

Franchising

Do You Have What It Takes? Companies are using personality tests to find franchisees with the right stuff

BY JULIE BENNETT

THIS SPRING, Robert Bingham was interviewing a prospective franchisee when he realized something was wrong. The woman had "sounded outgoing and warm on the phone," says Mr. Bingham, chief executive of Little Gym International Inc., a 170-unit chain based in Scottsdale, Ariz. "But when she got here, she seemed very reserved."

That could spell trouble, since Little Gym owners spend their days leading children through gymnastics, dance and exercise classes. "We need operators who are comfortable interacting with kids and their parents," Mr. Bingham says.

In tricky cases like this, Mr. Bingham used to rely on his intuition. But about a year ago, his company discovered a safeguard to back up its hunches: a personality test. The exam asks applicants to rank how well a series of words describes them. The results are then compared with the profile of a successful franchisee to see how they match up. "This woman's personality profile showed us she'd rather be in the back office crunching numbers," Mr. Bingham says. "We suggested she find another business."

For companies that are sniffing out potential franchisees, a clean financial history isn't enough anymore. A growing number of franchisers are turning to personality tests to see whether potential franchisees will be a good fit with the company's vision -- and generate big royalty revenue.

Scott Lehr, vice president of development and marketing for the International Franchise Association in Washington, estimates that 30% to 40% of the group's 1,000 franchise members use some type of personality profile to award franchises, "and the number is growing. Franchisers have discovered that they can't spend a couple of hours, or even a few days, with someone, and know if that person will fit into their system."

Personality-assessment tests are common in other parts of the business world, but they have only begun to catch on among franchisers -- a reflection of how much the industry has matured in recent years. "Franchisers are much more sophisticated today than they were a generation ago, and are more ready to embrace analytical tools, including personality evaluations," says Matt Shay, president of the IFA.

Changing demographics are also helping to drive the popularity of these tests. Today's prospective franchisees tend to be midlevel or senior corporate managers with lots of experience and definite ideas about how to run a business, says Mr. Shay. Franchisers need to know whether a candidate "who interviews well really has the mind-set to exchange some of his or her independence and autonomy for a recognized brand and business plan."

Testing companies have gotten more sophisticated as well. Franchising is still a young business model, and "it takes a period of time [for testing companies] to create a database of individual franchise operators and to evaluate the characteristics that make some of them high performers," Mr. Shay says. "Testing companies now have the data to design assessment tools specifically for franchisers."

Bill Wagner, president of Accord Management Systems of Westlake Village, Calif., says franchisers started contacting his assessment company about three years ago. "Historically, franchisers granted franchises to anyone who had the fee and could fog a mirror," he says. But many franchisers began telling him that franchisees who had been chosen indiscriminately followed the "80/20" rule: Eighty percent of royalty income came from the top 20% of franchised locations.

"They asked us, 'If these franchisees paid the same amount of money for their units, had the same training and operate in similar territories, why do some

perform so much better than others?' " Mr. Wagner says. To find out, Accord gave its assessment survey to the franchisees of a national company whose annual royalty payments ranged from \$6,500 to \$52,000. The test, developed by the McQuaig Institute of Executive Development in Toronto, asks candidates to rank words and phrases that best describe them from one (most descriptive) to four (least descriptive). Descriptions include "obeying orders," "pushing for results," "entertaining" and "enjoying routine."

By matching the franchisees' survey results to their royalty generation, Accord developed a profile of an "awesome" franchisee for that company. Once the company started screening out applicants whose profiles fell short of the ideal, their total royalty income increased dramatically, Mr. Wagner says. (The company confirms Mr. Wagner's account but asks not to be named.)

Most of the other big franchisee-assessment tests use a similar ranking method, comparing a candidate's responses with the profiles of top-performing franchisees. The tests, which generally range from \$30 to \$295 per candidate, usually ask the same question multiple ways to prevent candidates from feeding the system all the "right" answers.

After the test is complete, the assessment company sends franchisers a computer-generated analysis of the results, including topics for the franchiser to probe in more detail. For instance, an interviewer might be advised to ask a franchise candidate, "What makes you uncomfortable when dealing with other people?" says Fred Berni, president of Dynamic Performance Systems Inc., of Etobicoke, Ontario, who's been administering his FranchiZe Profile since 1997.

Herb Greenberg, a psychologist who founded the assessment company Caliper Corp., in Princeton, N.J., in 1961, says, "We might tell a client that we love

this individual's marketing ability, sales drive and willingness to take risk, but she's awful at self-discipline. The only way you should consider her is if she has a partner who will keep the T's crossed."

At Yum Brands Inc. in Louisville, Ky., prospective franchisees are asked to take the FranchiZe Profile as soon as they've cleared the basic hurdles -- a clean credit report, a background check and verification of their assets. "When we relaunched our franchise-recruiting program two years ago, we wanted a more objective basis to decide if we should bring someone into our system," says Scott Haner, vice president of franchise recruiting for Yum, which owns KFC, Pizza Hut and Taco Bell.

For instance, if a candidate's profile shows that he or she feels employees should do what they're told and not ask questions, "our experience has shown that type of management style would not be a good fit for our culture," Mr. Haner says.

Steve Shoeman, chief executive officer of the 65-unit It's a Grind Inc. coffeehouse chain in Long Beach, Calif., says he was skeptical of personality tests until Mr. Wagner offered to test his company's senior management a couple of years ago. "The results were pretty right on," he says.

Now the company gives all prospective franchisees an Accord survey before their interview. "We're in the hospitality business, and we want franchisees who are definitely outgoing," says Mr. Shoeman. If your Accord chart whispers introvert, "we'll be watching your comfort level during the interview process. If you're really quiet, but score well in other areas, we can teach you how to hire personality types more suited to the coffeehouse environment. But sometimes the combination of profile and interview sends out too many red flags."

Sometimes the tests tell companies unexpected truths about what makes a successful franchisee. Todd Leff, chief executive officer of Cottman Transmissions in Horsham, Pa., contacted Caliper two years ago because his company had recently done a real-estate study to find out what made for a successful location. The study worked so well that "we wanted to replicate it on the human side," he says.

Cottman first asked Dr. Greenberg to develop a profile of a successful auto-center manager. "They ran blind tests of six of our longtime managers," Mr. Leff says, and the system was "100% accurate" at spotting the top performers. From there, Cottman expanded the pro-

ject to 60 existing franchisees from the top, middle and bottom performance levels.

The results surprised Mr. Leff. "The biggest difference between A players and C players was the ability to adapt our system to their location's circumstances. It's almost converse to the theory of franchising -- that everyone should be in lock step," he says. "We also discovered that franchisees with high empathy scores may be too indulgent with their employees and let their staff run all over them."

Despite their growing popularity, personality tests have their skeptics. Stephen Spinelli, vice provost for entrepreneurship at Babson College in Wellesley, Mass., and author of a book on franchising, says, "I've never seen any academic analysis that shows that they work."

He says the tests make intuitive sense, telling prospective franchisers whether a candidate has important traits such as the ability to communicate and a desire to collaborate. But he's skeptical that any test "can tell if you'll be a good Jiffy Lube franchisee" -- a company, incidentally, that has never used personality assessments.

Some critics acknowledge the usefulness of personality tests, but question how franchisers use them. Bob Kreisberg, president of Opus Marketing, a Laguna Hills, Calif., company that administers personality profiles in the information-technology industry, wonders whether choosing franchisees for certain traits really builds a stronger company. "Franchise companies that say, 'We have one culture. If you don't fit, we don't want you,' are missing out on the advantages that different people bring to the table," he says.

Instead, Mr. Kreisberg says, franchisers and employers should use the tests to expand their knowledge of an applicant's skills and abilities. "We've found that the top-performer model wasn't as homogeneous as we thought," he says. "Success has more to do with coaching and taking the best advantage of people's strengths, instead of just throwing them off the boat."

Debra Moss, the IFA's vice president of operations, says she, too, was skeptical of what the assessment companies could provide. But after some of the IFA staff took the tests, "I was blown away by how accurate they were. I now think that personality assessments, along with personal interviews, can be a great tool."

In fact, she says, "I'm such a big fan

I think everyone should take such tests, franchisees, employees -- even potential spouses."

Ms. Bennett is a writer in Northbrook, Ill. She can be reached at reports@wsj.com.