

# The Validity of the Caliper Profile in the Franchise Business: Predicting Franchisee Success

## BACKGROUND OF THE PROBLEM

One of the world's leading fragrance and cosmetics franchises experienced rapid growth in its 20-year history, with approximately 2,000 stores located in Central and South America, Europe and Asia. In the midst of this promising growth, the company realized that it did not have a program to select and develop successful Franchisees. As a result, some franchise stores were exceeding company goals while others were not.

In general, the company felt that a successful Franchisee should be entrepreneurial, and, at the same time, work within the parameters of the larger organization. They wanted Franchisees who could work independently, but could also work as a team with each other and with the corporation to ensure brand consistency across the various locations. While the company's executives believed these qualities were critical, they had not conducted a systematic assessment of the personality traits necessary to succeed as a Franchisee.

Therefore, the challenge for the company was to determine the personality traits that would lead to success in a Franchisee role and to better identify those individuals who possessed these traits. Additionally, they wanted to refine their selection process while maintaining the elements that had contributed to their past success, such as strong Franchiser-Franchisee relationships and a renowned brand reputation.

## SOLUTION

The company approached Caliper to help them gain a solid understanding of what it takes to succeed in a Franchisee role and to redefine their expectations for Franchisees. Caliper began by examining objective and subjective performance data on Franchisees; these data were used to identify the Top versus Marginal Performers. Next, the Caliper Profile was used as a valid and reliable tool to assess the personality and cognitive attributes of these two groups (Caliper Inc., 2005). Based upon the results, Caliper was able to create a model for a successful Franchisee that could be used to:

- Audit the current Franchisee population
- Identify issues for Franchisee training and development programs
- Measure and select future Franchisees

## METHODS

In the year 2000, the company identified 85 Top and 85 Marginal Performers out of its population of Franchisees to be assessed for this study. Various performance data were provided on each Franchisee, including the following:

- Number of stores owned by the Franchisee
- Regional manager's rating of the Franchisee
- Market share
- Numerical evaluation of the Franchisee (based on factors such as the percentage of sales goals met)

## RESULTS

### *Validity*

To test the validity of the Caliper Profile in selecting those with high potential and in developing successful Franchisees, the relationships between the results on the Caliper Profile and Franchisee performance were examined. The Caliper Profile results were significantly related to various performance criteria. A desirable validity coefficient in applied settings is in the .30 to .40 range, with those over .50 being quite rare, (Muchinsky, 2003). Therefore, this study supports the value of using the Caliper Profile to predict successful Franchisee performance.

As shown in the table below, validity coefficients ranged from  $r=.30$  to  $r=.31$  for various performance criteria provided by the company. Specifically, the validity coefficient reached or exceeded  $r=.30$  and achieved a high level of significance ( $p<.01$ ) for the number of stores owned by the Franchisee, a subjective rating of the Franchisee by the regional manager, market share and a numerical evaluation of the Franchisee.

### *Identification of the Ideal Franchisee*

Additionally, the results of the Caliper Profile were used to identify the personality traits of franchise owners who were categorized as Top Performers. Significant differences existed between Top and Marginal Performers on the Caliper Profile. Employing the results of Top-Performing Franchisees, Caliper was able to create an Ideal Franchisee Profile.

### *Leadership*

The Ideal Franchisee is a leader who can effectively influence people. He/She will

take charge of a situation and express himself/herself in a straightforward fashion, being appropriately forceful when necessary. In addition, he/she can listen to the perspectives of others in a reasonably objective manner and make the necessary adjustments in his/her approach. Further, he/she is aggressive enough to reinforce his/her position when encountering opposition or resistance, without being overbearing or excessively demanding. Being motivated to persuade others, he/she will derive satisfaction from winning people over to his/her point of view. In addition, he/she can take most setbacks in stride.

### *Interpersonal*

The Ideal Franchisee has a strong service motivation that should encourage customer activity. An engaging and personable individual, he/she will develop rapport quickly with others and make it easy for them to get to know him/her. Further, he/she will put in the time and effort needed to develop long-term relationships. A networker who welcomes participation from others, he/she can create effective alliances and teams. Also, while he/she tends to be somewhat skeptical at times, he/she is nonetheless likely to be viewed as supportive and responsive.

### *Problem Solving/Decision Making*

Overall, the Ideal Franchisee tends to be a somewhat conventional problem solver, relying primarily on past knowledge, common sense, and experiences rather than on "gut instinct." He/She is a calculated risk-taker who weighs both the benefits and downsides of a situation before moving forward with his/her recommendation. His/Her decisions are likely to be well thought out and reflect reliable judgment.

Although not a highly abstract thinker, he/she will listen to the input of others and be open to new ideas, yet be conscientious in gathering the necessary facts to support his/her decision.

### *Personal Organization/Time Management*

The Ideal Franchisee will demonstrate a sense of structure and organization in his/her approach. Being sensitive to organizational guidelines and requirements, he/she will operate by the rules, without coming across as rigid or legalistic. He/She will be on top of the details, exhibiting a systematic approach to managing priorities and daily demands. Also, he/she will switch gears when necessary while remaining focused on the basic plan. These qualities will support him/her in managing processes as well as in managing people.

## NEXT STEPS

Due to the value provided by this initiative, the company executives decided to administer the Caliper Profile to the rest of the Franchisee population. Based upon these results, Caliper is helping to identify the gaps between current employees' attributes and the Ideal Franchisee Profile, so that the company can provide the needed training and development programs. Moving forward, they intend to use the Ideal Franchisee Profile to select new Franchisees who display these desired attributes. Additionally, they plan to work with Caliper to benchmark other key jobs (e.g., counter staff) located in the franchise stores and to establish an Ideal Profile for these positions as well. By using the Ideal Profiles as a basis for selection, training and development, the company is ensuring that everyone is being evaluated and is performing according to the same high standard. ■

Performance Criteria	Validity Coefficient	p level
Number of Stores Owned by Franchisee	.31	<.01
Regional Manager Rating of Franchisee	.31	<.01
Market Share	.30	<.01
Numerical Evaluation of Franchisee	.30	<.01

<sup>1</sup> Validity coefficients (ranging from 0.00=no relationship to 1.00=perfect relationship) show the strength of the relationship between assessment scores and performance criteria.

<sup>2</sup> The p-level indicates the probability that a true relationship exists. For example, a probability level of .01 indicates that we are 99% confident that a statistically significant relationship exists between an assessment tool and a performance criterion.

<sup>3</sup> The figure displays +/- half a standard deviation from the mean (average) percentile for Top and Bottom Performers on each trait relative to Brazilian norms.

## REFERENCES

Caliper, Inc. (2005). *Technical Manual for the Caliper Profile*. Princeton, New Jersey

Muchinsky, P. M. (2003). *Psychology Applied to Work*. Belmont, CA: Thomson Wadsworth