# Chapter 13
# Capitalizing on Franchisee Know-How:
## A Restaurant Chain Engages in Benchmarking

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## EXECUTIVE SUMMARY

*While the current labor market is a dream for aspiring future employees, the low unemployment rate and the pervasive availability of hourly jobs makes it much more difficult in the quick service restaurant industry for employers. Hiring and retaining a solid team is a common concern across the industry; often it is easier to hire than to retain. Entry level employees are easily persuaded to work for a competitor for very little added pay. This current phenomena requires organizations to find differentiating tactics to retain their workforce. This case study explores a franchise restaurant chain in their quest to become an Employer of Choice in this very competitive industry. Franchise consultants were hired to explore best practices. The authors detail how a benchmarking tool was used to secure the information as well as the outcomes of the study. Specific actions are cited that can improve the retention of hourly employees in the quick service restaurant industry.*

## ORGANIZATION BACKGROUND

Pop's Burgers and Custard is a quick service restaurant chain with over 2,500 locations in the U.S. This franchise concept has been operating restaurants since 1978. Candi Boyd and her late husband Lester opened their first restaurant in St. Paul, Minnesota and found early success. The strong performance of their small business can be attributed to Lester's grilled burgers, Candi's frozen custard, and a core emphasis on friendly service that included unique signature actions, such as providing free small cones to all children. After several years operating their own restaurant, the Boyds decided in 1980 to expand by using the franchise business model. They were so successful that by 2014, there were over 2,500 Pop's Burgers and Custard restaurants operating with 2,000 owned and operated by franchisees and the other 500 restaurants operated by corporate headquarters. The Boyds were selective in who could buy a franchise and prospective franchisees had to be vetted for fit within the system.

For context, franchise systems operate in numerous business categories (e.g., automotive, lodging, beauty, personal fitness, etc.), but most franchise business models are commonly associated with the quick service food segment due to omnipresent chains such as McDonald's, Wendy's, Dairy Queen, KFC, and Taco Bell. In a business format franchise, there is an organization (the franchisor) with a market-tested business package centered on a product or service. The franchisor enters into a continuing contractual relationship with the franchisee, who agrees to operate under the franchisor's trade name to produce and/or market goods or services according to the format specified by the franchisor (Stanworth & Curran, 1999); in turn, the franchisee agrees to pay an ongoing fee to the franchisor. Today, franchising accounts for more than $713 billon of economic output for the U.S. economy and represents a considerable proportion of the workforce, employing over 8.1 million people (International Franchise Association, 2018).

Brand standards are the bedrock of franchising, and consistency and control comprise the foundations of the franchise model (Cox & Mason, 2007). Some uniform business functions, such as supply chain management and marketing, benefit the franchise system through cost efficiencies, quality control, and uniformity of the brand image. These are frequently controlled and monitored by the franchisor. Human Resources (HR) is typically an area where franchisees have more autonomy (Cox & Mason, 2007; Kaufmann & Eroglu, 1998). What the franchisor's HR department can and cannot provide their franchisees is complicated by the law, not to mention the relationship between these two groups. This matters because Human Resource Management (HRM) practices are a critical driver of success in franchising at the

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