

IFA 2018

CONVENTION

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Creating a Positive Culture

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Evan Hackel

Ingage Consulting/
Founder & Principal

Roger McCoy

Direct Energy/
Franchise Business
Consultant

Paul Pickett

Wild Birds Unlimited/
Chief Development
Officer

Dan Steward

President & CEO/
Pillar to Post Home
Inspectors

OBJECTIVES FOR TODAY'S SESSION:

- Understand why franchise organizations are even more dependent on a positive culture than other business models
- Learn how your franchise mission statement, vision statement, and core values contribute to your company culture
- Take away practical ideas, tools, and tactics for creating and maintaining a positive culture that drives profitability

What is Culture?



COMPANY CULTURE IS A **BLEND** OF THE
VALUES, *beliefs*, **RITUALS**
TABOOS, SYMBOLS, AND MYTHS
ALL COMPANIES DEVELOP OVER TIME

ENTREPRENEUR.COM

CULTURE ACCORDING TO THE EXPERTS:

Culture
IS HOW 
ORGANIZATIONS
'DO THINGS'



ROBBIE KATANGA

IN LARGE PART,
CULTURE IS 
A **PRODUCT**
of COMPENSATION



ALEC HAVERSTICK

Organizational
CULTURE
IS A **CIVILIZATION**
IN THE 
workplace

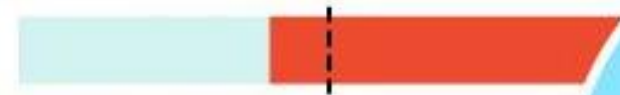


ALAN ADLER

Why Culture Matters in Franchise Systems

Negativity & **THE BOTTOM LINE**

19% increase in operating income



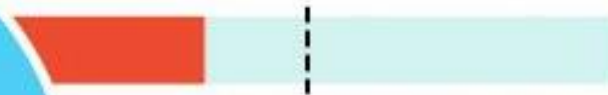
**HIGH-LEVEL
ENGAGEMENT**



28% increase in earnings growth



33% decrease in operating income



**LOW-LEVEL
ENGAGEMENT**



11% decrease in earnings growth

Why Culture Matters in Franchise Systems

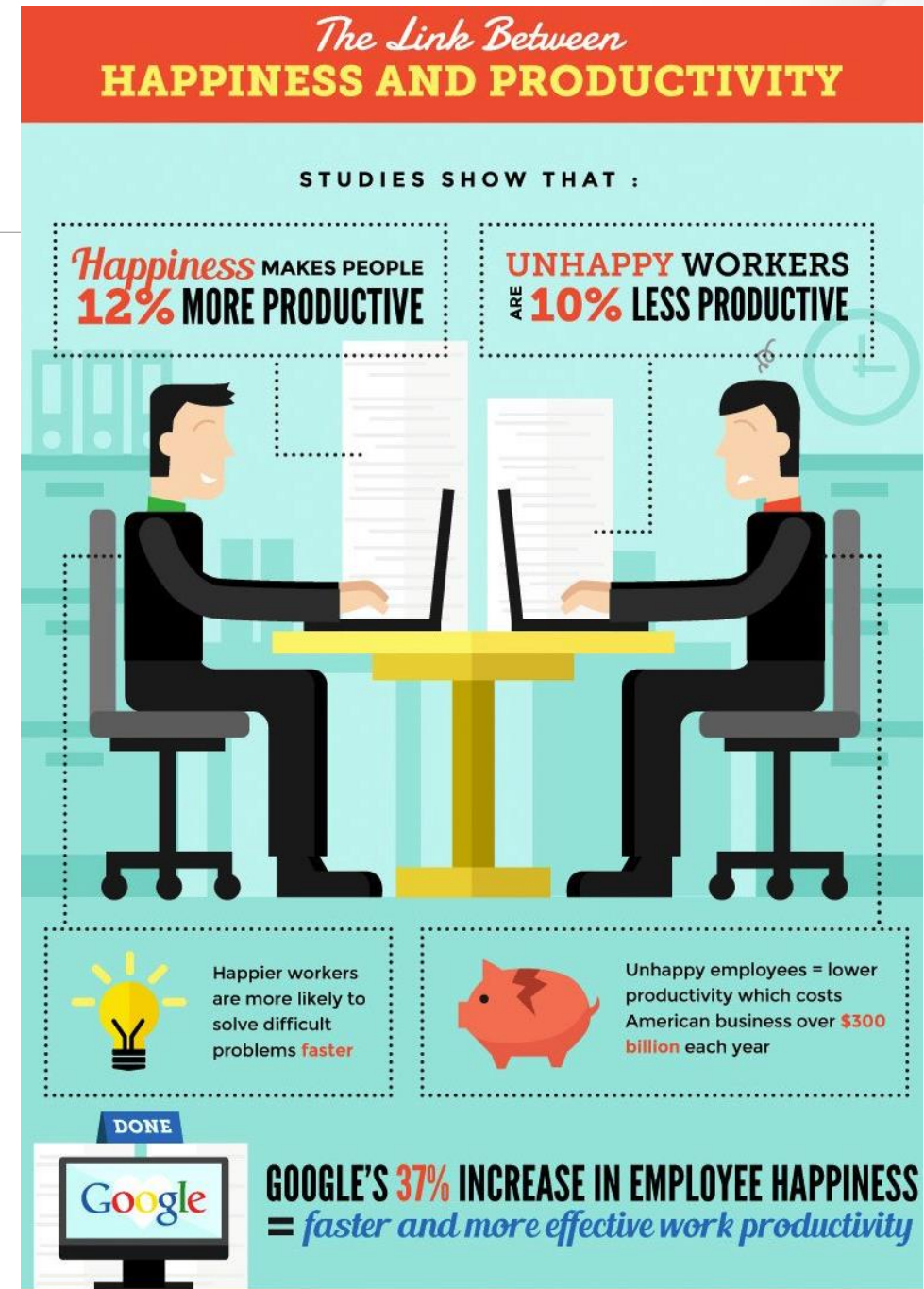
- Increased engagement

Negativity & **THE BOTTOM LINE**



Why Culture Matters in Franchise Systems

- Increased engagement
- Increased performance



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- Makes compliance more likely

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- Increased engagement
- Increased performance
- Makes compliance more likely
- Consistent behaviors across the organization (because they WANT to)

SEVEN STEPS FOR DEVELOPING CORE VALUES

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5. Prioritize and focus down to 5-10.

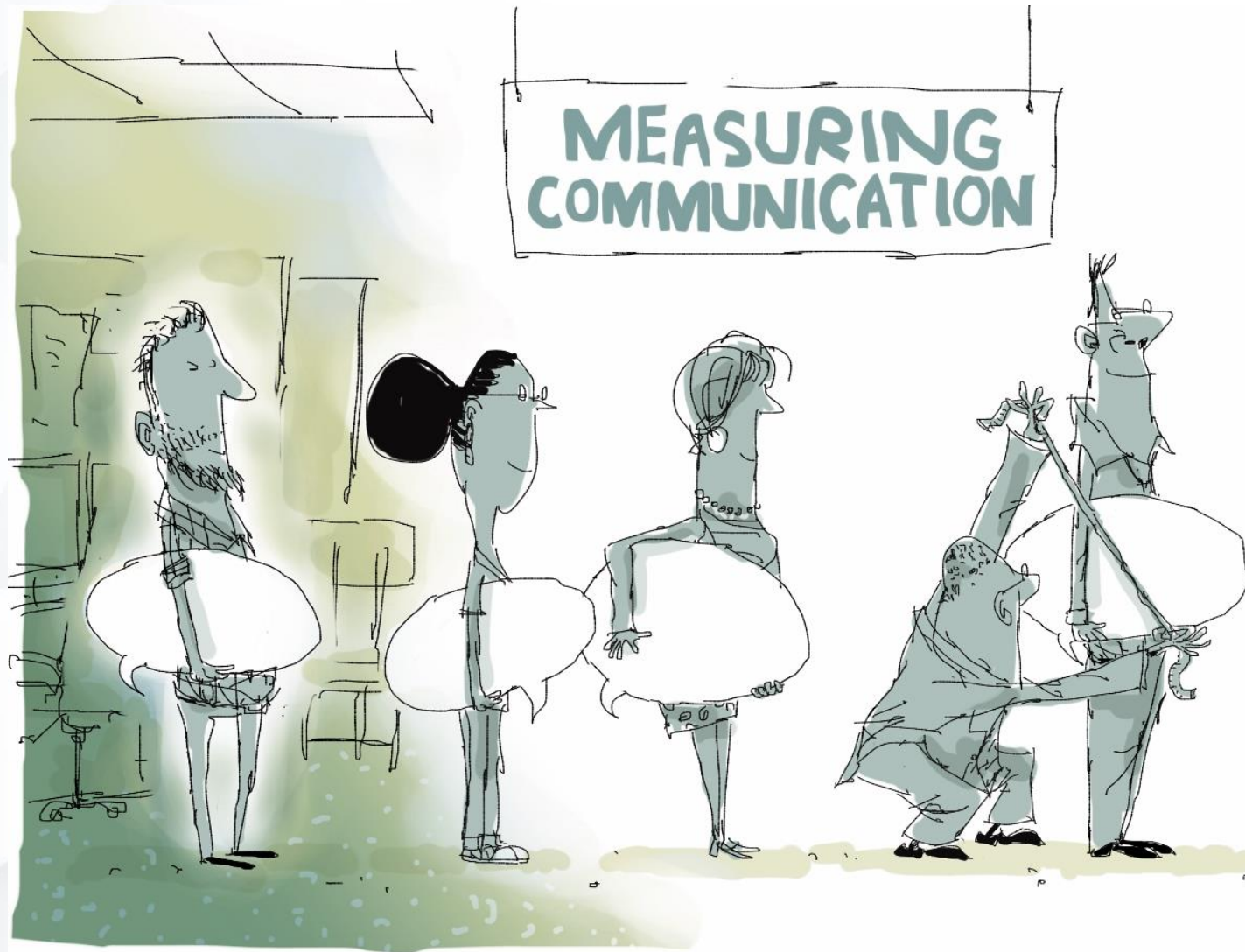
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6. Personalize- focus on what's important. They should inspire and be valuable to employees.
7. Continually retest.

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COMMUNICATING, MANAGING & MEASURING



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- Tactics for communicating your organization's core values more effectively.
- (How) do you actively manage & shape culture?
- Quantifying to observe effects.



2016 STRATEGY +
TACTICAL PLAN

Mainstream
Boutique

BETTER TOGETHER

WHY WE ARE HERE

To empower, strengthen and celebrate the women in our world through fashion.

WHAT WE DO

We help women look and feel their very best so they can be the most confident version of themselves.

WHERE WE'RE GOING

To be known as leaders in making a positive impact in women's lives and the world in which we serve.

HOW WE GET THERE

We build relationships with our customers—cheering them on through successes and struggles—inspiring them to better serve their families and world.

OUR VALUES

INTEGRITY / HONESTY

We act with honesty and integrity. We don't compromise when it comes to the truth.

COMMUNITY

We are leaders in our communities, and continuously look for ways we can help and improve the communities where we live and work.

CONTINUOUS IMPROVEMENT

We are innovative and courageous entrepreneurs. We show pride and dedication in everything we do. We consciously improve our businesses and boutiques, and are accountable to our fellow franchisees and home office.

CONTINUOUS LEARNING

We are on a journey to better ourselves, and we leverage the skills of our fellow franchisees to help us achieve our goals. We are genuinely open to constructive feedback that will help us along our journey.

QUALITY PRODUCTS

Our boutiques showcase unique products with exceptional quality. We are proud to have a repeat customer base that raves about our products.

PASSION FOR THE CUSTOMER

We are passionate about delivering an exceptional customer experience. We take the time to understand and know our customers, their likes, needs and wants.

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The Ship

The collective effort of every member and staff "on-board" is required to reach new profit and performance goals. The Ship's challenge is to cross the Consistent Sea, avoiding threats and accumulating strength to reach the Distant Shore.

The Consistent Sea

The Consistent Sea represents the non-negotiable, pre-conditions of achieving national brand awareness: consistent standards of identity, products, services, in-store environments, technology, and services.

The Distant Shore

The Distant Shore represents the new opportunities and profits that await Carpet One once it has achieved the standards required to launch an effective National Brand Awareness campaign.

Winds of Change

Market shifts, product trends, industry consolidation, new competition... cannot be controlled but adapting can lead to increased profitability.

Steering Wheel

Carpet One has a "Big, Hairly, Audacious Goal" — also known as a BHAG. Our BHAG is this:

"Carpet One will be ruled only by excellence and serve only the customer. The industry will not define us, but we will re-define the industry. The name Carpet One will dominate the world of retail flooring."

While this "audacious" goal is a long, long way out (30+ years), its powerful, independent spirit guides us on our journey.

Sails

A system-wide focus on customers and collective action are positive responses to the Winds of Change.

Oars

The Oars represent some of those hands-on initiatives members and staff can launch right now to give the Ship speed and maneuverability.

Crow's Nest

Change is constant and no successful plan can be set in stone. By keeping a lookout both forward and backward we can adjust our Plan to make sure we stay safe and on course.

The Flag

Represents Carpet One's Core Purpose:

"To experience the satisfaction of building a successful business around enriching the lives of others and enhancing the places where they live, work and play."

E-Sounder

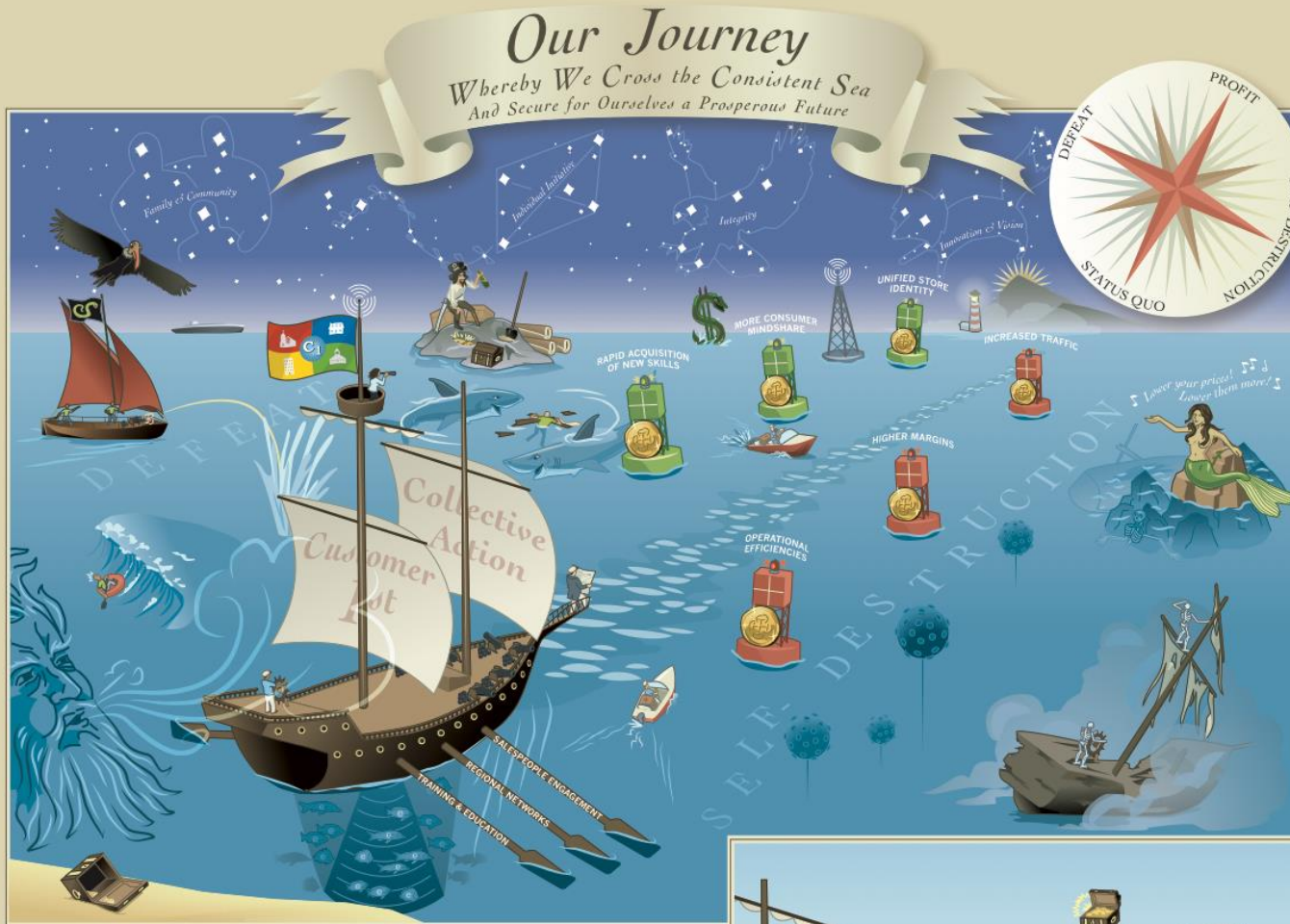
Entering new waters with e-commerce will allow Carpet One to fish for and hook new customers, increase closing ratios, add value, and increase "net" profit for all members.

Communications

All communications will be centralized to streamline communications, reduce information overload and make communications more interactive.

Buoys

Each Buoy serves as a marker to measure the Ship's progress towards its Five-Year goal to reach the Distant Shore. Numerous initiatives in our Plan help us reach each marker, making stores more robust, more competitive and more profitable as the Ship gets closer to its goal.



Brand Island

Why make the journey across the Consistent Sea? The benefits associated with national name awareness are stronger, more robust, more competitive and more profitable stores for all members on-board. Benefits include:

- Positive consumer associations with our brand
- Deeper understanding of Carpet One benefits
- Increased traffic, increased word-of-mouth
- Better association of national image with local store
- Lower price assumptions
- Higher selection assumptions
- Higher reliability assumptions

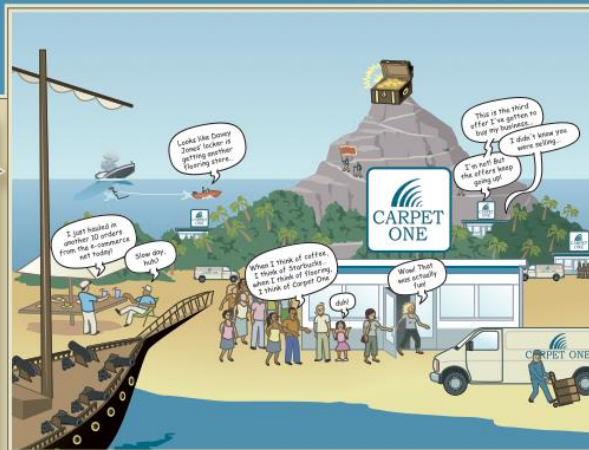
The real benefits of the journey are measured in dollars and cents, more leisure time

for the retailer and a higher inherent resale value of the business. Successful execution of this plan is expected to result in:

- More revenue entering from more consumer channels
- Higher margins on more products and services
- Higher closing ratios with equal to lower labor investments

"One ship dives east and another dives west with the seafair winds that flow. 'Tis the set of sails and not the gales which tells us the way to go."
— Ella Wheeler Wilcox

This plan adjusts our sails for a more prosperous future. All aboard.



The Shipwrecked

Independent dealers working without the power of partnership like that found in Carpet One face an increasingly gloomy future. To be competitive today requires resources not usually within the grasp of an individual retail owner.

Sharks

Home Depot, Lowe's, Empire, Lumber Liquidators: their use of aggressive pricing and advertising quickly devours less resourceful small retailers. Like Sharks, these competitors are always on the move.

Attack Ships

Any perceived weakness in Carpet One's product, service or warranty differentials are like cannon balls in our competitor's hands. Sticking to this Plan will make Carpet One's brand stronger and eliminate weaknesses — making consumers less vulnerable to competitive lies.

The Ship on the Horizon

There are few competitors, no matter how fierce, who have a business model that would allow them to "own flooring" like, for example, Nike "owns" athletic shoes. Carpet One does have that kind of business model. Home Depot does not. Our competitive intelligence tells us The Floor Store was created to stop Carpet One from ever owning "flooring" by beating us to it. We've no intention of letting them or anyone else do that.

Sea Vulture

Vultures fear the strong and prey upon the weak. These are the people who pretend to be offering us better deals outside of the system, discouraging trust among the group, and otherwise trying to create weaknesses in our best defense: our community.

Serpent

One of the greatest perils in retailing is the lack of financial resources to compete effectively. One of this Plan's greatest strengths is the high priority it places on "lifting everyone's boat" in terms of profitability.

Pirates

A pirate is anyone who plunders the bounty of the group without ever giving anything back. Motivated by greed and lacking feelings of camaraderie, a pirate spurns all group programs, never attends a convention and engages in other activities that threaten the cohesiveness and morale of the co-op. Buying out of the system when the product can be bought within the system is another example of pirate behavior.

The Siren

The hypnotic song of the Siren has lured many a sailor to destruction. We must not be seduced by the often trance-induced suggestion to "lower our margins" as a viable competitive strategy.

Submerged Mines

Every business is vulnerable to assaults from within. Staying connected with others, getting motivated, learning new skills and perfecting old techniques can go a long way to combat complacency, insecurity or low expectations in sales staff and other team players.

Ghost Ship

An attachment to the past can sink any new business effort or growth initiative. Our plan includes assessing what we can learn from the past and how to move on.

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- (How) do you actively manage & shape culture?
- Quantifying to observe effects.

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Performance Evaluation



Employee Name:

Title:

Department:

Performed By:

Reason for Review:

Date employee began present position: Date of last evaluation: Scheduled evaluation date:

For employee to fill out:

1. In your own words, what is the company's vision?

2. How do you help achieve the vision?

COMMUNICATING, MANAGING & MEASURING CORE VALUES/CULTURE:

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“BROKEN” CULTURE/TIME FOR CHANGE

THE LOOK OF A TOXIC CULTURE



Shaping School Culture

“BROKEN” CULTURE/TIME FOR CHANGE

Steps to fix issues & create a more positive and productive culture.

DEVELOPING MISSION STATEMENTS

- How are you different from your competitors?

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- How do you define your customers?

DEVELOPING MISSION STATEMENTS

- How are you different from your competitors?
- How could 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?

DEVELOPING MISSION STATEMENTS

- 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?

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- What role will technology play?

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- What are your underlying beliefs?

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- What are your underlying beliefs?
- Why are you in business?

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- 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?
- Why are you in business?
- What questions must you answer to best identify the underlying culture and nature of your business?

GROUP EXERCISE (30 minutes)

- **10 min: Each person shares your company mission and/or vision statements with the table.**
- **10 min: Use criteria to analyze your statements.**
- **10 min: Share back with group: Go around the table, do you plan to make changes? Do they hold up?**
- **Then back to the whole group for wrap up.**

STEPS TO CREATE A POSITIVE FRANCHISE CULTURE

1. Positive culture is the top priority.

STEPS TO CREATE A POSITIVE FRANCHISE CULTURE

2. Core Values specific to the organization.

STEPS TO CREATE A POSITIVE FRANCHISE CULTURE

3. Values support & differentiate the brand.

STEPS TO CREATE A POSITIVE FRANCHISE CULTURE

4. Core Values guide all decisions.

STEPS TO CREATE A POSITIVE FRANCHISE CULTURE

5. Ignore the “little stuff.”

STEPS TO CREATE A POSITIVE FRANCHISE CULTURE

6. Align franchisor, franchisee and team members' goals.

STEPS TO CREATE A POSITIVE FRANCHISE CULTURE

7. “Live” the core values.

STEPS TO CREATE A POSITIVE FRANCHISE CULTURE

8. Practice openness and respect with all.

STEPS TO CREATE A POSITIVE FRANCHISE CULTURE

9. Celebrate successes and communicate challenges.

STEPS TO CREATE A POSITIVE FRANCHISE CULTURE

10. Continually communicate.

STEPS TO CREATE A POSITIVE FRANCHISE CULTURE

11. Team members feel valued.

STEPS TO CREATE A POSITIVE FRANCHISE CULTURE

12. Continually monitor.

CONCLUSIONS:

- Create and share your Mission Statement & Core Values.
- Culture (good or bad) matters.
- Core values aren't just a decal on the wall.
- If your culture is broken, fix it.