

## Franchisor Advisory Councils\*

**Generally speaking, open, informed communication is essential to the success of the franchisee-franchisor relationship. In order to develop and promote this communication, many franchisors have instituted franchisor advisory councils (FACs). The main purpose of the FAC is to facilitate franchisee-franchisor communication regarding matters that affect the system as a whole. Most importantly, an FAC is a means through which franchisees can actively contribute to the continuing development and refinement of the system. The perception of inclusivity and empowerment that an FAC can engender is highly motivating. Franchisees that have a real stake in the future of the system are more likely to ensure that their franchised business is efficiently and effectively operated.**

**An FAC allows a franchisor to gather valuable information about changing consumer preferences and market conditions from those who are actually in the business of delivering the system's goods or services, thereby enhancing its ability to monitor the health of the system. An FAC also permits the franchisor to stay informed about franchisee concerns regarding a wide variety of issues, including royalty payments, marketing strategies and advertising contributions, changes to operating procedures and performance standards, and competition within the industry.**

**In order for an FAC to be positive addition to the system, it must be, and be viewed as, operating with a degree of independence from the franchisor. An FAC should be comprised of motivated franchisor representatives and franchisees representing all levels of operational sophistication and every geographical region. That is, the franchisees selected must reflect the varied conditions and market realities of each of the locations that represent the brand.**

**For an FAC to function effectively, franchisees need to know that their concerns are being taken seriously. If a franchisor's representative makes a promise, those promises must be acted on. Furthermore, franchisees must see results. Those who are tasked with carrying out FAC resolutions must be accountable to the council. In addition, franchisee council members must be accountable to the other franchisees in the system. They must also make themselves available to the franchisees they represent to discuss their concerns and to advocate on their behalf at council.**

The typical FAC is composed of one or more of the franchisor's senior executives and a representative group of franchisees. The number of franchisee council members varies from system to system, but it is not uncommon for councils in larger franchise systems to have up to 20 franchisees as members. The method of selecting franchisee members also depends on the system. Some franchisors will retain the right to appoint the franchisee members. While doing so allows the franchisor to maintain greater control over the FAC, a franchisor that chooses to appoint all of its members may sow distrust. This could weaken the authority and influence of the FAC.

Franchisors could also establish a process that allows franchisees to elect which of them will sit on the FAC. Franchisors will then set the eligibility criteria; generally being that franchisees are in good standing, have consistently met the performance standards and are not in default of their obligations at election time. Franchisees tend to elect to council franchisees that have a proven track record of success and a certain degree of financial clout.

Council members are usually elected or appointed for a defined term. There may or may not be a limit to the number of consecutive terms that each may serve. The terms of franchisee council members should be staggered to allow a certain amount of overlap in tenure. This will allow incoming members to learn from the more experienced franchisees. Elections should be transparent in order to allay any concerns that franchisees might have with respect to the fairness of the process and the *bona fides* of the council.

The FAC's constitution and bylaws, which govern every aspect of its operations, are drawn up by the franchisor. While there is usually no restriction on the range of issues that an FAC can discuss, the constitution often constrains the authority of a council to deal with certain questions. That is, a franchisor is free to limit the jurisdiction of an FAC to those matters specifically enumerated in the constitution.

The bylaws establish the particular structure of the FAC. Specifically, the bylaws determine how council officers are appointed and removed, procedures for holding meetings, quorum requirements and a variety of other technical matters. Council meetings are normally held quarterly or semi-annually, usually at the franchisor's head office. The expenses incurred by franchisees to attend to their council duties are often borne by the franchisor. FACs are usually funded entirely by the franchisor.

An FAC is a vital tool for the operation of every franchise system. A properly functioning FAC is a reflection of the interdependent relationship between the franchisor and its franchisees.

\*the foregoing is a condensed version from “FRANCHISEE ASSOCIATIONS IN CANADA” co-authored by David Kornhauser and Michael Kleinman, Carswell, 2011.

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