

Franchise Radio Show

Interview Six

Fifteen Near-Death Experiences in Small Business and Franchising

**Brian Keen from Franchise Simply with John
O'Brien from Poolwerx**

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THE FRANCHISE RADIO SHOW INTERVIEWS

In his 40 years in business, mostly in the franchise industry, Brian Keen has found, chances are small business owners are continually stressing over how difficult it is to grow a business to a level that will allow them to delegate properly and get a life back.

So Brian brought all his knowledge together in his latest venture, 'How to Franchise Simply', with the aim of showing business owners how to transform a family-sized firm into a multi-million dollar asset through a unique four-step system, saving tens of thousands of dollars in consultancy fees in the process. Because he works both in Australia, where he lives, and internationally, Brian's systems apply across the globe.

A core part of this latest venture is to provide training and education about all aspects of running a franchised business. After all, most business owners really do not know what is involved in growing their businesses in this way.

And an important part of the training program are Brian's Franchise Radio Show Interviews with experts in the franchise industry and business. These relaxed and informal 'fireside chats' range across every aspect and are an easy way to start to understand some of the trickier aspects of franchising. Join him as he penetrates the inner-world of franchising with the top authorities in their field. The result is invaluable information that can make a dramatic difference to your business, its short-term viability and long term asset value, ultimately adding significantly to the payback you will receive when the time comes to implement your exit strategy.

These Interviews range across every aspect and are an easy way to start to understand some of the trickier aspects.

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Brian's small business ideas are sound, based on years of practical experience in businesses like yours. Over the years he has discovered that franchising need not be difficult or expensive. These Interviews show that it is really just a matter of getting your head around the concept and then taking action step by step.

This small book is a transcription of one of the interviews:

'Interview Six – Fifteen Near-Death Experiences in Small Business and Franchising with John O'Brien from Poolwerx'.

INTRODUCTION TO INTERVIEW SIX

Fifteen Near-Death Experiences in Small Business and Franchising

Managing any business through tough time is difficult. Spending is down, especially spending on luxury goods and services and so often this means profits are down.

It is interesting then to discuss growth through tough times with John O'Brien of Poolwerx. Why has that franchise group gone against the trend and experienced a great run through the GFC and beyond?

John explains that success is largely about people, and instilling a growth or winning culture into the group can really help to make a franchise group thrive in any circumstance.

Of course you need good business skills and great business systems because these things are the foundation of all business.

But it is also important as a franchisor that you become a leader of people.

Start a franchise system the way you intend to end it, where you want it to be when you mature. Choose the people with the right characteristics to become your Franchise Partners, look after them so they achieve and have the drive to look after your customers.

And then work out and run your business on key values. Poolwerx is run on five core winning values in business to encourage growth of the group.

The first is 'Dare to Succeed.' It's a real franchise-friendly value because everyone is an entrepreneur, big or small in franchising and people involved

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are always going to have a crack.

The second is 'Energize'. Don't accept the media pulling you down, or family or suppliers. Always energize each other. Don't buy into the gloom.

The third is 'Find a Better Way', franchising is always constantly looking to reinvent itself, is always looking for the next best way to do business.

The fourth and fifth are around looking after people and in many ways these are the most important. They are 'People First Always' and 'Do the Right Thing'.

Finally, create a culture of growth. John says, 'If you sign up for this thing called franchising, then by nature you're an entrepreneur and you've got to lead an entrepreneurial business.' And if you lead an entrepreneurial business you constantly have to grow, so the last thing you can do is cut costs. You've just got to make sure that you're spending your money for growth, even if, in difficult times, that money is from a smaller pool.

THE INTERVIEW

Brian

I'd like to welcome everyone today to another How to Franchise Simply Radio Show, where we're privileged to have John O'Brien, CEO of Poolwerx joining us. Delightful having you here today, John. Appreciate you making the time available. The title of today's conference is "Fifteen Near-Death Experiences in Small Business and Franchising."

I'm looking forward to this I must say. I'm sure we'll hear some gems. John's background in franchising is extensive, and I consider him personally to be one of the most qualified people in the country to speak on the practical side of franchising.

He will share with you a little bit of his background, but just to tell you--he modestly may not--that Poolwerx and John O'Brien really have a long list of awards and recognitions throughout the industry. Poolwerx is featured as one of the fastest growing franchises in the country with BRW magazine for the last seven years. He has also been National Franchisor of the Year on two occasions as well as being given numerous other industry awards. John personally was, at an earlier time, an Australian franchisee of the year, so quite a significant achievement and a regional franchisee of the year as well as franchisor of the year. He also has contributed enormously to the industry and is a past chairman of the Franchise Council of Australia and Manager of the Year for the Australia Institute of Management.

So without any more ado, John, I'd like to hand it over to you and just perhaps give us a little bit of your background initially. Possibly, what attracted you to franchising in the first place?

John

Thanks Brian. So it's a bit embarrassing when you listen to that list. You sound like you're 200 years old! Look, it is always interesting to see how people get into franchising. 1982 it was for me, working for Cadbury-Schweppes and we had the home-delivered soft-drink divisions--some 400 trucks and all of our vending business, and it wasn't doing too well. Franchising had only just kicked off at that time and I found myself at a young age out of uni being thrust into managing franchising. For me personally, I fell in love with franchising and it's been my meal ticket and will be for the rest of my career.

I suppose the thing, Brian, that I love most about franchising--and I do say this very genuinely--is that my biggest turn-on, what keeps me going, is coaching and mentoring franchisees who join us knowing nothing about how industry, or franchising, or indeed not even having been in small business. Coaching them from day one when they rely on you for everything to two or three years down the track when they're running a highly successful business; and over time seeing them at annual conventions and trips around Australia where they've exceeded their wildest expectations in their careers and financially for them and their families. That's my history in franchising.

Brian

Poolwerx. You acquired that from Bob Bunning I think it was in, what, '96 or something like that?

John

It was an interesting one. From '82 through to '95, being involved in half a dozen different franchise groups: growing them, importing them, exporting them. In '95 I sold out of my other interests and went looking, and spent six months traveling the globe looking for my next franchise business, which is a bit of a different way. Most people start a franchise by running a good store or a good service business and they have two or three and get a bit strung out on capital, wonder how to expand and start franchising.

I was already a franchisor looking for an industry, so it was kind of the opposite way around. I spent six months going to the US and Europe. I had a half a dozen criteria. I was looking for an industry that was disorganized, because that's what franchising does; it organizes disorganized industries, more than anything else. It had to be mobile, with a retail upside. It had to have global potential, and a couple of others I can't recall. I saw a truck with a pool-pole on the back of it in California, and landed back in Brisbane and followed a pool van back from the airport and thought that was karma. I bought that business with 6 vans and today we have 330 vans and 70 stores.

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Brian

Extraordinary. That's amazing. So what you're going to do is share with us, are 15 of the key elements which you think are significant, from your experiences over the years, with your own business and many franchisees. Just the points of experience and the showstoppers that come along the way which you need to be prepared for. Perhaps you'd like to get the ball rolling then. I think the first one you mentioned to me was "Confusing Ego with Confidence."

John

Brian, as I said earlier, these are probably 15 near-death experiences in small business generally, and they're very much relevant to franchisors and franchisees, and other small businesses. For me, I came into franchising as a bit of a hot-shot out of university and with a good corporate career. I nearly shot myself in the foot by thinking I could run a small-business--which franchisees and indeed emerging franchisors are--the same way I ran a corporate.

I very quickly realized that if you're going to have a successful franchisor business you need to be sleeves rolled up. You need to be able to do every job in the business from whoa to go. And it's interesting today, when I see new Franchise Partners, which is what we call our franchisees now in our business. More and more, they come into our business from middle corporate backgrounds and they're always telling me what they're going to do and how they're going to do it better.

I always have a bit of laugh to myself and I find before very long, they do one of two things. They either wake up to the fact that there's a lot to learn in small business and in the franchise, and that we know a lot about what we do. Or, sometimes sadly, those people who are really ego driven would have been better off being in their own business than into a franchise business. They're not team players.

But if they stay in the business, they end up only wanting to do it their way, and they affect the rest of the group and they invariably fail. I find the most successful franchisees are those who have the qualities of consistency and persistence. All day, every day, they follow the system. As our most successful franchisees say when they pick up their award at our awards night every year, 'we simply followed the system.' They'd be the one-percenters all day every day.

Brian

And of course, it's no different for someone on the other side of the fence

as a franchisor, as a business owner contemplating being a franchisor. They have to be to a fair degree fairly humble, accept it is a team environment. That is the biggest benefit they get from working with their franchisees.

John

That's true. I know that, Brian, you and I have a long history in franchising and we've seen franchisors come and go and rise and fall.

An egotistical franchisor won't succeed. Because your franchise partners have got skin in the game, they very quickly see through you, and I've seen many an egotistical franchisor that ended up killing his system through his own arrogance. I agree with what you said.

Brian

Price of opportunity. Moving on to the next one, then. Family in the business is a point that you drew up on your list there.

John

Once again, very relevant for franchisees and franchisors. I know, as I established the Poolwerx business 15 years ago, I started off with one person, me. Very soon the only people you can afford are family, friends and fools. My brother left his cushy public service job to join me. My two brother-in-laws and my wife were all my first employees, and one of the good things about that is that you can normally trust them when you don't have the time to check on them. But, historically, unfortunately, family comes at a price. Often, along the way, they end up becoming shareholders. As a good shareholder colleague of mine today says, 'It's often the outlaws who cause the most problems actually'.

Brian

They have a different sort of commitment, and there's an expectation of privileges, perhaps, beyond what somebody commercially might think they're due.

John

They do. As the business grows, unfortunately, the partners of your siblings think their partners deserve greater recognition. At the end of the day, it was your dream and your mortgage that got the business going. And there's a sad day in partnerships where things disintegrate. Often people refer to it as the first day as it is actually the best day in a partnership. It's very important, I think, therefore, to have share-holders agreements, particularly share-holders agreements when family members are involved, that very clearly lay out what the entitlements to all parties are, what their share is, what the dividends are,

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and in particular what happens when it's time to break up the partnership and how you do that and how you value that.

Brian

Your exit strategy.

John

I have a terrible example, Brian. My partner, my business partner: Michael, my brother. A great guy, a great partner. We were in business for years together. He died unexpectedly in a tragic car accident. That was bad enough to deal with, but I suddenly found myself – he was just going through a divorce – and I suddenly found that my new partner was my brother's unhappy ex and she was going through enough traumas at the time. It turned out for both of us to be very taxing personally and expensive, but we got through that.

The last bit of that, Brian, is we have nearly 250 franchise partners in our business now. We actually actively look to partner our franchisees together. We might look at bringing two or even three together in a certain area to form a bigger business. We have a standard shareholders agreement which we provide to our network and we encourage them to take it to their solicitor or advisors and we insist we sight that shareholders agreement before they go into partnership together.

Brian

I'm a great believer in strong partnerships and you're quite right, you must always have the exit strategy. The benefits of a good partnership are wonderful, they just add so much if you've got the right chemistry. So that's a very smart move and it's no doubt helped your growth, with Poolwerx.

Moving into the next point then. You've got an interesting line there: Ignoring the 51% rule.

John

I find, many of us when we go into business, especially going into a partnership, typically split it 50% each. When you're kicking off your business it's all hale and hearty and you're sitting around the barbeque having a couple of beers and you finally decide to do it, you say, "Well, how are we going to decide who's going to have what share? You know what, why don't we do it 50/50?"

Well, it's probably the weakest and worst decision you can make.

My experience is that 50/50 partnerships always end up in grief. Unfortunately, they normally end up being a handbrake on the business. One of the key assets of franchising and small business, by its very nature, is being fleet of foot, quick to market, quick to change. You need to be able to make quick decisions on the fly all the time. There always does need to be a major shareholder, somebody who has more than 50%, so that you don't ever get bogged down.

I had an example like that. I had Bob Bunning as you mentioned. Bob and I inherited each other as partners and we had 50/50 partnership. Fabulous man. We had a great relationship. Bob was some 15 years older than me. As the business grew, he wanted to invest more of the profits into his super, and of course I wanted to invest more of the profits into growing. We kind of had an impasse there. I needed to buy Bob out. It was the most expensive 1% I've ever bought in my life.

Brian

I've shared that experience on one occasion. I know what you mean. You end up paying 99%.

John

But I've now had two other shareholders for the last 10 years. I actually own over 51% of the company. We have an external board; they both have representatives on the board. It's been a great ride. We've actually never had to have a vote in those 10 years. We get there through common sense now. Having that 51% up your sleeve always helps.

Brian

Yes, absolutely. That's interesting. Other observations. You mentioned briefly in the family business, the element of divorce creeping in.

John

It doesn't creep in. It comes in like an express train! We all know the rates of divorce. In fact, if you get married today, the chances are, your marriage will last seven years. I was married for 23 years. Julie and I worked together in the business and brought up a lovely three kids in our family.

Unfortunately, our marriage came to an end, and what often happens when you're in these situations, your solicitor will probably have advised you to put your assets in your wife's name to protect you from being sued and losing the family's assets.

Then you get to a situation, in my case, after I had pioneered the brand and

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taken most of the risk and done the thinking – then I suddenly found myself going through a settlement. My two share-holders, who I just mentioned, contacted me one day and said we've just received a letter from your divorcing wife's solicitors, offering us your 51% stake for sale.

Brian

Wow.

John

Can I feel the hairs going up on people's necks?

Brian

That was the potentially the end of John O'Brien and Poolwerx.

John

It was, but they realized they needed to support me and interestingly, I received a letter at the same time – the same day – from my wife's solicitor, saying that if I didn't agree to the settlement they'd change the locks, take over the business, insert a new CEO and I'd be sacked.

Brian

Not a good day!

John

But I only share these experiences, these personal experiences, to bring the harsh realities of what can happen if you don't have good planning in your business. So you need to anticipate that with your solicitor, in your agreements, with your shareholders, with your partner. We got through all of that and we're real good friends today. Chances are it will happen to half of you.

Brian

Yes. A provision there. It's really horses for courses. People have to determine what suits them I guess, and what their respective partners are comfortable with, so it's a quite a complex issue.

John

When you're a franchisor, if you don't structure that and anticipate that responsibly, it can bring down your whole brand, and affect your whole franchise system and all your franchise partners. There's nothing more unsettling to a franchise system than the founder or CEO going through a divorce.

Brian

Absolutely. I can appreciate that. Alright. Some gems there. Thanks for sharing those with us. I appreciate they are personal matters and that's very generous of you.

The next item deals with insurance, John.

John

I think in small business, we're insurance adverse. We needed to have lived in Queensland's floods last summer to have experienced that. I'm a big believer in insurance today, not only to give me personal peace of mind, but also to protect the business for all franchise partners.

Very early in the piece, my brother and I were servicing a route just prior to Christmas, and he rolled off his truck. We were doing the route together and he fell off the back of the truck and broke his arm. But we had key man insurance, so I was able to hire people to cover him. Over the years, I've had theft, internal theft, and white-collar fraud. I've had fiduciary insurance against that which has covered me on three different occasions. Even this past year, I was worried with the amount of ash cloud which was affecting flights and whatever and I insured my convention against disruption. I was never aware of the need previously but I was really nervous about getting hit by the Sanctuary Cove Resort for a whole four days and all the rooms and all the services if we couldn't get there. Anyway, that didn't happen.

So, I go through a full insurance review. I take that seriously every year with my solicitor and my external banker. In addition to that, we have a corporate insurance cover for all of our franchise partners which is compulsory. They've got to have motor vehicle insurance, sickness and accident insurance, theft insurance, property insurance, disruption of business insurance.

That fleet of insurances is in the franchise agreement. It's compulsory for our guys and we have to, through our broker, approach every single franchisee who doesn't renew with the broker to make sure we're cited, that they have that policy in place with somebody else.

Absolutely. Otherwise it's just a house of cards, isn't it?

John

Yes. Yes. Very important.

Brian

I hear you say we're a bit insurance-averse, because we tend to look at it and say, do I really need to spend that money? You don't really get a return for it

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today, but you've given us some examples there to reinforce the fact that, particularly going into franchising, where over a period of years you're expanding quite dramatically and the liabilities extrapolate quite horrifically, in actual fact.

John

With our new franchisees, when a new franchisee joins the business – I don't know if enough franchisors do this – we include in their start-up pack, is the first year's insurance cover. All the things I talked about before.

Brian

I commend you for that. It's a brilliant idea. It just saves it being overlooked and its part and parcel of the budgeting - good idea.

You also mentioned white-collar theft and so forth.

John

Yes. I don't know about you, Brian, but most of us budding entrepreneurs, hate most the accounts side of the business, the administration side, and I think it was the happiest day of my life when the business was big enough to afford my first in-house accountant. I literally just shoved everything across the table at him and said, "It's all yours!"

I remember he was on leave, and I went to his top drawer--it was in the days of checkbooks--and pulled out the checkbook to write a check, and I could see all these butts. He had a number of rental properties, and I quickly worked out that he was renovating his rental properties out of my cash.

Brian

My goodness!

Brian

I did a quick reconciliation over a couple of nights and worked out that he had taken me for 40 grand. But back then, that was make or break for me, that 40 grand. I made a mistake. I got him to pay me back in return for me not reporting him to the police. Whilst I got money back, I didn't do other people a favor. In fact, I later learned that he went on to do that to three other companies.

A few years later, just when you think you've got your controls in place, they fall down. I had an accounts clerk who was paying the bills, and I had another administration clerk who was booking all of our travel around Australia and buying all of our laptop computers, and they were in collusion. One was

ordering and one was paying. It turned out they merrily bought themselves a suite of computers; they travelled all around Australia on their holiday. They clocked up 70,000 dollars. This time I reported both of them and one of them did time.

In both cases, I had fiduciary insurance against white-collar fraud and I got 90% of that back, which was fortunate I know. Every week I now check our cash flow. That cash flow is reconciled to the debtors report, the creditors report, bank statement and the ATO monthly report. Weekly cash flow is reconciled to four key reports. In addition to that, I pay my external accountant to come in. I pay him for a full 12 months, to come in and do monthly spot audits on different parts of the business to make sure we haven't got a problem. Not saying that it's foolproof.

Brian

No, but it just shows, as you said earlier, most of us really dislike the accounts side of the business intensely, and the opportunity to give someone else the role, is one we relish. But the fact is, you on a weekly basis, you have to spend time diligently going through and checking it, because otherwise, you just don't know what's happening and you can be misled, quite simply. And the extra cost of having your external accountant come in is just another check and balance, isn't it?

John

It's like insurance really.

Brian

That's invaluable knowledge for people to bear in mind. It's so easy to put checking the cash flow off. You have a busy week, or you are traveling and you say, "I won't look this week." And before you know it, time slips away and the door sort of edges open for someone doesn't it. And the challenge of growth is becoming complacent? And then being caught by surprise. What are your comments on that?

John

Sadly, I've had two of my friends go broke in the last 12 months. Things are a little bit tougher. Both were very good businesses which simply went broke growing. They ran out of cash. The reason they ran out of cash, of course, is that they weren't focusing on a number of things. They certainly weren't collecting their debtors on time. In our case, I got to a stage there about - a horrible day - five years ago, where I realized I had a huge \$500,000 tax bill. You reckon I didn't go white that day?

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When I looked into the business, I realized we were mismanaging our debtors and there was about \$230,000 sitting in excess debtors.

So I simply introduced weekly debtor meetings, put most of our debtors on monthly direct debits from their bank accounts and I recovered in a fairly short period of time, nearly half of the tax debt and put in a scheme of arrangement and paid them out within 6 months. But you certainly have to keep an eye on your debtors, and there's no sale in your business until you've been paid for it.

Brian

That's stressful stuff, because there you are, focusing on the growth of the business. You're going along at a rapid rate, and you're distracted with issues which are really worrying. The tax department is pretty relentless. Let's face it. And it's an unpleasant sort of threat to have hanging over your head.

John

It is, but the ATO are reasonable too. I've probably been through three or four or five scheme of arrangements. The thing is, though, if you keep on top of your cash flow, and you see the crunch coming, and most businesses are seasonal anyway, and you're responsible about it and you attack it early and you go to the tax office, I think they're more lenient today, than in my entire working career, even though they'll bluff and bluster. They'll certainly enter into a scheme of arrangement, but don't abuse it.

I also find, banks are tougher than they've ever been before, but putting in place overdrafts before you need them is a worthwhile thing to do. It's silly putting in an overdraft when you need it, because the bank won't give it to you. The old story about a bank will lend an umbrella when it's sunny and take it away when it's rainy.

Brian

So making those provisions for a rainy day when you're not going to have the opportunity to take out those schemes. Good point.

John

And follow up on your creditors. I believe, that when I can, I pay my creditors on time. I don't pay them a day early, but I pay them on time, and what that means is that, when you have got your back to the wall, you can go and ask them for some grace; for some help.

Brian

I think that's the key, isn't it? Communicating with these people: whether it's

the ATO, the bank, creditors, whatever it may be, or even pursuing your debtors. It's actually having that relationships so you can communicate rather than having a surprise arrive.

John

Well put.

Brian

And now, an interesting one.

I'll lead you to the next point John and I laugh. I'm sure you'll all smile when you hear this one.

John

So we're talking about sex, Brian! That normally wakes people up! Sex in the office. When you've got a franchise network, invariably that means husband and wife teams. It normally means their families are involved, too, in most cases. If families are involved, if they're not working the business, they are around the kitchen table. You've got husbands and wives and families involved. You've got to be so across what is the culture of your organization? What are the values? What do you stand for?

This is just an example, I suppose, where we have a big annual convention. We have 400 people every year. We've just had our 16th.

I've got 35 support staff, and I have this rule which we get up and talk about. There are no liaisons, there is no sex at conventions, and it's just not on, and it's a sackable offense. Unfortunately, 400 people and a bit of alcohol, things happen.

One of my best sales-people broke the rule one day, and I had no choice but to sack that person. But before I did, I said, "Tell you what, I'm going to get a group meeting of all our office people together. I'm going to give you a chance to publicly apologize to the whole team for breaking the rule and then I'll give them the chance to vote on whether you stay or not, but it has to be 100%. If one person of the 35 dissents, you're out." And just before they cast the vote, I said, "But remember, ye without sin throw the first stone." So there was 100% approval that day, and I learned that I had a lot of sinners in my business.

That was about seven years ago and we've had no instance of that since. That went right through the business, how we dealt with it, and we actually earned a lot of brownie points with our network for treating it so seriously.

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Brian

That's an amazingly bold stroke, I have to say. I have to take my hat off to you on that. Particularly with your top sales person there. After all's said and done, that's what brings your key revenue in, and that's a big call.

Now – royalties?

John

This is part of what happens with an emerging business, I suppose.

The people who start with most of us in our franchise businesses, as I said before are family, friends and fools. They're the people who often stay for five and ten years, and you wouldn't be where you are if it wasn't for them. They're the heart and soul of the business.

What normally happens, I find, about half-way along your journey, is that you reach the point in your business, where you need to bring in smarter, younger people from other industries who are better qualified.

Because invariably, about halfway along, a lot of the people you started with, can't grow your business any more. Every now and again somebody surprises you, and can go the journey, but it is not often.

And that's a very hard day, because you can encourage them to get educated. You can help them, give them time, and give them money, but if they're not prepared to, or not able to grow with the business, you've got to actually have the guts to be honest with them for the sake of the system and encourage them to exit the business, or be prepared to take a lesser role, to be a smaller fish in a bigger pond. Not too many people are prepared to do that. And that's a tough time in your business.

Brian:

Absolutely. And those are the calls you have to make over the years, otherwise, your growth will start stagnating.

John

We've got two executives who have been with us over ten years and they fit that mould, and to their credit, they were big enough to realize, and a couple of years ago, both moved from national roles to state roles, and were prepared to be smaller fish in a bigger pond.

Brian

Excellent. Congratulations on achieving that. As you say, not easy. A lot

involved; a lot of emotions. And then I think it came up when we were first talking, about ego and so forth, about the syndrome of knowing it all. You reached the point where there's nothing any one can teach us.

John

I suppose we did cover it before, and you and I have both seen many a franchise system that hits a wall and I think it's because of this.

I think in business, in franchising in particular, because we're fleet of foot, which is our commercial advantage over large organizations, we are constantly reinventing ourselves and refining the system. One of our corporate values is "Find a Better Way." So we're constantly looking to find a better way to do everything we do.

I think, I often hear in my travels, whether it's in my business or in other people's businesses, where they have that terrible saying, "That won't work. We've done it before." That's like a klaxon sounding to me. Never believe you know it all. Always look for a better way.

Brian

Absolutely. Being open to it. It's the old black hat, isn't it? It's easy to put the black hat on.

And the other one, obviously something you've challenged people with over the years, is the usual issue I cover quite in depth in our programs is, to grow a business, you have to learn to let go, so you can step up to the bigger challenges of the business – growth and so on.

What's your viewpoint there, John?

John

Fertile systems have to grow so quickly all the time. As founders, we're often control freaks, but when you're in franchising you're about finding the better way, about detail and attention to excellence, all that stuff. There's a fine balance between attention to excellence and detail and being a control freak, I suppose, and no one ever gets the balance quite right. I realized a number of years ago that I had to loosen up the reigns. I had to empower our people better. One way we did that was to, I said before, bring in smarter, better, and more educated people. But I read that in Jim Collins book. What was it? Was it 'Good to Great'?

Brian

Oh, yes. Excellent stuff.

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John

And he gave me a secret that gave me an insight. Jim actually said, just set your people their individual plan for the year and then coach and mentor them along the way to help them achieve it. And I thought, gee, that sounds simple! So every year, every single one of our 35 support staff, every one of our franchise partners goes through a one month business planning exercise, where they set their plan and their goals for the year ahead and it's broken down into a monthly and quarterly basis.

Every month, every person goes through a meeting with their up-line for what's called a "personal best" meeting. Every quarter, they sit with their up-line and review progress for their five KPI's for the year. And that goes all the way through the organization from the 16 year-old chlorine jockey to the three guys that report to me. We've found that that's one way I've been able to let go in the business, and basically say to people, "That's what you agreed to do for the year. That's what you agreed to do each month, each quarter. They're the five KPI's and let's work through it during the year and coach you to achieving it.

Brian

And how long has it taken you over the years to get that system developed and entrenched, John?

John

About eight years!

Brian

Right! So it's something you introduced about eight or ten years ago, is it?

John

It is. It's all electronic now. It all builds on itself. Remember the guide to the five KPIs. People are bonused 10% in a business. Five per cent toward our corporate KPIs and five per cent towards achievement of their personal KPIs. I take a lot of notice of it.

Brian

Yes. You have to have reward, don't you?

John

You do.

Brian

It's not what drives people, but it's the encouragement and it gives them the support and acknowledgement.

John

And I think having both corporate KPI rewards and having personal rewards is very important.

Brian

It does encourage the whole team aspect, I suppose. They're always looking sideways, and over their shoulder at others in the organization to make sure they're pulling their weight and helping them achieve their goals. Excellent. I'm sure you've had experiences, like me.

Your next item is another painful one. Believing what lawyers tell you, 'You will win'.

John

They're all painful ones!

Brian

They are, aren't they! They're invaluable items for people to appreciate. I think. I appreciate you sharing them so personally, because it's those personal experiences which bring things to mind rather than reading a textbook where it tends to float over the head a little bit.

John

Lawyers are all over franchising today. Most small businesses can't afford them, but they realize franchise systems are a hotbed. They can certainly rally support from like-minded franchisees. And if enough like-minded franchisees bond their resources together, they probably have enough money and enough clout to take the franchisor on. Unfortunately, there are lawyers in that space. And no matter how good a franchise agreement you have, it's meaningless unless you have a good relationship with your franchisees and an open relationship. I've found over the years – I think it's nearly 30 years in franchising -- that I've only been to the steps of the court on three occasions and actually never crossed that threshold.

I'm a big believer that whatever the lawyers tell you, it's probably going to cost you three times as much and take twice as long. I'm a big believer in going to mediation or arbitration early; or just sitting over a cup of coffee or beer with the people who are unhappy really early.

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Don't hide behind your lawyers. Sideline your lawyers. And don't just get in front of the male. Get in front of the family. Get in front of the husband and wife. And nine times out of ten, I find that what appeared to be the reason isn't the reason. It was a mountain out of a molehill and wasn't dealt with early. Most problems are only small problems which were allowed to become big problems. That's what I've found over the years. I actually don't listen to lawyers when it comes to wanting me to take litigation.

Brian:

And that's the strength of building up a good team where all seek communication as part of your basic values in the business, isn't it?

John

It is.

Brian

You share issues if you've got them.

John

Every year, Brian, and that's not quite in this space, but, apart from seeing all of my franchise partners at our annual convention, in the interim six months, I actually take two months and travel Australia. Jump in the car, Jump in the plane and I actually visit every single franchisee in their store, in their business and meet as many of the nearly 1,000 employees in the business with a handshake or an eyeball or a scone or a cup of tea, as I can. It goes a long way.

Brian

Absolutely. Business is personal. The value of small business and franchising is that personal. Otherwise you become a corporate. And once you become a corporate, you're in the Alan Joyce – Qantas space, we see what happens there. It can happen so easily, particularly with lawyers. There are ambulance chasers in whatever industry or field they're in. It's basically the same. They're just looking for trouble--as much as I respect them, of course. If there's lawyers on the line!

And you honestly believe in funding as well, from the point of view of stimulating growth and facilitating growth?

John

Debt's good. No point in being an entrepreneur or developing your franchise brand if you're debt averse. You might as well give up. You can't get enough

funds from incoming franchisees to keep ahead of the curve. And as a mentor of mine said early in the piece, "John, there's nothing wrong with borrowing. There's nothing wrong with debt, as long as you can service the debt."

Remember, you know your business better than anybody else, so you know whatever you're borrowing, you've got the ability to cash-flow it, to repay it, and whatever interest you pay on the debt, you know you will grow that investment by way more than the interest you're paying on it.

So I've always been of the view--and it may not be cute in today's environment, but I've always borrowed as much as people will lend to me, knowing that I've got tight controls and good cash flow and I can service the debt.

I couldn't open Perth and Melbourne for love or money. I spent a fortune on three attempts to go in there and open them direct or put on a master franchise. But, because we have a lot of national accounts, defense force, real estate groups, hotel groups, I needed to be national.

So, I borrowed the money and bought two existing groups. One in Perth and one in Melbourne, and straight away I was up and running. I am a big believer in borrowing to buy a competitor. Yes, you're buying their business and you can do your rate of return and your multiples, and your P and L's. But you're also getting rid of a competitor.

Brian

I've often learned some interesting little gems along the way that way.

John

I actually think buying a competitor is worth paying double for in some ways.

Brian

Takes the pressure off!

John

Don't say that to any of my competitors.

Brian

They'll be queuing up!

John

So I'm big on borrowing and borrowing heavily.

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Brian

That's good to hear. It's interesting because I consider you a fairly conservative individual.

Now – the next topic is about being a victim. There are circumstances where you feel the world's tumbling down on you.

John

This is probably a more general topic, I suppose.

Our fifth value in our business is "Energize."

It seems to be in business, and more so in these tougher times, it's very easy for people to become negative. When you run a business, you've got to be such an energy bank. You've got to have energy coming out your ears. You've got to renew it every day, because everybody wants to suck it out of you every day. You just don't have any scope or room to be a victim in business. You have to lead a business, to be an entrepreneur, to be a franchisor.

You've just got to be aware, even if you have a great idea, and you're going to grow a great business, that because franchisees have their house on the line, it's not just an employee relationship. It's a very personal relationship. They own you. And you're not the boss. You're in a partnership with them. Albeit, you might have a bigger partnership in the business. And I suppose there's no room for you to be the victim. You've got to be the font of renewable energy and positiveness in business.

I have had to deal with a particular situation where we're all challenged in business today, particularly in retail and service – by online competition. For three or four years, our franchise partners have been challenging us, "What is our solution to online traders, to e-traders."

Online sales is only about three to five percent of our business, but it appears to be much bigger than it is. So I held back, I held back, I held back, looking for a different way of tackling it, because I didn't want to just be another me-too-tailer competing on price.

We launched, six months ago, with a very innovative approach where we looked to go online to take consumers off-line.

You can go onto the Poolwerx site. You'll see all sorts of Poolwerx products, but you'll see them at full recommended retail price, which our suppliers love. But for that price, because we're within driving distance of maybe 85% of Australia's pools--for that price we will deliver it to you free and we will install

it free.

Because we're installing it--and our suppliers love this--we'll give you an extended warranty. By the way, if ever there's a problem, you know where we are, come and knock on our door. Now that simple strategy, which is completely the opposite of faceless retailers delivering out of a warehouse in the back of the Gold Coast, and we're doing incredibly well. That was us refusing to become a victim of e-commerce, but in fact embracing it as our fourth marketing arm.

Brian

Well, I think you've done what the consensus seems to be from the few people who've understood this space. If retail is to survive, they have to find ways of providing a service and giving value without bastardizing their product.

John

It's a chance to embrace it.

Brian

It should be a market for you. OK then, wrapping up with a very nice topic for the dinner table.

John

It's so much a lesson, I suppose--a smelly lesson, this one. A fish rots from the head.

Brian

This is the title of John's last point: rotting fish heads; hence the private laughter.

John

I actually gave this presentation to the Albury Chamber of Commerce when I opened our 70th store a couple of weeks ago.

I do mean very seriously, that in these tougher times, there's probably nothing more important to people working today than leadership. Leadership has never been more important in any part of the world, and in particular in small-business and franchise business, because times are tough and people have got their back to the wall. It is a changing world and a changing economy. We're paid for. We put our hand out for it. We're the leaders of our industry or our particular brand. If there's anything wrong--I challenge people--if there's anything wrong in their particular brand or business, they

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probably need to get the mirror out and look at themselves first, and if there's anything right in their particular business, it's probably coming from them also. I think the solution, or the problem, to most issues in our particular brands sits right with us.

Brian

Absolutely. Get the mirror out and have a close look every morning. Thank you for that extensive rendering of information and experience. There are some absolute gems amongst all that, and a lot of good common sense, which one can easily overlook in the planning stage when you're growing a business.

What I'd like to do now is, wrap up the call, and on behalf of Franchise Simply and our listeners, thank you John O'Brien for making time available today and really giving some invaluable personal insights into franchising and the growth and the history and the ups and downs and the experience that you've had in franchising.

Thank you all, I hope you enjoyed it.

CONCLUSION

Successful franchises understand how important it is to deal with the nuances correctly so they plan for everything to go well but also plan to cope when things don't follow the expected pattern

John O'Brien from Poolwerx describes how he survived 15 near death experiences which interrupted his franchising journey and the lessons he learned on the way.

These days Poolwerx has a number of contingency plans to cover situations which can unfortunately occur. They make an interesting list and range from everything from sex in the workplace to making sure you have adequate insurance coverage for your business and life.

Enjoy the journey.

And good luck with your franchising endeavours!

THE PARTICIPANTS

The Interviewer

Brian Keen from ‘Franchise Simply’

Brian Keen has worked in the franchise sector for over 30 years and believes franchising offers one of the most exciting business models around for anyone looking to share their success and create real wealth and financial independence for themselves.

He first saw the massive potential for franchising to create a successful business – fast – after opening and operating seven stores in just five years as a franchisee for Bedshed.

With the knowledge gained there, he went on to set up Franchise Alliance, a consultancy which helped household names like Brumby’s, Ultratune, Jim’s Mowing and Donut King develop successful sales strategies and franchise systems. The Franchise Alliance expanded with offices across Australia and New Zealand and is still going strong within six capital city offices.

During this time Brian and his partners used their knowledge to build up six franchise groups of their own with over 120 outlets between them.

They visited Europe and the US a number of times negotiating the import of franchise systems into Australia as well as expanding some of their own franchise groups into South-East Asia and elsewhere.

Based on this depth of experience, has helped many dozens of businesses to franchise successfully, increasing their profits and allowing their owners to retake control of their lives by working fewer hours.

He has now brought all his knowledge together in his latest venture, 'How to Franchise Simply', with the aim of showing business owners how to transform a family-sized firm into a multi-million dollar asset through a unique four-step system, saving tens of thousands of dollars in consultancy fees in the process.

Brian is passionate about helping people become financially secure and independently wealthy by setting up their own business, wherever they are, whatever their background. That's why he also founded and became Chairman of MicroLoan Foundation Australia (MLFA), a charity which, to date, has provided over \$750,000 in loans to impoverished women in Malawi to allow them to start their own business and improve life for themselves and those who depend on them.

Originally from Uxbridge, UK, after practising as a quantity surveyor, Brian emigrated to Malawi in 1966, where he established several successful businesses, most notably a building and development company, before moving to Perth, Australia, in 1975.

Brian has 40 years' experience in Australia and internationally as a business owner and company director, primarily focusing on business growth, particularly sales and marketing in the franchising industry.

Being Interviewed

John O'Brien from Poolwerx

I'll just mention that he's the past chairman of the Franchise Council of Australia and also of the Asia Pacific and World Franchise Council.

Needs something about John

ONE LAST THING

I write books about franchising and I am involved with my business, *Franchise Simply* and charity, *MicroLoan Foundation Australia* which gives business loans to impoverished women in Africa to set up their own businesses.

To find out where the other books are in the writing and publishing process and to find out about my business and philanthropic enterprises go to www.briankeen.com.au

And if you particularly enjoyed this interview, I'd be eternally grateful if you posted a review and passed it on to friends and colleagues who may benefit from sharing this invaluable knowledge about the exciting world of franchising.

Thank you so much for reading my books.

All the best

Brian