



Creating a Positive Culture in Franchising

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AFFIDAVIT

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Dated this 30th day of April in 2017.

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ABSTRACT

Business Culture exists in every enterprise, whether it is managed effectively by the leadership team, or the result of neglect. A Positive Culture significantly and positively impacts business productivity and profitability by enhancing team commitment to the goals of the enterprise. Negative Cultures disrupt the “team spirit” and significantly reduce cooperation among team members, increases turnover and reduces productivity.

The foundation of the business culture is composed of three important messages. The Mission Statement clearly indicates why the business exists and how it’s differentiated from their market competitors. The Vision Statement is a view of their future. And underlying both these statements are the organization’s Core Values. These are moral commitments of the organization to their employees, customers and owner-stockholders. They serve as “rules of behavior” and are considered in all significant business policies and decisions.

In many ways, franchise organizations are even more dependent upon a positive culture than other business models. The franchisee group is composed of independent business owners, typically with entrepreneurial spirit, and less inclined to follow instructions than typical employees and managers. They, and their employee teams, must be persuaded to conform to the franchise model because it’s the right thing to do for the underlying brand and benefits the franchisee. A strong, positive culture with a commitment from the entire franchise organization will make franchise model compliance more acceptable and likely, and enhance the entire franchise group..

Key Words

- Business
- Core Values
- Culture
- Employees
- Franchise
- Happiness
- Integrity
- Leadership
- Management
- Mission Statement
- Values
- Vision Statement

Table of Contents

1. Introduction	6
2. What is Culture?	7
3. Positive Culture	9
4. Negative Culture	18
5. Mission and Vision Statements	24
6. Values	26
7. Franchise Culture	31
8. Conclusions	41
9. Recommendations	44
10. Abbreviations	46
11. Bibliography	47

LIST OF FIGURES

Figure 1. Leadership is a Key to Positive Culture Development and Maintenance (p 9)

Figure 2. The Benn Culture Creation Template (p 10)

Figure 3. Culture Offers Direction (p 11)

Figure 4. Positive Cultures Increase Productivity and Profits (p 12)

Figure 5: The Entrepreneur Magazine “Happy” Culture Display (p 16)

Figure 6. Positive Cultures Lead to Employee Happiness (p 17)

Figure 7. Toxic Cultures Can Kill Employee Satisfaction and Productivity (p 20)

Figure 8. Core Values are the Foundation of Company Culture (p 26)

Figure 9. A Positive Franchise Culture Enhances Employee Satisfaction (p 34)

Figure 10. A Franchise Culture is More than Fun and Games (p 38)

INTRODUCTION

Is a positive culture critical to the long-term success of any business? It leads to increased employee satisfaction and retention, productivity, and profitability. As a business model based upon uniform standards of behavior, a franchise is particularly dependent upon a positive culture to reach and maintain success and growth.

Culture is supported by 3 foundations: Mission Statement, Vision Statement and Core Values. These foundations are the bases for all policy generation, strategic actions and decision-making within the organization.

Despite its critical importance to organizations, culture is frequently overlooked by leadership, and the result is an organization that lacks clarity and purpose. Leadership is responsible for the creation and maintenance of a positive culture and the successful financial results it generates.

This is a review of culture, its components, and how it impacts companies. Both positive and negative cultures will be evaluated. We'll look at the key components of culture, the mission and vision statements and the entity's core values. We'll also review the nature of franchising and how culture impacts a franchise organization and suggest actions that can be taken to improve the franchise culture which will result in greater productivity and profitability while building an organization that will last.

This paper will analyze whether a positive culture is critical to business success and in franchising in particular.

WHAT IS CULTURE?

"Corporate culture is often thought of as that touchy-feely stuff that is difficult to define and should be left up to Human Resources to manage (Group2017TriNet 2016)." It is a critical business issue that has a direct impact on productivity and profit. Culture is defined as "the identity and personality of an organization." It's not fun and games, but a creation of leadership which includes structure, hierarchy and shared values. Whether carefully defined and supported or random, every company has a culture. Unlike financial performance, which is measured and reviewed regularly and is considered a key to success, culture is rarely measured and effectively viewed. A deeper look may identify a company's culture as its biggest asset or greatest liability.

Culture begins with leadership. One measure of perpetuation are stories of company events and people that illustrate a company's core values. The strongest cultures will: distinguish a company in its marketplace, lay a solid foundation for achievement, enable productivity, allow the capture and retaining of top personnel, facilitate high team engagement, and perpetuate brand awareness. Culture creates alignment of team behavior and company values as well as align individual employee goals with those of the enterprise. It enhances team cooperation and coordination allowing greater successes. It can be perpetuated by examples of openness and trust.

"Today, the old ways of running a workplace - annual reviews, forced ranking, outdated competencies - don't get the intended results. Leaders must gain scientific insight into employees' evolving wants and needs and learn how to build an exceptional workplace (Gallup 2017)." This study reports that 70% of U.S. workers are not engaged at work. Key components for success in the modern workplace include:

- *Design and deliver a compelling and authentic brand*
- *Take employee engagement from a survey to a cultural pillar that improves performance*
- *Approach performance management in ways that motivate employees*
- *Offer benefits and perks that influence attraction and retention*
- *Enable people to work successfully from locations besides the office*

- *Construct office environments that honor privacy while encouraging collaboration*
- *Improve clarity and communication for employees who work on multiple teams (Gallup 2017)*

All the listed suggestions are components of company culture. Evaluating your current culture specifics and comparing to what you think is ideal will help in bringing your company or franchise organization to the next level. But make sure your perception of the “ideal” culture is consistent with potential company success and team satisfaction.

Management must play the key role in developing a positive culture while controlling negative factors ("Positive vs Negative" 2015). Examples of positive behaviors include gentle, helpful behavior within the organization, respect for all team members, people ready to take responsibility, and members appreciative of other's excellent work. Common negative factors include team members looking busy but not accomplishing much, not taking responsibility for their actions, discrimination against other team members, blaming others for their own errors, and members making themselves unavailable for difficult tasks.

Leadership has the responsibility of identifying positive and negative behaviors, rewarding the positive and correcting the negative. Only through careful monitoring can a positive culture be established and maintained.

POSITIVE CULTURE

"The late US Army General Norman Schwarzkopf once said, 'Leadership is a combination of strategy and character. If you must be without one, be without the strategy (Herard 2016).' Leadership and corporate culture are integrally aligned. The best leaders personify their vision, mission and passion. Only through authentic values and principles can you provide a clear organization design with effective values and goals. Organizational expectations drive norms and motivate employees at all levels.

6 Elements of "Leader" Driven Culture

1. Vision - a leader's basic job.
2. Mission - innovative and inspirational.
3. Relationship - lead by example.
4. Employees - must align team goals and objectives with company values and mission.
5. Accessibility – continually connect and share knowledge with team.
6. Business Acumen - strong skills for today's business environment.

Figure 1. Leadership is a Key to Positive Culture Development and Maintenance (Span 2015)



The best cultures attract the best people. Culture can best be developed with ethical, supportive leadership and a commitment to match success of the organization with that of the team.

"Culture is the glue that binds our communities, organizations, groups and families together (Benn 2017)." A negative culture tends to be oppressive and destructive. There's little coordination due to a lack of trust. And productivity suffers.

Positive cultures are made of 4 parts as illustrated in the figure below. Any company that embraces these 4 culture components will benefit from the natural inter-workings of team members and the resulting productivity.

Figure 2. The Benn Culture Creation Template (Benn 2017)



"Culture is infectious", says Wehuns Tan, the CEO of a Wishabi, a Canadian technology company (Olenski 2014). When you have a unified team working together toward a common goal, "you create rock ship trajectory." The four founders hold an extraordinary corporate culture responsible for maximizing profits and the bottom line.

When employees understand and support the core principles of the company, they have context for setting priorities, decisions and general approach to their business activities. Each team member working toward a common goal. Team members want strong leaders and want their efforts and the entire organization to stand for something

they value. Keys to building a strong culture include: clearly define company principles, communicate continually to the entire organization to help them understand how their efforts impact the company, careful interview and hiring practices to match culture goals, and design a reward system that ties cultural achievement to compensation.

Tan concludes with "Leaders need to create corporate cultures that produce high-trust teams and an environment that fosters creativity."

"Being a productive employee isn't always on the individual. The whole company has to be supportive," says the CEO of a startup (Fernandes 2014). Increasing productivity and reducing costs can be difficult, and sometimes impossible. The best way to achieve this "magical" combination is having a team culture that celebrates creativity.

5 keys to create a culture of productivity.

1. Hire for Attitude
2. Choose Actions over Words
3. Set Goals with Realistic Deadlines
4. Be Approachable
5. Show them How It's Done

Figure 3. Culture Offers Direction (2014)



"Because the company culture influences everything and everyone, a well-developed company culture creates positive changes across the organization. Managers who have developed their company's culture report improvement in every area (Phegan 2013)." Areas of potential improvement include: financial, recruiting, morale, customer service, employee motivation, responsive to change, involvement, leadership, teamwork and retention. The right culture is truly "A Great Place to Work (Phegan 2013)."

"A large and growing body of research on positive organizational psychology demonstrates that not only is a cut-throat environment harmful to productivity over time, but that a positive environment will lead to dramatic benefits for employers, employees, and the bottom line (Seppala & Cameron 2015)." There are multiple negative health impacts on high-pressure work environments including: 50% higher health care expenditures, 60-80% greater workplace accidents, 80% greater doctor visits, higher cardiovascular disease and mortality rates. Research by the Queens School of Business and the Gallup Organization found disengaged workers had nearly twice the number of errors or defects, absenteeism and accidents.

Figure 4. Positive Cultures Increase Productivity and Profits ("Positive vs Negative" 2015)



As important as compensation is to workers, they prefer workplace well-being to material benefits.

A positive workforce includes: treating each other with respect, inspiring each other, having meaningful work, avoid blame, providing support, and the ability to make friends at work.

Can bosses foster a positive workplace? They can:

- Allow the creation and support social connections.
- Show they care about their team.
- Provide support and help whenever possible.
- Be open to discussing problems with their team members.

The most successful positive workplace cultures attract other employees while reducing turnover and produces the highest levels of organization effectiveness while increasing profits.

"Having a great company culture is no longer an option. Today's workers consider it as much as they consider salary and benefits (Patel 2015)." Company cultures are not transferable between companies, but reviewing other companies can provide some insights.

1. *Zappos* (on-line shoes). Determining whether a prospective employee will "fit" the culture counts one-half the evaluation process. 10 Core Values are a focus for each team member. Hiring for culture first!
2. *Southwest Airlines*. Effectively communicates its goals and vision to team. Allows employees to take actions to enhance customer service.
3. *Twitter*. Free meals, yoga classes and unlimited vacations for employees. Team excited about working with other smart people. Wonderful team friendliness and collaboration.
4. *Google*. Has been a longstanding culture leader. Fantastic benefits including free meals, trips and parties, gyms, bonuses and dog-friendly. Maintain commitment to employee culture even as it grows and overcomes challenges. "The most successful company culture leads to successful business (Patel 2015)."

5. *Facebook*. Along with great benefits, it offers a competitive atmosphere that generates teamwork and creativity. Have transitioned from a "free and organic" organization structure as the company becomes very big. Working towards a "flat" organization with large open spaces and few offices. Continually proves itself as a greatly desired company and the culture serves as a great motivator for finding and keeping productive employees.
6. *Adobe*. Continually strives to give employees challenges and provides the necessary support. They trust employees to do their best. No micromanaging enhances the creativity of their teams. Managers function as coaches. Promote risk-taking behaviors through training and culture. They count on independent employees to help their company succeed.

Great benefits and perks are common in these successful companies. But more is required. Employees must feel part of the team and recognize their opportunities for meaningful contributions. And a company must also recognize the basic needs of safety, laws and regulations. The best cultures have members who feel safe and welcome. Be careful in using the "culture fit" when evaluating prospective hires. Too much concern can reduce diversity and the benefits that occur from varying experiences and beliefs.

"The workplace and its culture are more important to success than ever before. Here's how to create the happiest and most productive office possible. (Burke 2015)."
By 2020 half the workforce will be Millennials.

Here are 5 steps to building a better culture.

1. React to employee feedback. Rather than the annual questionnaire, set up a system allowing continual employee feedback and act on it. Let your team help you create a better work experience.
2. Document your culture. If it's not written down, you can't prove it exists. Codify the keys to your culture and review regularly to keep it fresh in your team's minds and allow new employees to understand your culture priorities.

3. Put your Mission Statement up front. Lofty goals will attract people to your team and keep your employees excited about the future. Be bold and inspirational and attract the best of the best.
4. Be open and honest. Let potential team members see what you are. Use "Glassdoor", the popular website, to allow transparency to your company. This is particularly true for Millennials.
5. Offer flexible work schedules. Working from home has doubled in the last 10 years. Flexible hours and job sharing are keys to attracting the best talent. Keeping your team engaged will help you now and in the future.

"Culture is infectious - it's viral and it's central to accelerating your business.

Every industry leader needs unbounded exponential growth to succeed in today's world (Olenski 2014)." A cohesive corporate culture will drive results. Team members want strong leadership who stand for something. Define your principles, make them known to everyone and lead your team to success.

Culture is based on core principles. These include the concept that individuals are striving to achieve. When recruiting, fitting your existing culture is important. Skills are important, but no more than building the culture.

Work toward culture accountability. Measure improvements and tie them to compensation. Be authentic, stay true to your principles and never compromise on culture.

Wehuns Tan, the CEO of Wishabi, states "Culture breeds leaders. Business today is not just about revenue, it's about building extraordinary leadership (Olenski 2014)." On a recent survey, 98% of his employees said they look forward to coming to work each day!

"Company culture is the personality of an organization from the employee perspective, and includes the company's mission, expectations and work atmosphere (Siu 2014)." Part of the culture is what a company stands for and how it treats its employees, customers and others.

There is a direct link between employee happiness and productivity. A Columbia study shows job turnover with a positive culture is 13.9 percent while a poor company

culture produces a 48.4 percent turnover rate. Appreciated employees produce more and are less likely to leave. A University of Warwick study found that happy employees are 12 percent more productive than average workers. Unhappy employees are 10 percent less productive than "average" workers and cost the economy \$300 billion per year in lost productivity.

Figure 5: The Entrepreneur Magazine "Happy" Culture Display (Siu 2014)



"It's simple: A happier team means a happier workplace. Here's how to get it (Pozin 2014)." Employee happiness leads to a more productive company. Gallup found 70 percent of American workers were disengaged on their jobs. The related ineffectiveness is estimated to cost \$550 billion in lost productivity in the US economy. Gaining back that loss is certainly worth the effort it would take to overcome this disengagement. And employee unhappiness reduces retention and the extraordinary

replacement costs. It's cheaper to keep employees engaged and happy than try to replace them. And bringing new people into a negative culture is of little benefit. The underlying problems must be solved. A 1% rise in employee engagement at a single Best Buy, had a \$100,000 annual revenue increase.

Figure 6. Positive Cultures Lead to Employee Happiness (Olenski 2014)



"Employee happiness is becoming a hot topic among CEOs and in boardrooms, and it's about time (Marke 2012)." Creating a culture that is composed of happy, engaged employees increases productivity and profitability. But be careful, only a few things that make your team happy, also result in increased productivity. When you define "happiness" as providing your team members a sense of fulfillment, it can benefit the entire organization, including shareholders. Passion is a key. Passionate employee advocacy for the company's mission will earn passionate advocacy of customers. This is a key element to the best company cultures.

Franchises embracing this type of "constant feedback and adjust" approach throughout their organizations will be better able to provide a predictable, exceptional customer experience and enhance the attitudes of their entire workforce. Happy employees lead to happy customers.

NEGATIVE CULTURE

"Negative leaders can mean negative culture (Span 2015)." Leaders should take responsibility for perpetuating a toxic culture. Their negativity extends to all they lead and they have no one to blame but themselves. The results can be lead to low productivity, low team engagement and bad customer service. All critical to company success.

1. Employees want honesty and transparency from their leaders. A leader should be open with their team. And this goes for both good and unwelcome news. Even when bad news must be expressed, be clear and explain completely and show appreciation for their team's efforts.
2. Break the negative behavior ... be positive. Start each day in an upbeat mood. No one wants to come in each day worried about what negative thing the boss is going to complain about. Being able to communicate in an appreciative and encouraging manner is critical.
3. Be constructive in your feedback. Feedback doesn't have to be a critique. Each member of your team can benefit from feedback. In fact, giving regular feedback is part of a leader's job. But be aware of your delivery and tone. Good leaders motivate change through effective, positive, and honest team communication.

The best teams don't perform on their own. They rely upon positive leadership to bring them to their greatest productivity level.

Your company culture becomes increasingly important as the competition for quality employees continues. People want to be valued and work in a place they're appreciated and comfortable. 5 signs your workplace needs a culture "upgrade" are: (Cincotta 2015).

1. Your team displays a lack of patience.
2. Company "silos" become common.
3. You see a lack of empathy among your team members
4. Leaders are losing to managers.
5. Employee engagement is down.

"Your company's culture has a profound effect on the ethical behavior of your employees (Mack 2017)." A positive culture leads to ethical behavior. Conversely, a negative corporate culture can cause a variety of problems.

It starts with leadership. Unethical behavior from managers will be emulated by their teams. Managers need to give proper credit for their underlings' work. Rather than behaving as a cooperative team, the honest employees will hide their work for fear of it being stolen or others taking credit for it. When managers behave ethically, and give proper credit to their team members, a positive team will develop with open cooperation and better company results.

Team over-competitiveness can lead to problems too. If ethical behavior isn't monitored and reward systems are based purely on results, employees might overstep ethical boundaries to achieve these rewards. A manager must investigate top performance and only reward ethical achievement.

If ethical employees are "overrun" by unethical behavior of others, the best people will leave. The business leader must take decisive action to punish or remove those team members improperly gaining from unethical behavior.

Open, honest discussion is a key to work performance and assists in identifying improper behaviors. All employees should be encouraged to report unethical or illegal behavior for the benefit of the entire organization.

"Successful people tend to work for winners, and a good culture has been shown to drive long term financial opportunity (Atchison 2014)." Work is necessary to survive. But if you have a choice, try for the best company culture.

"Corporate culture is real. Every company has one, for better or worse (Cahill 2014)." Many companies talk about enhancing their culture with words like "respect", "innovation", "service", and "integrity". But it's often just rhetoric. A recent example was how GM dealt with a crisis.

Several factors led to the GM crisis. An over-focus on short-term financial performance, reliance on cost-benefit analysis, short-term employee incentives, and layers of management separating top leadership from front-line workers. GM advertised its "great" culture with images like "GM salute" and the "GM nod." But because of

glaring cultural flaws, GM delayed action related to flawed ignition switch repairs that resulted in unnecessary fatalities.

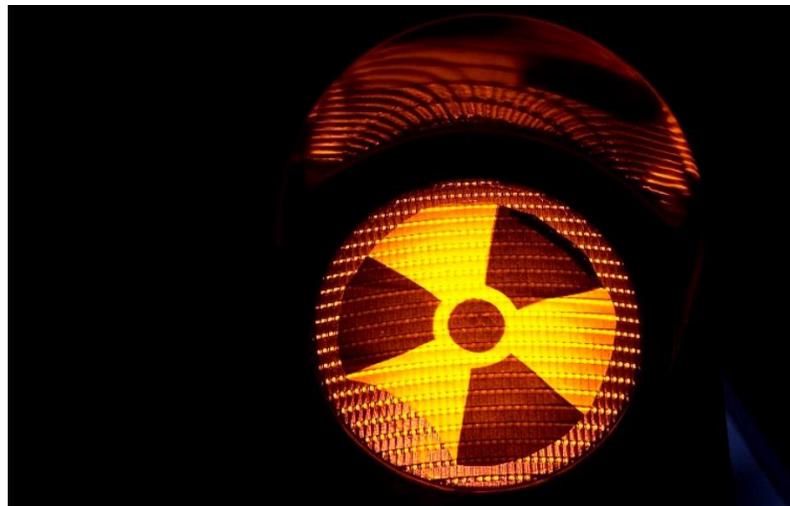
Like GM, "despite their talk, many companies haven't created a culture that fosters success (Cahill 2014)." A recent study showed "a correlation between good cultural characteristics and superior results."

The number one measure of culture is trust. Workers believe their leaders are working in their interest and the leaders have faith in the performance of their teams. Regular, productive communication is a key. No unnecessary secrets will lead to early identification of problems. The best cultures have over-riding values that help all decision-making consistently understood by all. Widely distributed Core Values are a key.

"The acid test of a company's culture is its willingness to make financial sacrifices to uphold its stated values (Cahill 2014)."

"People perceive and experience things in different ways. One employee's nightmare scenario may be another's dream (Becker 2016)." So, you'll rarely have universal feelings about the best or worst company cultures. A high-stressed environment that is very productive on Wall Street, may be viewed very negatively in other companies.

Figure 7. Toxic Cultures Can Kill Employee Satisfaction and Productivity (Becker 2016)



"Employee satisfaction can significantly impact the productivity, sales, and reputation of any company (Comen, Stebbins & Frohlich 2016)." Analysis of *Glassdoor* showed the companies with the worst cultures and why.

A *Glassdoor* spokesman said the three leading drivers of long-term satisfaction are: trust in leadership, career opportunities, and culture and values. Most of the worst rated companies are customer-facing businesses with low pay and high turnover. The perception of management is that low skilled workers can be easily replaced. Just like the best company cultures can lead to profitability, low financial performance can lead to poor culture.

From bad to worse, the list is below.

- Kraft Heinz Company. Many employees blame their 2015 merger of companies as a significant contributor to their poor culture. The focus on profits over employees is another common complaint.
- Dillard's. Poor management practices and unrealistic sales quotas are common complaints. In a common theme, poor company performance accompanies employee job dissatisfaction. Profitability halved from 2014 to 2015.
- Radio Shack. A 2015 bankruptcy filing and the announced closing of half its stores has hurt employee morale. Low customer counts have made it difficult for team members to earn commission. Management competence and low pay are further complaints. A recent deal with Sprint to sell their phones has increased employment, but generated team complaints about unrealistic phone sales goals.
- Dish. Long work hours and poor work-life balance are common complaints. Poor customer relations are another common employee concern. Stock price and profitability are down from previous year.
- Sears. Like its sister company Kmart, biggest complaints are too many working at minimum wage and declining commission schedules. Very unpopular CEO. Has posted large net loss each year since 2013.

- Forever 21. Worst rating. Employees cite overly strict company policies and inadequate benefits as biggest complaints. Have had several high-profile employee lawsuits. Company's loss-prevention program is so strict, employees were frequently kept through lunch periods and after shifts to allow searching of their bags, without pay.

Although pay and long hours are common complaints, the most significant problem leading to poor cultures is poor financial performance. The resulting "squeezing" of team members have the contra-result of reducing moral and subsequently profitability. It's a downward spiral.

Amazon has received much recognition recently related to having a very poor culture. *Glassdoor*, an on-line job and recruiting site, rates it 3.4 out of 5. 5 being the highest score of employee satisfaction. The company can be "horrible for some people, and amazing for others (McClay 2015)." The survey rated it 2.7 on work-life balance. Nonetheless, the CEO has a higher than average personal rating by employees. Negative workplaces can dramatically and negatively impact company productivity and profitability.

The CEO, Jeff Bezos, strongly disagreed with these findings and noted he would not tolerate "shockingly and callous management practices (McClay 2015)," the article describes. The article also identified Family Dollar, hhgregg, Express Scripts, ADT, Brookdale, and Dillard's as other public companies with scores at or below 2.6.

How do you determine when a culture's gone bad? "Culture is about what people in an organization do, and what meaning is attached to those behaviors (Flynn 2014)." Three signals that the company culture has declined are a lack of fairness or respect, lack of dialog, and a misalignment of values.

- Lack of fairness/respect. If your team feels they're routinely treated unfairly, your culture is in trouble. Trust and fairness are keys to employee acceptance and instrumental to success.
- Lack of dialog. Open, two-way communication between levels of the business and various departments is another measure of culture effectiveness. This

communication can be formal or informal, but each member of your team must be able to voice their frustration or excitement. Lack of dialog results in frustration and lack of trust.

- Misalignment of values relates to a mismatch of the organization's values and those of each employee. There may be no right or wrong in either set of values, but productivity is maximized when individual values are aligned with the organization's. The company must be open to individual employee needs, but each employee has a responsibility to identify employers who match their value-set.

When you identify your company culture "weakening" by seeing the above symptoms, you must determine the cause and understand your ability to affect change. Are there conflicts within groups, between groups, or are certain individuals creating stress? Is it a bad manager?

Once you diagnose the cause, you can then determine whether you can affect change. The most readily improved challenges may relate to an individual. Opening a dialog is a good starting point. They can be moved, if necessary, or they can be replaced. If, however, it's a challenged team dynamic, watch and listen. Don't be judgmental. If you can build trust, you can become a mending bridge.

Individuals may find they simply can't produce within the company's culture. The final solution may be leaving the group. Similarly, leaders may eventually decide that, despite company efforts, certain individuals just don't fit. A staffing change may be appropriate.

MISSION AND VISION STATEMENTS

The mission statement "declares the purpose of an organization and defines the reason for the company's existence (Taylor 2015)." It provides the foundation for business strategy and decision making. The best mission statements outline the organization's principles and beliefs, describes the level of offered service, what business is the company in and what needs are being satisfied. It should be inspiring to all stakeholders.

Sometimes the mission statement will originate from the company's core values. Other times, the core values are derived from the mission statement. But in either case, they work together to provide insight to employees, managers and owners on who you are, what you do, and why.

"Summing up your business' mission helps you focus on the steps you need to take to succeed ("How to Write Your Mission Statement" 2013)." The essence of your corporate goals and philosophies should be expressed effectively in only a few succinct sentences. It expresses what business you're in and the related goals and objectives. What's unique about your business?

To write a useful mission statement, you'll need to answer some important questions. How are you different from your competitors? How would you describe you and your employee's roles? What's special about your products or services? How do you define your customers? How do you want your company seen by your potential customers? What's your commitment to customer service? What role will technology play? What are your underlying beliefs? And, perhaps most importantly, why are you in business? These are just sample questions. What questions must you answer to best identify the underlying culture and nature of your business?

A great statement is not prepared in a short time. Involve your key stakeholders. Set aside an appropriate, undisturbed time to create, review and analyze. Have all required resources and people prepared for the session or sessions. Start with brainstorming. Once you've written down your statement, polish it. Words matter. Use precision to generate emotion and excitement.

Once you're done, work with your entire team to understand and internalize the statement. It's a driving force helping your entire team make decisions.

Mission statements are based on the present and define why the company exists for all stakeholders. Vision statements are based on the future and provide inspiration and direction for employees. They define the future. The vision statement is part of your strategic plan. "It is an internal communications tool that helps align and inspire your team to reach the company's goals (Fernandes 2016)." The statement should be reviewed continually and updated as the vision changes.

"A carefully crafted vision statement is at the heart of every successful business. The statement clearly and concisely communicates your business's overall goals, and can serve as a tool for strategic decision-making across the company (Fernandes 2016)." A sentence or a paragraph, it defines the core ideals of the company while serving to motivate and guide employees. Companies whose employees find their vision meaningful have a 19 percent engagement benefit compared to average. This leads to increased productivity and profitability.

Key steps in creating a vision statement (Fernandes 2016).

- Use the present tense
- Be prepared to commit time and resources
- Paint a graphic mental picture of the business you want
- Use clear, concise language
- Dream big, and focus on success
- Infuse with passion and emotion
- Have a plan to communicate to your employees

Creating a path to the company's future for your employees is your goal.

VALUES

"Core values play a major part in inspired leadership (Jeffrey 2015)." They're part of an organization's DNA. They define what's stood for, while identifying expected and ultimate behaviors. They're the core of a company's culture.

Reasons CEOs should take Core Values seriously include:

- They set the foundation for the company's culture
- Improve team morale
- Align proper behaviors of large groups
- Provide guideposts for decisions
- Enhance employee cooperation
- Help find and retain the best team members
- Aid in employee evaluation
- Help in conflict resolution
- Support innovation
- Provide brand differentiation among all stakeholders
- Provide model for customer service
- Help attract the right customers

Figure 8. Core Values are the Foundation of Company Culture (Bradley 2016)



Developing core values begins with leadership. There are hundreds of potential "values", but determining a company's focus is a crucial step to success and an effective culture development. The Seven Steps for developing core values are listed directly below.

1. Start fresh with no preconceived notions.
2. Set up a meeting with the leadership team and brainstorm core value ideas. Where are you and where do you want to be? Generate between 25-75 values.
3. Group these into related themes.
4. Identify the central theme of each group.
5. Prioritize and focus. Which values are most important? Be specific, not generic. Avoid potential confusion. Typically, a good list to capture core values is from 5 to 10.
6. Personalize your list of your organization. Avoid single words to define values. Focus on what's important to your company. Focus on company strengths. Inspire emotion and behavior through your words. Don't use slogans, these value statements should be rich and valuable to employees.
7. Continually retest the validity of your value statements. Do they help in the decision-making process, are they memorable, inspiring, elicit desired behaviors, will they last over time, can you meet them, and can you defend them?

Once you've developed the organization's core values, the organization must "live" them. That includes articulate training of your team members, make them part of the hiring process, continually and consistently defend your values, and ensure all leaders behave to absolutely support these values.

Core value statements "become the deeply ingrained principle and fabric that guide employee behavior and company decisions and actions - the behaviors the company and employees expect of themselves. Without a statement, the company will lack soul (Rossi 2015)."

Core values are intended to drive employee behavior. They set "guideposts" for every decision. But some companies find them too restrictive. "We think that a mission

statement can limit our people from seeing the business through the eyes of the customer (Rossi 2015)," says a Nordstrom spokesperson. And that could be the result of poorly constructed and non-motivating core values.

A few of the best core value statements from some companies on the *Fortune 100 Best Companies to Work For* list are creative and inspiring.

- Twitter - to give everyone the power to create and share ideas and information instantly, without barriers.
- Whole Foods Market - with great courage, integrity and love - we embrace our responsibility to co-create a world where each of us, our communities, and our planet can flourish. All the while, celebrating the sheer love and joy of food.
- L.L.Bean - sell good merchandise at a reasonable profit, treat your customers like human beings, and they will always come back for more.
- Wegmans Food Markets - Our "Who We Are" Values: Caring, High Standards, Making a Difference, Respect, and Empowerment.

"Values are the fundamental beliefs of an organization, the guiding principles that dictate how people should behave and act (Cincotta 2015)." They help team members identify right from wrong. One author suggests all companies should have at least these 8 values.

1. Problem solving. Don't get bogged down.
2. Ambitious. Changing the world.
3. Transparent. Honest and open.
4. Empathetic. Understanding the challenges of others.
5. Adaptable. Able to effectively deal with ambiguity.
6. Accountable. Stand up for your actions and results.
7. Focused. Don't be easily distracted from the important.
8. Integrable. Honesty and having strong moral principles.

Your list may include more or different values. But these characteristics are fundamental to integrity and are part of a productive and honorable organization.

"Most value statements are bland, toothless, or just plain dishonest (Lencioni 2002)." Value statements lacking integrity can be destructive, leading cynical and dispirited employees and company leaders with no credibility. Most Fortune 100 companies highlight their values publicly, but they often actually stand for very little.

Corporate values can help set companies apart from their competitors. But they must be meaningful and companies must recognize the best values will create "corporate pain." They may ostracize some employees, reduce strategic options, and limit corporate freedom. The values must mean integrity and must be enforced with diligence. The best company values come from following basic imperatives in their development and implementation.

- "*Core values* are the deeply ingrained principles that guide all of a company's actions; they serve as its cultural cornerstones (Lencioni 2002)." They're statements of who the company "is" and can't be compromised.
- *Aspirational values* are statements of who you want to be or where you want to go. You're not they're yet. But they reflect values critical to your growth and success.
- *Permission-to-play values* reflect minimum levels of behavior to maintain employment. They're the "rules of the game" and must be followed by all team members.
- *Accidental values* where not cultivated by leadership, but take hold on their own. They often reflect the personal values of the company. They can be negative or positive.

When establishing values, careful consideration needs to be taken to ensure your values differentiate you from others and have significant meaning and are authentic. Integrity, customer satisfaction and teamwork are great values. But they're included in most Fortune 100 company values and aren't clear and directing enough. Core values are intended to direct appropriate behavior. Softening them to make them readily achieved undermines their purpose. They should be challenging.

Company leadership needs to "own" the value creating process. This is not a project handed off to HR. The best approach is the use of a small team which includes the CEO. Look to your existing vision or mission statements to provide the groundwork for your values. If they're not adequate, update them.

Once values are created, they should become an integral part of the entire organization and its behaviors. All employees should clearly understand the meaning and intent of each value, and accept them. This can only be done through a detailed training program and constant reviews. Don't expect proper corporate values to be easy to live with. They are who your organization is and reflect for what it stands. They're critical to your success and the company's integrity.

FRANCHISE CULTURE

In its simplest form, a franchise is a license to use a brand or trademark to operate a business (businessdictionary.com). Typically, it's much more than that. A sophisticated franchise system includes detailed franchise agreements that outline the franchisor and franchisee responsibilities. It usually includes a detailed operations manual with instructions on how to run an individual franchise business. There may be significant support provided in operations, management, marketing, accounting, sales and finance. The most sophisticated will include detailed training programs including instructor led as well as web-based training for the various roles within the franchise organization. Franchise revenues are tracked and royalties are collected.

Perhaps most importantly, the franchisor takes steps to ensure the individual franchisee locations take actions consistent with the franchise agreement and the related operations manuals *for the benefit of the brand*. It works to protect the brand and ensure the franchisees provide a predictable, quality experience in every customer contact. To the extent possible, most franchisors attempt to get all the locations to operate in a consistent manner in all aspects of the customer-facing activity. The customer has a preconceived notion about what to expect and each franchise has a responsibility to fulfill that promise.

The International Franchise Association (IFA), the largest franchise-model support organization, has a mission statement, vision and a code of ethics.

IFA's Mission Statement. The International Franchise Association protects, enhances, and promotes franchising.

IFA's Vision. IFA: The preeminent voice and acknowledged leader for franchising worldwide.

IFA's Code of Ethics. Key topics include:

- Trust, Truth, and Honesty: Foundations of Franchising.
- Mutual Respect and Reward: Winning together, as a team.
- Open and Frequent Communication: Successful franchise systems thrive on it.
- Obey the Law: A responsibility to preserve the promise of franchising.

- Conflict Resolution: Franchise Mediation Program (FMP)

Franchise Growth Partners (2011), a franchise consulting group, have created effective Mission, Vision and Value statements. They use these tools to help their franchise clients create their own.

Our Mission. To become the leader in alliance with transitioning new and existing franchisors to help them achieve their dreams and goals to become a world-class franchisor.

Our Vision. To be a world class company admired for the excellence that franchisors, franchisees, customers, and associates experience with Franchise Growth Partners.

Our Values.

- Put our client's interest ahead of our own.
- Integrity.
- Respect for the individual.
- Best People.
- Client Value Creation.

"Culture and team go hand in hand" (Drewelow 1996). All businesses have cultures, usually created by the owner. It's leadership's responsibility to document the culture, train your team and let it drift down to your customer through your team's and the company's actions.

The franchisor has the responsibility to provide the framework of the organization's culture based on the needs of the brand. The very nature of franchising calls for similar behaviors, attitudes and actions within the franchise system. Without a standard culture "outline", the consistent, quality customer experience across the system is unlikely.

Culture and norms make up the "unwritten rules that every franchisee should know (Deramo 2013)." Recent studies show that engagement is 20% culture and 80% climate. Within a franchise organization, the "official" rules are laid out clearly in the

franchise document. But many important "smaller" rules are not typically written down. These smaller rules are frequently the groundwork of an organization's culture.

New Franchisee Perspective

As a new franchisee enters a franchise organization they're existing culture is probably different than the franchise organization's. It's very difficult for them to adapt. The technical rules of operations may be clearly documented, but what's expected in terms of behavior is not known. These cultural rules are called norms. And that lack of norms understanding frequently leads to lack of franchisee engagement and leads to alienation. The franchisor must help them adapt to the new culture.

Topics that might be laid out clearly and reviewed with the franchisee include:

- How to express a complaint
- How quickly should they respond to franchisor phone-calls?
- What are the best ways to share ideas, questions or suggestions
- What are the rules for discussions with those outside the organization
- What are their responsibilities regarding reading and responding to "corporate" e-mails?

If not specified clearly in the franchise agreement, these and other norms must be communicated readily with the franchisee. You can't assume they know what's "right" and what's expected of them.

Although these are particularly important for new franchisees, norms must be communicated and clarified on a continual basis to all franchisees to help sustain the organization's culture, cooperation and productivity.

"What kind of business do you want to run? One where employees clock-in and out and fill the hours in between with minimum effort? Or a space that your staff considers their second home, where customers always marvel at how much fun everyone is having (Bradley 2016)?" When someone invests in a franchise, it's important to understand the underlying culture and how it impacts your local operation.

Visiting an existing franchisee can provide information about the level the belief and if they "live" the culture. It often starts with a Mission Statement. Study it, learn it,

and determine whether it's consistent with how you want your business to run. Once you're committed, consider the culture in all aspects of running the business, including the hiring process and company training. Make sure to identify staff members that can exhibit the franchise culture.

The franchisor wants to ensure that the culture of the organization is spread across all franchise locations. But you can develop a local sub-culture. Celebrate achievement consistent with the culture. Have "special" days to excite your team. Get everyone involved in exhibiting the overall culture and making it an exciting place to work.

Figure 9. A Positive Franchise Culture Enhances Employee Satisfaction (Rossi 2015)



"It might feel as though signing a franchising contract is the kiss of death for your company culture, but nothing could be further from the truth. Franchising is a great opportunity to tap into the success of an existing brand, and it doesn't have to stifle your branch's culture (Craig 2016)." There are four simple rules that will help you get the best use of the corporate culture during the brand transformation process.

Study and understand the franchisor's history. Where did they start, how did they grow? What has defined their culture? How can you integrate the key elements?

Reach out to company franchisees close to you to help understand the culture in use, not just on paper. Once you gain an understanding, incorporate into all aspects of your business, including your review, recruiting and hiring process.

Take advantage of your individual market-place characteristics to help you stand out from your competition. You can't vary too far from the "parent" culture, but you can focus on those key aspects that are most important in differentiating from the rest.

Make culture a deliberate and focused part of your staff training. Reading it from a training manual won't make it happen. You must help your team understand those things that make your company special. Train, train and train! Get your team excited about those differences and the key components of uniqueness you offer.

The Franchisor's Perspective

How do you build a culture that is more powerful than your franchise agreement? "Integrity is delivering on your promises. It's the grease of culture (Hansen 2015)." The goal is transform your franchisee relationship from contract-based to culture-based. Managed aggressively, it can be done in 5 - 6 years.

Define your core values and how they relate to your purpose, people and passion. It can't be faked. Only from clarity can you generate sincerity. You don't talk-the-talk, but walk-the-walk. Only your actions will be truly "heard."

Spend time with your franchises, while including them early in the transformation. Communicate the important message regularly and consistently. It can take up to 7 times before it truly is understood. Deal with big problems early, don't expect they'll fix themselves. Don't let bad news percolate.

The changes must be communicated constantly including the initial training, annual convention, FBC visits and all regular communications. Enlighten and excite your franchise organization. The result could be a culture stronger than your franchise agreement.

"One-size-fits-all core values inspire no one (Chester 2015)." A franchise organization that uses generic "vanilla" value statements that could be interchanged with another industry don't meet the requirements of inspiring correct behavior from your

organization team. The goal is not to list a lot of things that sound good, but create a set of guidelines to aid in decision making and inspire your team to greatness.

Office Pride, an office cleaning franchise organization, has an empowering set of values. They have a biblical beginning, but that is in no way necessary to create a directing and inspiring set of values.

- Honor God
- Always do the right thing
- Increase brand value
- Demonstrate honesty, integrity and an arduous work ethic
- Total customer satisfaction
- Go the extra mile
- Persevere with a servant's attitude
- Accountability to Commitments

Whenever an employee or manager needs to make a choice or deal with a situation, they can relate back to these values to help them decide consistent with the company's goals and mission. They're an "umbrella" of principles that align all team members.

Only a unique, carefully thought-out and evaluated set of values are impactful. And when determined, leadership needs to train, retrain and "live" the values for their team. And as a basis for a franchise organization, these accepted values overcome miscommunication and keeps the entire organization working in the same direction while providing inspiration to each team member.

"Without a clear vision and a strategy to implement it, a franchisor, and the unfortunate franchisee, may survive but are on a relatively aimless journey (Inside Franchise Business 2011)." The Canadian Association notes "Mission, vision and values are the North Star of strategic planning, the beacon by which organizations set their strategic compasses and then align their everyday priority settings." Without a precise vision, there is no reference point for decisions.

An enterprises' vision is perhaps even more important in franchising since most franchise systems don't start complete, but emerge and the programs develop. An effective mission statement provides clarity to all franchisees and the related vision statement provides a look at the future. The future is going to happen whether you've prepared or not. Proper mission and vision statements will allow the franchise organization to realize the possible successes.

"The best franchise companies use all of the cultural teaching tools at their disposal, and they are relentless at spreading and reinforcing the message of the organization's culture (Richardson 2016)." Consistent communication between franchisors and their franchisees are to create and maintain a productive culture.

The best ways to communicate include: annual conventions, regular teleconferences, web-based training programs, webcasts, webinars and web conferences.

The key in these communications is keeping all franchises working in the same direction. Franchise Business Consultant calls or visits are critical, but to augment with all or some of these communication options keeps the field informed and committed and provides critical feedback to the franchisor to ensure the maintenance of the company's culture. Don't let your franchisees "drift" away due to a lack of motivating, innovative communication.

Collaboration between Franchisors and Franchisees is critical to the overall success of the organization (Schnell, Baker & Lip 2015). It consists of an acceptance of the franchise model by the franchisee, but includes open and regular communication reviewing activities and desired changes from both sides. It needs to be a win-win relationship, both sides feeling they have influence in the improvement and problem solving processes.

The franchise agreement outlines the responsibilities of both parties in the relationship. It's the outline of operations and cooperation related to future activities. Although not necessarily required, the best franchise agreements have specific guidelines to facilitate cooperation of both parties.

Acceptance and expansion of the existing franchise culture is critical to success. Both parties have responsibilities in monitoring cultural dynamics within the organization and identifying challenges as they occur.

Maui Wowi Hawaiian Coffees & Smoothies, a 200-unit franchiser, recently moved their headquarters from the Denver Tech Center to an old bank in Denver's hipster enclave. Along with moving, they set up an interesting work environment including surfboards and faux palm trees. Free vending machines are stocked with snacks and beer. All employees are encouraged to wear Hawaiian shirts and flip-flops (Daley 2016). And free fried chicken or pizza on Fridays. Their CEO wants to keep them focused on what he considers the company's most important asset: its culture.

Figure 10. A Franchise Culture is More than Fun and Games (Daley 2016)



But "rather than just fun and freebies, the right company culture can be a powerful tool to build a sense of purpose, focusing individuals on meeting goals, fostering creativity and creating a vision that will inspire employees and customers (Daley 2016)."

Evan Hackel, founder of Ingage Consulting says "One of the issues with vision and culture is that they are typically defined one time and are forgotten. The culture

needs to be integrated into the franchise system itself. The corporate side and franchisees need to take the vision and culture to heart. They are very, very important attributes."

Dave Rutter, president of Costa Vida Fresh Mexican Grill, is of the mind that he can walk into any of the franchised locations and have any team member, manager to line cook, be prepared to talk about the company's plans and missions. Keeping your team involved and excited about the future is a key to success. Regular meetings with managers allows better communication when problems arise. "When you're connected as a group, that transcends the employee-boss relationship (Daley 2016)."

Almost every franchise is started with a vision. "The problem is, they don't focus on maintaining that vision and get caught up in the day-today," says Hackel. Continual renewal and reminding of all team members is a key to keeping that vision alive.

"Every franchise organization has a culture, the same way every person has a personality. If your franchise brand is serious about growth and development, ask yourself these two questions: 1) Does our franchise system have a strong, positive culture? and 2) Is it a culture that promotes selling franchises? (Hackel 2010)." Key questions to ask yourself about developing your franchise culture are: What is the vision of my company, and what is our core set of values and beliefs? If these questions aren't readily answerable, you have challenges. Every member of your organization should be able to answer these questions effectively when asked.

Don't confuse culture with mood. Culture is systemic and only changes over time. Moods are temporary feelings and frequently change. You can't expect culture to change readily, particularly from one exciting conference or event that gets your team "charged up" but doesn't have a lasting impact. It only changes when the underlying feelings and beliefs are understood and accepted.

In the best cultures, all stakeholders have a keen understanding of the organization's purpose and goals. In many ways, the company's brand reflects its culture. McDonald's and Apple are notable examples of the relationship between brand and culture. In each case, you understand exactly what each brand provides and for what it stands. It's clear the employees understand what is expected and they deliver a

consistent customer experience on each contact. Another factor is how their marketing reflects the brand experience. The experience promised in the marketing material is consistently delivered to their customers. That can only occur when each team member has a keen understanding of the underlying culture.

People are naturally attracted to a strong brand and related culture. They want to work with others who share their passion and goals. Prospective franchisees, whether they realize it or not, are drawn to organizations with positive cultures. They "feel" good about the experience when they encounter others in the organization who share their excitement about the company. In a sense, passion sells. And a lack of it will leave a prospective franchisee disinterested. And a franchiser who can deliver that passion created by a strong, positive culture will have greater success.

CONCLUSIONS

A positive culture is a requirement to achieve and maintain a productive, profitable business or franchise. To achieve long-term success, there must be an expanded culture that pervades all the franchisor's locations. *Franchising is Culture.* The same attitude, the same behavior, the same tools, perhaps even the same words used in each location delivering consistent customer service. Each location may have some flexibility in how they deliver service, but they can't be so far from the standard to undermine the underlining franchise brand "culture" as perceived by their customers.

It's like the challenges seen by large corporations. The key difference is each franchisee is an independent business and the employees of each location are not directly under the control of the franchisor. Individual employee behavior is far more difficult to control or enforce. The franchisor must depend on each franchisee owner, who similarly aren't controlled to the extent of an employee. *For these reasons, an effective, positive culture may be more important to franchising than other business models.*

The only way to achieve consistent behaviors across the entire franchise organization successfully is to have a powerful culture that motivates each franchisee and each of their employees to behave in the prescribed manner *because they want to*, they see it as best for the organization and *themselves*. *That is the magic of success.*

Well thought out brand, customer-focused, empowering, motivating, insightful, employee-respectful, integral core values are the foundation of the culture. Integrity is the key. They set the standard for behavior for every individual and team within the network. What's right and what's wrong. They serve as a template for each decision made within the group. They're not "chains" controlling behavior, but empower team members to provide innovative customer service within the overall constraints of the organization's culture.

The best cultures attract and retain the best people into the organization. Similarly, a clearly defined culture with enhanced integrity with a company differentiating message, will attract the best franchisees to the franchise organization. Financial

success may be a primary goal, but providing great and consistent benefits to consumers will inspire the best potential franchisees.

These values must respect the team members and motivate open communication within the franchise group and each location. There must be commitment to treating employees and customers ethically through an open, win-win-win relationship among the three key stakeholders in the organization: owners, employees and customers.

The core values serve to support the creation of the Mission Statement; who and what the franchise is today? And the Vision Statement; where does the franchise want to go?

All three must be reviewed and updated regularly to keep them valid and useful. Most importantly, they must be communicated and trained continually and become the “core” of the organization’s beliefs and behaviors. When asked, each team member must be able to outline these values and statements. They should be “lived” by each member of the organization with the leaders of the organizations as behavioral examples.

In the best organizations, the franchisees have a significant voice in the creation and maintenance of these value statements. Compliance is best gained when the members of the organization have a say in the development of the culture. But the franchisor has the ultimate responsibility for the creation of these values. And must overcome franchisee resistance through effective communication, not negotiation. *Some of the best value statements will challenge organization behavior to ensure system integrity. That is a goal of the values.*

We must also consider the diverse cultural backgrounds and experiences of each franchisee and team member. No longer can the franchisor send out directives to their group and expect immediate compliance and responses. We must have a *culture of communication*, and interact in ways that best serve to meet the goals of all parties. Open, honest and regular communication is a key to ensuring the development and maintenance of the best cultures.

The Benn Model mentioned earlier can serve as a beginning to identifying critical values specific and useful to your organization. It's simply a framework from which to create the cultural outline.

Effective leadership is the key to proper cultural creation and maintenance. It's easy to be distracted by the challenges of the minute, but nothing is more important than the organization culture. It motivates proper behavior and serves as a guide for all decision making. Many of the daily challenges with which each manager and leader must deal, will evaporate when the culture supports innovative and inspired behavior from each team member.

Every organization has a culture, good or bad. Good cultures are created through leadership diligence. Bad cultures happen due to lack of planning or interest by leadership. Nothing is more important for long-term success of a company or a franchise organization.

RECOMMENDATIONS

Elements in creating and maintaining a positive franchise organization culture include:

- Establish the creation and maintenance of a positive culture at the head of franchisor priorities.
- Franchisor leadership must take the lead in cultural development using an effective model. There is no useful “standard” set of core values. They must be created specific to the needs and goals of the organization.
- Franchisor should focus on values that support the brand. These are the values that should be communicated and monitored throughout the franchise organization. Use your culture and values to differentiate the franchise organization from your market competitors.
- Use the mission and value statements and core values as guides in all important franchise decisions. Typically, decisions that contradict these values should be avoided, as challenging as that may be. In a sense, core values are intended to make the *wrong* decisions more difficult.
- The Franchisor shouldn’t get tied up in the “little stuff” that isn’t brand-essential.
- Create a franchise culture that allows the alignment of the goals of the franchisor, the franchisee and their team members.
- Managers must “live” the core values by their behavior, not only their words.
- Practice openness and respect with all team members. Help them understand their roles in maintaining the culture of the organization. Show them how they impact the organization and their input is welcomed and valued.
- Celebrate successes within the franchise organization and communicate the challenges and seek advice on how to improve. Frequently the best ideas come from the field.

- Continually communicate the organization's values to all franchisees and their team members to facilitate all working in the same direction.
- Creating happiness and fun within the organization is useful and motivating, but the best positive result is employee self-actualization; the feeling that their efforts are valued *and they benefit from the experience*.
- Build a culture for the long-term. Leadership should continually monitor culture effectiveness and ensure the entire team is engaged and dedicated, and working in the correct direction. Make people changes when training and leadership doesn't overcome resistance.

In the best organization cultures, team (or franchise) members behave in ways that benefit the organization because they want to; the members realize that this behavior also benefits them through valued compensation and their recognition of self-satisfaction and actualization. The best leaders motivate these behaviors by ensuring both parties get what they want from the relationship.

ABBREVIATIONS

FMP - Franchise Mediation Program

IFA – International Franchise Association

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