

Effective management skills for franchises

There are no guarantees when it comes to business. Even owning a franchised store with a great consumer brand, store location and franchisor support can't stop a business from getting into difficulties if management skills aren't up to the challenge of everyday operations.



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Although a franchisor helps franchisees to be successful by providing the systems required to get a business up and running, there is no substitute for management and financial skills. If you don't understand financial documents and the human resources, marketing and other disciplines required for business, acquiring them should be regarded as a priority, said Ethel Nyembe, head of small enterprise of Standard Bank.

"Your knowledge about business skills should be constantly updated. There are universities and business schools that offer courses on financial management for non-financial managers. There is also a range of professionals and small business owners who can be consulted with and will share their awareness about essential business skills. Then, of course, there is the internet, which, using credible sites, provides an 'always on' source of knowledge to those looking for assistance on virtually any topic under the sun."

Being smart about business requires knowledge about several fields. The most essential, especially in these tough economic times, said Nyembe, should include:

- Understanding and implementing a franchisor's system: Running your business 'by the book' means that you are following tried-and-tested systems that have been developed by specialists for your operation. Ignoring the collective wisdom available and doing things your own way could be costly. This can especially be the case if you are a franchisee who has left another career or profession to go into business on your own;

- Working to your business plan: There is no substitute for sitting down and using your business plan to check that you are achieving what you set out to. It's also a great tool for getting you back on track if you have taken a wrong turn;
- Watching your cash flow: When money going out of the business exceeds money coming in, you have a big problem. It is essential to know what your assets are, and how they compare to your liabilities. You should check cash flow every day and ensure that there is also money available for the unexpected, so that you have cash available if it is suddenly needed;
- In addition to getting your cash flow right, pay attention to the following:
- Watching and limiting your Capex (capital expenditure): If you are thinking about spending money for additional equipment to build your market share, or making your premises larger, make sure that all the sums have been done.

You should examine the costs of an asset or an expansion against its expected benefits. If the impact on production and profit is marginal, then reconsider the purchase. It also pays to evaluate financing options before taking the plunge;

- Invoicing quickly and regularly: An invoice that is sent out late is income delayed. Invoice all purchases and send invoices out to customers as soon as possible after a transaction occurs. You can use a discount system to encourage people to pay earlier and get cash into the business;
- Your debtors book: If you offer customers credit, you must have a process that accurately assesses their ability to pay as well as their payment history with your business. Your records must be accurate and you must be able easily to see who is keeping to payment terms and who is not;
- Your creditors: It pays to know who you owe money to and who you can negotiate better terms with. When times are tough, suppliers will often offer extended payment terms to good customers;
- Your stock: A good stock tracking system is essential. Knowing just what you have and just what you need is good business practice.

"The list of things to do and keep an eye on may seem quite daunting at first. However, management is a skill that quickly becomes a habit. If you take control of the business and review key elements regularly, what is a burden at first becomes something that you can't do without," said Nyembe.

"Best of all, the rewards are enormous. By understanding exactly where your business is at any particular time, you operate more effectively and can plan for the future. Best of all, you sleep more soundly as you know that you won't have any nasty surprises in waiting for you when you get to work," she concluded.