms of their initial confidentiality agreement and franchise agreement to maintain the confidentiality of the operations manual before, during and after the franchise has ended.

### **Does the Operations Manual change over time?**

As consumer habits, technology and markets change over time, so too must a business change in order to be relevant to its customer base. Changes to the business will be encapsulated by changes to the operations manual, which can and most likely will be varied during the term of a franchise agreement.

### **Do changes to the Operations Manual need to be disclosed?**

Under the Franchising Code of Conduct, unilateral contract variations must be disclosed. Where a change to the operations manual has the effect of creating a unilateral change to the franchise agreement, this would need to be identified in a franchisor's disclosure documentation in accordance with the relevant provision of the Code.

However, many changes to operations manuals are generally of a minor operational nature, and are unlikely to require specific disclosure in their own right.

### **Who owns the Operations Manual?**

Ownership of the franchise operations manual/s is usually retained by the franchisor. The franchise agreement allows the franchisee to use the manual/s during the term of the franchise, and when the relationship ends, the franchisee must return the manual/s to the franchisor.