

# FRANCHISING WORLD

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## MULTI-UNIT FRANCHISING

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*IFA's 54th Annual  
Convention  
Photo Spread  
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# Beating the Odds: Transitioning From a Family- Owned Business to a National Franchise

Although many family-owned businesses don't make it past the second generation, there are valuable lessons that can be learned from those that do.

BY TERRI SNEGOLSKI

According to a recent article by familybusinesscenter.com, the average lifespan of a family-owned business is 24 years. Businessweek.com also reports that while only 40 percent of U.S. family-owned businesses turn into second-generation businesses, a mere 13 percent are passed down successfully to a third generation, 3 percent to a fourth and so on. In many cases, these figures can be attributed to the long tenure of the CEO or president of the company, which can increase difficulty coping with shifts in technology, business models and consumer behavior. Although many family-owned businesses don't make it past the second generation, there are valuable lessons that can be learned from those that do.

J&J's Creative Colors, the original industry leader in refurbishment techniques and systems, was founded in 1980 by my parents, Jim and JoAnn Foster. There came a point where they didn't have enough manpower and our family wanted to duplicate their business without changing the image or concept. The decision was made to franchise and expand under the name of Creative Colors International, a national franchise that serves the automotive, commercial and furniture industries with affordable on-site repair and restoration solutions for leather, vinyl, plastic and fabric.

When CCI was passed on to the second generation, my parents trusted our family to make the best

decisions in running the business. We were aware of the risk of failure as the statistics were not in our favor; however, we were determined to figure out how to maintain our parent's legacy and beat the odds. Today, both companies continue to be owned and operated by the second generation of our family. We've grown

from the beginning – providing customers with quality leather repairs and superior customer service – along with maintaining various lessons learned on the way to the top including the following:

- **Uphold the company legacy.** Our success comes from a strong commitment to uphold the legacy and integrity of our brand with a strong focus on the customer experience. Quality products and services are the foundation of the industry and we continually strive to achieve both. As a family-owned business, we take great pride in treating all employees like family members. We convey our family-style business to our franchisees so that they will use these values in growing their own businesses. The business started in the family, but will continue to thrive based on the employees and franchisees. To ensure consistency with quality and service, it's important to be hands-on

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and to lead by example by staying involved with employees because you are ultimately responsible for ensuring customer satisfaction and subsequently, driving your own business success.

- **Hire for the organization you want to become.** From the top down, employees must be dedicated to their company's success and believe in the business philosophy. An engaged, well-trained staff is crucial to growing a company, as turnover of employees is expensive and time-consuming. To expand, it's important to hire people who will accept your style and be able to train other employees in that culture without your guidance. Finding the right managers who can train and translate your wishes should be high on your priority list before taking on a second location.

It's also essential to hire employees who fit into your corporate culture, are well-suited to your business concept and have long-term professional goals and strong, collaborative mindsets. Once you find the right employees, it's critical to understand their strengths and weaknesses to make sure their role is well aligned with the needs of the company.

- **Adapt to the times.** Throughout the more than 30 years since J&J's launched in 1980, CCI had followed the same business model using the same branding and processes. Upon taking over, we knew it was time to step things up to get to the next level. The imaging hadn't been updated in over a decade, so we decided to modernize the branding of our logos to attract high-caliber franchisees. In addition to rebranding, we restructured our business model to give our franchisees the opportunity to invest in a brand with unlimited growth potential.

To stay ahead in today's competitive market, you need to adjust the business structure, update marketing materials and diversify your offerings to remain relevant. Change requires new mindsets, not just new skills. It can be difficult, but enhancing your business is contingent upon adopting a new mindset. As trends, customer tastes and the economy changes, being prepared to evolve with the times will help to sustain and grow a business.

- **Step away from your comfort zone.** As we have grown and developed into a second-generation family business, it has been very difficult taking a step back from doing the day-to-day tasks to move into the



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business growth and development role. When expanding your business, the appropriate people need to be hired to do the tasks that you have grown comfortable with throughout the years, such as managers and salespeople, so that you have time to find ways to improve the entire business.

As companies face change, the management team needs to integrate leadership roles into the business and develop frontrunners by fostering each employee's individual knowledge and expertise along with the collective capabilities of each team. By stepping away from your comfort zone and restructuring current employees into fitting positions, you will have the opportunity to focus on reaching the company's overarching goals.

- **Establish a culture of loyalty.** As a family-run business, loyalty is an essential part of the organization. Our company's family atmosphere is instilled in each franchise. When a business creates a culture of loyalty, it encourages teamwork because employees will feel like part of a family. One of the best ways to build employee loyalty is to ensure that everyone in the organization feels like they're part of a community. Strong inter-employee


bonds turn the workplace into a family-like environment, which people are often very reluctant to break away from. A sense of community allows employees to better incorporate their true identities into their working selves and will create a more enjoyable workplace as a result.

Family-owned businesses have been referred to as "the backbone of the American economy," known for their community-like culture with a focus on shared values, unity and morals. Given that only one in three succeed in making it from the first to the second generation, it's clear that many face significant challenges similar to those facing other businesses as they expand. A successful transition has always been crucial to the continued success of family-owned businesses, and the practices learned from our transition are of value to well-run companies looking to get ahead, whether they're family-owned or not. ■



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