THE USE OF TESTING IN FRANCHISEE SELECTION

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INTRODUCTION

Various approaches to franchisee selection have been advocated, including personal interviews and assessment centers. None specifically refers to the use of testing in the selection process. Given the successful use of testing in personnel selection in other fields, it is reasonable to believe that this method can be used effectively in franchising. In this context, "testing" refers to the administration of one or more tests to applicants and the subsequent use of the test results in making the decision whether to accept or reject the applicant as a franchisee.

ILLUSTRATION OF A RECOMMENDED APPROACH

The successful use of testing in franchisee selection requires that a systematic approach be followed. A synopsis and rationale related to each of seven steps in a recommended approach are briefly described below. Also presented is a summary of the results of a project that was intended to develop a battery of tests that would aid a franchisor of convenience grocery stores (CGS) in selecting franchisees.

1. Position Analysis. The tests used in franchisee selection should measure skills, interests, and traits related to a franchisee's activities and likelihood of successful performance. To determine which skills, interests, and traits are important in the franchisee position, interviews should be conducted with both franchisees and franchise executives of the particular organization. In the CGS project, the success profile that was developed following these interviews included eleven different skills, interests, and traits.

2. Selection of Independent and Dependent Variables. A measure of franchisee performance has to be selected as the dependent variable. At least four types of factors should be considered as possible independent variables, including demographic characteristics, personality traits, interests, and managerial abilities. The dependent variable used in the CGS project was a weighted Franchisee Performance Index (FPI), consisting of sales, gross profit, net profit, average inventory turn per period, wage control and sanitary rating. These measures were standardized to permit combining them into a single FPI value.

3. Test Review and Selection. Alternative tests have to be evaluated with respect to how well they measure the independent variables selected for the analysis. Following the screening process, three tests were selected to form the battery that would be administered to present franchisees. Each of these tests possessed satisfactory reliability, ranging from about .6 to as high as .94.

4. <u>Development of Testing Procedures</u>. Development of the predictive equation requires that the tests selected be administered to current franchisees. In the CGS project, tests were administered on a face-to-face basis during regional meetings of the franchisees. From 136 franchised stores, 94 complete and usable sets of test data were obtained.

5. <u>Statistical Analysis</u>. The primary purpose in analyzing the test data is to estimate the degree of association between the independent and dependent variables. Stepwise linear multiple regression was used in the CGS study. The most valuable regression results were produced using the sub-sample of franchisees from the metropolitan area included in the franchisor's sales territory. This multivariate equation explained 36% of the variance observed in the FPI. The multiple correlation coefficient between the FPI and the five independent variables was .60, which is statistically significant at less than the .01 probability level.

6. <u>Construction of Predictive Equation</u>. Assuming the statistical analysis reveals that some independent variables are significantly related to the dependent variable of franchisee performance, a predictive equation in the common regression format can be constructed. In the CGS project, the following predictive equation was constructed: $FPI = .086 + .94x_1 + .007x_2 - .006x_3 + .006x_4 + .007x_5$. In this equation, x_1 was the Wonderlic Test score and $x_2 - x_5$ were scores for four Strong Vocational Interest Blank variables.

7. <u>Use in Franchisee Selection</u>. The executives involved in making franchisee-selection decisions should use the predicted-performance score as one input to the process. Other important factors, such as references, perceived compatibility with the organization, and financial resources should enter in the decisions.

CONCLUSION

This paper focused on the selection of franchisees. However, the same potential benefits and challenges would apply to the selection of personnel for other marketing positions that meet the following criteria: a realistic, quantifiable performance measure, a general success profile, available tests measure these characteristics, statistical analysis reveals selected variables that explain a sufficient amount of the variance in personnel performance.