

# Chapter 4: Pre-opening Timetable & Obligations

## Overview:

- Use this chapter to outline the specific actions necessary to open a new franchise. Opening a new franchise can be intimidating for a franchisee. Providing a clear outline will help make the process as efficient as possible.

## Goals for the chapter:

- Franchisees must be able to quickly identify the key actions they must perform.
- Ensure the obligations match the FDD and FA.

## Items to gather before starting:

- Brainstorm with your key employees to identify the major actions necessary to open a franchise location.
- Discuss necessary action items with your attorney, CPA, banker, etc.

## Questions to consider:

- What is a realistic timeframe to open a franchise outlet in your industry?
- Will you make the timetable available online for future updates and changes?
- Which items require the most lead time?
- Do certain items require outside classes, certification, etc. that may be out of your hands?

## Company ABC pre-opening timetable

Please refer to the following chart for an outline of items that must be completed prior to opening your business. The table is laid out chronologically, beginning with signing the franchise agreement.

*Include verbiage describing any additional time requirements or exceptions and extensions.*

Ten Week Chronology	Pre-Opening Task	Company ABC Contact for Support
<b>Congratulations!</b>	Sign Franchise Agreement	Company ABC Management
<b>Week One</b> after Signing the Franchise Agreement	Register for the next “Company ABC Orientation Training” <i>see Training</i>	Company ABC Training Coordinator
	Start looking for office space/contact a commercial leasing agent	Company ABC Facilities
<b>Week Two</b>	Apply for a business license	*support not provided
	Apply for Federal Employer Identification Number (FEIN)	*support not provided
	Choose your business structure and make appropriate filings.	*support not provided
<b>Week Three</b>	Open banking accounts	*support not provided
	Apply for your contractor’s license	Company ABC Training Coordinator
	Secure Insurance	Company ABC Operations Coordinator

<b>Week Four</b>	Ensure all licensing and code requirements have been met	Company ABC Operations Coordinator
	Start interviewing potential staff	*support not provided
	Find all necessary management accounting & legal support	Company ABC Legal Coordinator
<b>Week Five</b>	Sign lease/ acquire office space	*support not provided
	Order utilities	*support not provided
	Order telephone and internet	*support not provided
<b>Week Six</b>	Install all necessary hardware/ software on computer systems	Company ABC Technical Support
	Set up credit card processing accounts	Company ABC Operations Manager
	Install Advantage Business Management software & WindowSpec software	Company ABC Technical Support
<b>Week Seven</b>	Purchase vehicle(s)	*support not provided
	Order Opening Package(s) from Company ABC	Company ABC Equipment Ordering
	Order all necessary office supplies	*support not provided
<b>Week Eight</b>	Order vehicle graphics	Company ABC Advertising Coordinator
	Order exterior sign	Company ABC Advertising Coordinator
	Order marketing collateral & business cards	Company ABC Advertising Coordinator

	Set up accounts with approved vendors	Company ABC Product Ordering
<b>Week Nine</b>	Conduct local market research	Company ABC Marketing Coordinator
	Begin networking and establish referral accounts	Company ABC Marketing Coordinator
	Launch grand opening advertising campaign (see Marketing)	Company ABC Marketing Coordinator
	Write a press release	Company ABC Marketing Coordinator
<b>Week Ten</b> Open for Business	Conduct first staff meeting	*support not provided
	Find source of labor for large projects	*support not provided
	LETS CLEAN SOME WINDOWS!	*support not provided
<b>Notes and Miscellaneous Comments</b>	Company ABC Orientation Training must be attended prior to opening business. Training is held once a month at the Company ABC Corporate Headquarters.	Company ABC Training Coordinator.
	Per the Franchise Agreement, you have 3 months from signing the Franchise Agreement to open your Company ABC franchise.	

*As a franchisor, the support you provide during the pre-opening phase is up to you. Use the space provided below to detail the process, procedures, and pragmatics involved with opening for business. Providing adequate instruction will help ensure the new franchisee opens for business on time. Furthermore, it will limit the amount of handholding during this initial phase.*

## **Week One**

### **Register for upcoming Company ABC Orientation Training**

Company ABC will be conducting monthly training for new franchisees. You will typically register for the next available training upon the execution of the Franchise Agreement. Most new franchisees should be open for business within 3 months of signing the Franchise Agreement. Please reference the Training chapter for more information.

### **Company ABC Online E-Training Prep Course**

Providing a prep course before your franchisees arrive allows you to focus on the critical hands on training.

The fundamentals of window washing are covered in the Company ABC online window washing E-Training Prep Course. All new franchisees are required to take the course prior to attending the New Franchise Orientation Training at the Company ABC corporate headquarters. Upon execution of the Franchise Agreement you will be given a username and password providing access to the Franchisee Section of the CompanyABC.com website. After logging in you will be provided with a link to the prep course. Please contact your training coordinator if you have any questions pertaining to the online training.

### **Start looking for office space & find a competent commercial leasing agent**

Over the course of the next 12 weeks you will be hard at work preparing for your Grand Opening. We strongly recommend that you find a commercial leasing agent to assist you in finding office space, allowing you to focus your

attention on opening your franchise. Procrastinating on this step could delay the opening of your franchise, costing you both time and money.

## Week Two

### Apply for a business license

Contact your state's Department of Licensing for applications and instructions on how to file for a business license. Each state has unique application, filing and registration requirements. Your Company ABC training coordinator will provide assistance in this matter if needed.

### Apply for your Federal Employers Identification Number (FEIN)

Also known as the Tax Identification Number (TIN), Federal Employer Identification Number (FEIN) or the Federal Tax Identification Number, this is a unique nine-digit number assigned for purposes of identification by the Internal Revenue Service (IRS) to business entities operating in the United States. When the number is used for identification rather than employment tax reporting, it is usually referred to as a TIN, and when used for the purpose of reporting employment taxes, it is usually referred to as an EIN.

Similar in purpose to the Social Security Number assigned to individuals, EINs are used by employers, sole proprietors, corporations, partnerships, non-profit organizations, trusts and estates, government agencies, certain individuals and other business entities. The IRS uses this number to identify taxpayers who are required to file various business tax returns. Individuals who are employers may choose to either obtain an EIN or use their Social Security Number for the purpose of reporting taxes withheld on behalf of their employees.

An EIN is usually written in the form 00-0000000 whereas a Social Security Number is usually written in the form 000-00-0000 in order to differentiate between the two.

EINs do not expire but they are only numbers given to identify businesses. Nonprofit organizations need EINs to apply for an exemption from federal income tax. Exemption is terminated if annual reports are not filed. To maintain a group exemption letter, the central organization must submit an annual report, at least 90 days before the close of its annual accounting period.

For additional information about a FEIN number visit the US Internal Revenue Service website at <http://www.irs.gov/>

## Choose your business structure and make appropriate filings

You should consult with a business attorney, CPA, or tax consultant when deciding what business structure is right for you.

The actual formal mechanics of creating a corporation is known as "incorporation." The process involves completing and filing a "Certificate of Incorporation" or "Articles of Incorporation" and paying a filing fee. Each state has its own set of laws governing the process of incorporating.

Corporate existence starts when the articles of incorporation are filed with the state office that handles incorporations (e.g., usually the Secretary of State or Corporation Commissioner), along with the required filing fees. Accelerated incorporations or same-day filings are available in some states.

## Week Three

### Open banking & checking accounts

Choosing a bank account for your small business is an important stage in the startup process. There are several key things to consider – such as transaction and borrowing costs, what facilities the bank offers, and the type of relationship you want from a bank. Here are some suggestions which may help you decide which bank would best suit your needs:

- You must set up a business account if you're starting up as a Limited Company, Partnership or any other key business structure. Sole Traders can use their own personal accounts (or via a new business account – John Smith trading as XYZ).
- Don't necessarily choose a business bank simply because you are already a personal banking customer of that bank. You may feel more comfortable with a bank you already know personally, but they may not offer the best deal for your business.
- Make sure you compare several business bank account offerings, and compare the costs and charges associated with each one. A good place to start would be Company ABC partner banks – Bank of America, Banner Bank and Citigroup.

- Naturally, only consider banks that have a strong background – names you will have heard of, or even internet banking brands which are owned and operated by the big players.
- Bank Charges: A key point to consider is how much it will cost you to have a business bank account. You may have a large number of monthly transactions to process, for example, so ensure you know exactly what charges will be levied on your account before signing up. Many major banks provide "free" banking for set periods to new businesses, so this may also be of interest.
- Online Banking: This is an increasingly important service, and most banks now provide an internet service so you can check the status of your account day or night. At Company ABC this is an essential service. Rather than calling the bank to check if a payment has been made to your account, you can check online in a fraction of the time.
- Interest: Although the major banks have improved their interest rates on business current accounts in recent years at the request of the government, they do vary wildly. Some well-known banks pay virtually zero interest on your account balance, but there is always a trade-off between free transaction costs and interest rates, so consider the overall benefits each account would provide to your business.
- Small Business Team: Consider a bank which has a specialized small business unit. The setup process should be simpler, and dedicated teams will be used to dealing with all types of small business and their specific needs. Some businesses will require regular contact with their bankers, so you should go with a team you feel you can build a good personal relationship with.

## Apply for your contractor's license

Applying for a contractor's license is relatively straightforward, although the specific requirements will vary based on your location. The rules are similar between states; however, your first step should be visiting the web site of your state contractors' board. There you'll find specific information on licensing, the testing and application process, fee schedules and additional state-specific requirements.

Generally speaking, a contractor's license application, application and testing fees and, in some instances proof of bonding and insurance, will be required to obtain a contractor's license. After you check on your specific state requirements, you'll need to fill out an application, which can be downloaded from most official state web sites, or can be ordered by calling your local or state licensing authority. Most applications require the applicant to state their

experience and business references, as well as any issues, complaints or lawsuits that you may or may not have had. In many cases the application will also require a detailed financial statement, as well as declarations on your personal finances, such as whether or not you've ever filed for bankruptcy.

(A tip: Be prepared by first having a business plan ready before filling out the application. It will not only help you plan for your future business, but will help you with the application questions as well.)

You'll likely also have to take a test on construction management and/or a specific trade, the details of which vary greatly from state to state. In most states, it's not required to take any specific coursework before getting a contractor's license; however, some states (such as California) offer either a classroom or home study program to help you study for the tests. While it's not required, many will suggest coursework to help you prepare for the required licensing tests – especially for those with limited construction or business management experience.

Finally, to apply for a contractor's license, you'll need to pay several fees, including a licensing fee and testing fees. Specific amounts vary, but be prepared for costs to range from \$75 to \$300 per application, test or licensing fee, with overall costs totaling around \$500. An additional cost to remember is that, in some cases, proof of bonding and insurance will also be required.

Before you apply for a contractor's license, be sure to take into account that in most states you will need at least two separate licenses before performing and professional construction work: a contractor's license from the state board, and a business license for the city or county in which you're performing the work. Also keep in mind that licensing requirements will change based on what type of construction you plan on doing – whether commercial, residential, remodeling or new construction. Your specific situation can change application and permit requirements, such as the amount of experience you'll need to declare.

Specific licensing requirements will vary by state; visit the official web site for your state or city to find out more information.

## Secure insurance

*Insurance requirements can vary widely between industries. Your insurance requirements should be based on your local business model. Contact an insurance specialist to ensure your requirements will adequately cover your franchisees in each state. Your insurer may have specific requirements related to your industry. These should be clearly listed in the FDD and Franchise Agreement.*

You are required to maintain insurance for your business as specified in the FDD and Franchise Agreement and Chapter 10 of this operations manual. Company ABC does not specify what insurance companies you use. However, we recommend that you secure your general and professional liability (E&O). Please contact your training coordinator for assistance in this matter. See your Franchise Agreement for a detailed description of the insurance that is required for your business.

## Week Four

### Insure all licensing and code requirements have been met

You must comply with all local, state and federal regulations regarding both business operation and specific requirements pertaining to your industry. It is your responsibility to maintain current licenses with all appropriate governing bodies.

You may need to register your business on the federal, state, county and city levels of government. On the state level, corporations usually register with a particular division of corporations, and professions usually register with a business and professional regulation department. Most county governments require occupational licenses. Many times it will be necessary to obtain a license from your city clerk and then a county license from the tax collector. These levels of government and the agencies thereof will have various procedures you must follow to comply with licensing and permitting requirements for health and safety on the business premises, including submission of a floor plan. Make certain that your state and county occupational licenses are properly displayed. Be certain you understand what your occupancy capacity is and stick with it. Many states require you to file an annual business report in order to maintain legal business status.

**An example:** If you are a residential and commercial service operation, probable agencies to contact include state contractors' licensing board, state and county health departments, code enforcement, planning and zoning, building department, fire marshal, solid waste, motor vehicle, etc. These agencies may have toll-free numbers and most will be part of a state or local website. Much of what will govern your operation will be written into state statutes.

Other resources for federal law governing your business operations include the United States Code of Federal Regulations (CFR), which is online at [access.gpo.gov](http://access.gpo.gov); the National Fire Protection Association (NFPA), whose regulations can be obtained by telephone at (800) 344-3555 or online at [nfpa.org](http://nfpa.org); the Federal Trade Commission (FTC) guidelines can be procured by telephone at (800) 326-2222 or online at [ftc.gov](http://ftc.gov); a Uniform Commercial Code (UCC) locator site with links to state statutes which apply to the UCC is online at [law.cornell.edu/uniform/ucc.html](http://law.cornell.edu/uniform/ucc.html); and the internet site [secst.com](http://secst.com) contains links to all 50 Secretary of State websites, which provide basic information on corporations, partnerships, business and UCC filings.

*You want to do everything you can to ensure your franchisees stay out of trouble. A major part of this is ensuring they follow all local, state and federal regulations. Though ultimately it is their responsibility, it is helpful to outline the regulations typical of your industry.*

## Start interviewing potential staff

*As a franchisor you want to be careful when dispensing advice on human resources-related topics. Keep advice minimal and point franchisees to outside resources. An important principle to remember throughout the operations manual is to limit your advice and recommendations to areas you have control over. Because it is difficult to control the human resources and employee relations of your franchisees, it is preferable to avoid the issue entirely.*

Company ABC does not assist in your hiring or firing process. However, Chapter 17 of this manual entitled Staffing Your Company ABC franchise outlines the positions that will need to be filled in order to open your franchise for business. Finding and keeping good personnel is vital to the success of your franchise. Finding “just the right person” may take longer than you

anticipate, therefore it is imperative you begin interviewing as soon as possible.

### **What should I consider before I hire?**

When hiring, look for employees that balance your strengths and weaknesses. If you are a creative genius but are poorly organized, try to attract someone who can bring some order to the company's work.

Remember that what you hire is what you'll get in terms of personality, strengths, weaknesses and work style. Good employees are found, not changed. You cannot change someone's personal attributes. Don't expect to try.

Start the hiring process by first understanding Company ABC's Mission, Principles, and Promises. "Who are we?" and "What are our values?" Any company must first have an understanding of "who" it is before it can know what kind of employee it wants to hire. You can help someone learn a skill, but you cannot teach attitude. The better the attitude, the better service your customers will likely receive.

Employees look for responsibility, a good working environment, a sense of accomplishment, a belief in the business and what it does and a fair salary. When interviewing prospective employees, ask them what they expect to find in the position. Determine what skills and attributes are most needed for the job, and see if your expectations and the applicant's match. If they do, you have a good beginning for a productive relationship.

### **Where can I find good employees?**

If you already have employees, are pleased with them and are looking for more like them, ask them to keep their eyes open for talented prospects. If you believe you can trust an employee and if that employee trusts the prospect, chances are you can trust the prospect as well. Many companies offer a special bonus when current employees bring in successful hires.

The Internet can be a good source for employees, particularly for entry-level professional positions. The majority of small businesses still use the standard classified advertisement, while a growing number are using employee referral programs. Other possibilities are through business networks, at job fairs and through online job boards.

Another option, particularly during lean times, is hiring independent contractors or outside professionals. Many independent contractors can be

paid by the job rather than by the hour and will help you avoid the cost of benefits. Independent contractors are good sources for special expertise for specific jobs.

### **How do I keep the good hires?**

The person you select to work for your Company ABC franchise should have a good reason for wanting to work with you, and it shouldn't be just the paycheck. Employees value other benefits such as flexible hours, a pleasant atmosphere, quality professional development and career potential. Find out what is most attractive to your workers about your business, and try to ensure that you can offer that benefit. It's the best way to retain good people.

As in any relationship, communication is key. Keep your workers informed about what is going on with the company. One of the biggest mistakes you can make as an owner/operator is to share company information with investors, stockholders and partners and not with employees. Better communication will result in higher productivity AND morale.

Technology can help. Use email, voice mail and instant messaging to keep your employees informed. Set weekly or biweekly staff meetings to discuss issues in more depth and to offer time for feedback and input. Share challenges and successes, and invite ideas and complaints. Such meetings are particularly critical during business start-up. Things change quickly; keep your employees informed. Although some employee benefits are very expensive, good communication and the sense of belonging to a team are free.

Remember that when someone—customer or employee—has an extremely positive or negative experience with your company, that person will tell others about it. Work to keep both groups happy, and business will improve. Should problems arise, deal with them quickly and decisively. Respond to compliments and resolve complaints immediately. Positive word of mouth can be a highly effective, yet inexpensive, marketing tool.

### **Find all necessary management accounting and legal support**

Your professional advisory team should consist of a CPA, bookkeeper, and business attorney. You may also want to start looking for prospective employees. The need for employees will ultimately be a direct function of the demand for your services. While some franchisees initially go it alone due to limited working capital, others will hire inside/outside sales, service technicians, and field workers prior to opening for business. We strongly