Entrepreneur

THE CROSSOVER

From the corporate world to franchise ownership -- how business owners make the transition.

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Bobby Pancake and Steve Wheat, owners of a Buffalo Wild Wings franchise. (Photography by David Lang)

Opening a franchise for the first time is a daunting business for anyone. Add a move halfway across the country, a 70- to 80-hour work schedule with little or no pay, the death of a partner and you have a recipe for franchise disaster.

But Steve Wheat and Bobby Pancake took these challenges in stride when they began opening their Buffalo Wild Wings franchises in Delaware in 2004. In fact, the franchise novices handled their first business like pros, going on to open six successful Buffalo Wild Wings in five years.

That's because Wheat and Pancake aren't your ordinary franchisees.

Both had spent years punching the clock at Buffalo Wild Wings' corporate headquarters in Minneapolis--Pancake in company operations and Wheat in the marketing department. After years of watching--and helping--people realize their dreams of business ownership, they decided to take the plunge themselves. "We saw the organization growing," Pancake says. "It was on the upswing and the path to success. We wanted to get in on the ground-floor opportunity."

But taking advantage of that opportunity meant both of them had to uproot their families and move to Delaware. When their partner and financial backer, Thom Kreusch, passed away six weeks after they opened the doors of their first restaurant, they had to scramble to come up with financing to continue their company. It was a struggle, but they did it.

"Our huge advantage came from our confidence level," Wheat says. "We watched dozens of people grow their restaurants and be successful."

Pancake and Wheat are not alone. No organization keeps track of corporate franchise employees who have dropped their 9-to-5 gigs to become franchisees themselves, but it seems as if every company has an adventurous character or two who has caught the entrepreneur bug while on the job.

Their advantages are enviable--having watched dozens or even hundreds of individuals learn the ropes of franchising, they have a mental Rolodex of mistakes and pitfalls to avoid. They've been privy to the corporate decision-making processes that the average franchisee considers back-room voodoo. And most important, they go into their businesses confident that if they stick with the right plan, they will succeed. For Wheat and Pancake, that led to the Small Business Administration's 2010 National Entrepreneurial Success Award and an Oval Office meeting with the president.

We spoke with franchisees who swapped their ties for a manager's pin to find out what they know about running a franchise that you don't--and what they've learned from their time in the trenches.

Mine the experience of existing franchisees

Rob Parsons worked as the franchise development director for Popeyes Louisiana Kitchen for six years after stints at Denny's and casual-dining chain Ground Round. But in 2009, he was ready to set off on his own.

"Something a franchisee said to me kept ringing in my head," Parsons says. "He said, 'You did all the work. Why are you letting me reap all the benefits?'"

When Parsons noticed that the company was having trouble finding a developer to build units in Boston, his hometown, he asked whether he and an equity partner could take a shot.

"To advance my career and to be VP of development wasn't my ultimate desire," he says. "I wanted more control of my destiny. My endgame for this was to be a franchisee, I knew that going in. I'm transaction oriented. I like seeing units go from the ground up. There are certain feelings of accomplishment you just can't get from positions in corporate life."

Parsons was able to parlay his expertise in site selection into building three stores in just 12 months. He attributes most of that success to the time he spent with the 36 franchisees he was responsible for in his corporate life. He saw what worked (putting a heavy focus on training) and what didn't (trying to cut corners on building expenses). But he says people new to franchising can get the same benefit with a little legwork.

"I would encourage new franchisees to speak to multiple other franchisees at length," he says. "They're usually happy

WHAT I KNOW NOW

Brent Burger: Lay down your arms and work with corporate as a true retail partner. There are many resources available if you do. If you don't believe in the value of the brand, you shouldn't buy into the company.

Fran Lubbs: Success or failure is up to you. When I was working on the corporate side, talking to people who bought a school, I'd tell them, 'Follow the system, it's one of the reasons you bought the franchise. Don't try to change it, break it or fix it.' Understand the franchisor's role--my school is successful because of me, not because of some person sitting in an office in King of Prussia.

Bobby Pancake: People think they can put a hot concept anywhere and it will be successful, but that's not true. You have to do your homework and understand your trade areas and financial structures. I've seen people lose thousands (of dollars) per week because of a bad location. Know the trade area inside and out, and be comfortable with your rent and financials before signing on the dotted line.

Steve Wheat: You might think you're a great leader, but it's about the people you put around you. You need to put systems in place to measure productivity and hold folks accountable. Fortunately, I was able to make my mistakes in this business while collecting a paycheck. --J.D.

to share their opinions, and getting information out of them is not hard to do. The FDD has a list of all the franchisees in a system--that's a huge resource. Why reinvent the wheel when you can make a phone call and get the plans to success?"

Follow the guidelines established by the guys in suits

In the late 1980s and early 1990s, Brent Burger ran a chain of TCBY yogurt shops in Virginia and Florida before becoming vice president of West Coast operations for the company. In August 1999 he and his family moved to Maine to buy into three True Value Co. co-ops. By 2007, he had been elected to the company's board of directors. His moving back and forth across the franchisor/franchisee line has given him insight into how the two sides can get along.

"Entrepreneurs are a very independent and pretty skeptical bunch--we believe we know a lot more than people who aren't working in the trenches," he says. When Burger joined the corporate side of TCBY, he was amazed to find how many franchisees weren't following the company template. Some units were even selling competing brands of yogurt because they were cheaper. "I was shocked to see how many franchisees viewed themselves as independent entrepreneurs who could do whatever they wanted with the brand."

Although True Value's co-op model gives its owners more independence than some other franchises allow their franchisees, Burger's stint on the board has convinced him that corporate knows what it's doing and deserves a fair hearing. "It's easy for members to assume that these are just a bunch of corporate people with 'bright ideas,' but that's not my reality," he says. "My being closer to corporate and not being so steadfast in my way have opened my eyes to a larger pool of thinking going on.

"What's being gathered and recommended by people at True Value makes sense. You don't have to be a slave to it, or drink the Kool-Aid. Just open yourself up to it, and reflect for a minute. From the field team to distribution, these people spend their lives thinking about this business. There's got to be some value in participating."

Express yourself if you can

Tim League's venture into franchising was a little different. In 1997, he founded the Alamo Drafthouse--a movie-theater chain that serves food and drinks and hosts film festivals and various other events. The Austin, Texas-area business grew rapidly, and a new COO who was preparing to franchise the concept wanted League to stay on as CEO of the franchise organization.

But League felt that he wasn't ready. After opening the first franchise, he decided to step back and maintain his own store, and in 2004, he let another team franchise the company outside of Austin. For about six years, the two groups grew independently, until they merged last year, with League as CEO of the 10-store chain.

"We've benefited from the stronger training and accounting infrastructure the franchising group developed while we were apart," he says. "I maintained a much larger entertainment, marketing, advertising staff. I think I had a hang-up initially just with the idea and term 'franchise.' One of the reasons I stepped away was I wasn't sure that the growth model would work for us because we had such unique, non-cookie-cutter aspects.

"In that time, I realized you could use the franchise model to expand, and each store could be the same in quality of offering, but we would give them a certain level of freedom. Offering that level of freedom is an inherent part of the company."

League estimates that about 80 percent of the Alamo Drafthouse experience comes from the corporate brand book, but the remaining 20 percent of the ideas and initiatives in his stores are created by franchisees, who use local ingredients in their menus and cater their movies to local tastes. That, he contends, is what gives his company its strength.

But it took that time away from the corporate structure for League to find the soul of his company and appreciate the value franchisees can bring to a brand when given the freedom. "Strangely enough, I think it's worked out perfectly," he says. "It's a really odd path. It's that unique element that has come forth from running my stores as a mom-and-pop operation."

Focus on self-reliance

Fran Lubbs' mother used to claim that Fran had talked about running a nursery school since the age of 9. Fran doubts the story, but in 1996, she joined the corporate side of the Goddard School, an early-education franchise with about 360 units in 37 states. She worked a variety of jobs, from helping to interview directors and establishing school standards to dealing with state regulations.

But by 2001, after two bouts of cancer and after her children left home, Lubbs reassessed her priorities. "The higher you move up the corporate ladder and the larger the corporation becomes, you lose touch with what happens in the business everyday," she says. "I wanted to get back in the schools. I missed the kids--they're a constant reminder of what's good and beautiful in the world."

When an ailing Goddard franchise went up for sale in Strafford, Penn., just 3 miles from her home, Lubbs decided to become a franchisee. "One of the advantages in stepping over to the other side is that I had a good understanding of the franchisee/franchisor relationship," she says. "I really understood that the business was mine to run. Goddard was there to help me and provide multiple wonderful resources and a proven system, but it was up to me to take all those things and to make or break my business."

Still, her broad experience on the corporate side didn't prepare her for some of the challenges the average franchisee faces. Finding the right staff for her nursery school was particularly difficult, and financial matters like negotiating a lease and choosing a health plan were new to her.

At the same time, she didn't require the hand-holding that other new franchisees often do, and she always knew whom to call for advice and support.

"I knew the challenges franchisees faced, I just didn't know the depth of them," Lubbs says. "I do think for many people one of the most difficult challenges going from a corporate office to a franchise is that when you walk in the door, you become CEO of the company. You don't have the person in the office next door who is COO or treasurer. You don't have the ability to say, 'Can I bounce an idea off you?' It's a hard transition to make."

Put yourself in the other guy's shoes

Bob McQuillan and his wife, Denise, were preparing to open a Hand and Stone Massage and Facial Spa when a recruiter called. It turns out Hand and Stone was looking for a vice president for franchise sales--a position Bob had held elsewhere--so he entered the corporate and franchisee worlds simultaneously.

While Denise heads up their franchise in Cherry Hill, N.J., Bob has gained a deeper understanding of what the franchisees he's working with are going through.

"Owning a store has been a huge benefit with dealing with prospective franchises," he says. "I've gone through what they've gone through. I can't say how many people have told me that it makes a difference to them that I've invested in the same thing. They love that, and it tells them that I've put my money where my mouth is."

In the end, corporate franchisees might be more confident about the path they're taking, but their day-to-day struggle is the same as any entrepreneur's.

"Our journey was not easier than other people's," says Pancake of Buffalo Wild Wings. "Where some people may struggle with not understanding the brand, our struggle was reversed. We knew the brand, but not the territory we were entering."

Even insiders succeed or fail based on their hard work and ingenuity. No special access or experience can substitute for passion. "All you really have is a dream when you start out," Pancake says. "But it's been absolutely worth it."

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