International

Overseas Training Tips

International staffing can be very different

BY WILLIAM EDWARDS

One of the largest challenges in franchise development is finding and keeping the right people in the right places, from the top of the franchisor office to the front-line employees at each franchised location.

A franchise provides a systematic way to conduct business that, if followed properly, produces a reproducible margin. This is true no matter whether the franchise is located in the U.S. or another country. What does a good, profitable, proven franchise bring to a country? A proven business system, a brand, manuals with job descriptions, technology, marketing programs, sometimes a "magic sauce," and training—lots of training, for all levels of employees.

However, one common aspect of franchising, no matter what the country, is the *people* required to make the business operate. And one of the biggest challenges franchisors face is staffing franchised units. While local adaptations may be needed for a franchise to operate successfully in another country, and while local laws and regulations vary by country, the business system behind the franchise must be followed for the franchise to succeed.

• **Following a franchise business system.** One of the first challenges in working with people from other countries is cultural. When it comes to working for a franchise, the concept of "following the system" is well understood in the U.S. But in many countries, it takes time to educate new staff on *why* they should follow someone else's business system. For a franchise to succeed in the U.S., a training program is needed for the staff; manuals are also required. In some emerging markets, a structured system is not common. Thus, training—and explaining the reasons for doing things—is critical.

• **Local laws and regulations.** Some countries have labor laws and regulations that hinder profitable operation of the franchised business. For example, European countries have very high social costs and taxes associated with employees. The social costs can be 60 to 70 percent of the total employee cost to the employer. Also, it can be very hard and expensive to terminate an employee. Many years ago when I was working for the AlphaGraphics print franchise, we had a master license in Belgium who hired an apprentice printer. After three months it became apparent that this person was unable to produce a quality product for the customer. Terminating this person required 90 days of paid notice and a cash payment when he left of US$100,000.

> In many countries, it takes time to educate new staff on why they should follow someone else's business system.

• **Finding qualified, skilled staff.** Another challenge of franchising in other countries is finding qualified management for new locations. Many countries do not have a skilled employee base to draw upon. A full-size restaurant, for example, can have 60 employees for three shifts, including 3 to 6 managers of different skill levels. Often the solution locally is to hire away managers from other Western F&B brands to run the first new franchise restaurant in a country. In the case of China, it is hard to find staff to hire with the desired business experience and skills, which requires a very large investment in training staff at all levels. Often we see franchises hire senior management to run China franchise units from Hong Kong or Taiwan, locations that have had franchises for decades.

• **Customer service.** Customer service is part of the franchise training program we expect in the U.S. Elsewhere, customer service is not trained or part of many businesses. In fact, many international licensees acquire a U.S. franchise primarily for its detailed training programs, including the CSR training. Again going back to my time as senior vice president of AlphaGraphics' international operations and development department, we opened our first store in Istanbul and had a great staff that eagerly soaked up all the training we could give them—including CSR training. On the first day the store opened, a Turkish businessman entered to see what this brand was all about. The very eager young lady at the counter rushed up to him and asked how she could help him. This was so different from other stores that the man literally ran out of the store in shock!

Waiters in the U.S. are often part-time while they are getting an education or working in a second job. In parts of Europe, however, being a waiter is a career, a profession sought out by people wanting to better their lives and those of their families. It is necessary to take this into account in operating F&B brands in such locations.

• **Part-time staff.** The concept of part-time help is common in the U.S. and helps staff franchises of all types efficiently. However, in some countries part-time help is discouraged. Whether the store or restaurant needs the entire staff on a part-time basis or not, they can end up paying for them as full-time employees.

• **The cost of staff.** The cost of labor varies widely around the world. While a franchised restaurant in the U.S. might have a labor cost of 30 percent of gross sales, in the Nordic countries this cost can be 50 percent, and in China 15 percent—often for the same quality of staff! *The Economist* magazine publishes their "Big Mac" country index twice a year. On a specific day, people associated with the magazine visit a McDonald's in 58 countries and buy a Big Mac, large order of fries, and a large diet drink. They convert the total price into U.S. dollars for that day. The basic Big Mac Index is a comparison of the cost from one country to another. The differences are caused by many factors, but labor is a major component of the cost. The average price in the U.S. for this meal is about $4.80. In Norway, it is more than US$7 in, and in China it is US$2.

• **Keeping good, trained staff.** At the start of a new franchise in a new country, the franchisor typically trains the new local management at its home country headquarters. Then the franchisor comes to the new country and trains the local staff that will run the operations of the local unit. But the franchisor cannot come each time new staff is hired. The solution for many franchisors is to train the trainer—a local person who has spent months at the franchisor's headquarters learning and relearning, and then training staff in how the franchise should operate. One caution: in emerging markets, expect high staff turnover as training staff is hired away by other franchises. (This is an extremely difficult problem in China.)

> Staffing challenges are global. What is also global is the requirement that the person representing the franchise to the end customer be trained and provide good customer service.

In summary, staffing challenges are global. What is also global is the requirement that the person representing the franchise to the end customer be trained and provide good customer service so the franchise will succeed. Just like at home! ■

William Edwards, CEO of EGS LLC, has 40 years of international business experience. He has lived in 7 countries, worked on projects in more than 60, and has advised more than 50 U.S. companies on international development. Contact him at 949-375-1896, bedwards@egs-intl.com, or read his blog at edwardsglobal.com/blog.